



ANNUAL FINANCIAL REPORT

FISCAL YEAR 22-23

EDINBURG ECONOMIC DEVELOPMENT CORPORATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT
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Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Edinburg Economic Development Corporation
Edinburg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Edinburg Economic Development Corporation (EEDC), a component unit of the City of Edinburg, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the EEDC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the EEDC, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the EEDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note III to the financial statements, the EEDC has notes receivable totaling \$13,640,003 due from Santana Textiles, LLC. Santana Textiles, LLC has ceased operations and has not complied with the loan repayment terms as outlined in the note agreements. Accordingly, Santana Textiles, LLC is in default with the terms of the note agreements. Management has evaluated the facts and circumstances associated with these notes, including the EEDC's status as second lien holder and the market values of property and equipment. Management expects to substantially recover the balances due from Santana Textiles, LLC. Any changes in management's estimates associated with these notes may have a material effect on the EEDC's financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the EEDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EEDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the EEDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and pension and other post-employment benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024, on our consideration of the EEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 EEDC's 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 EEDC's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cascos & Associates, PC". The signature is written in a cursive, flowing style.

Cascos & Associates, PC
Brownsville, Texas
April 15, 2024

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

In this section of the Annual Financial Report, we, the managers of Edinburg Economic Development Corporation (EEDC), discuss and analyze the EEDC's financial performance for the year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 1, and the EEDC's Basic Financial Statements and related disclosures, which begin on page 10.

FINANCIAL HIGHLIGHTS

General Fund

- At year-end, total fund balance for the General Fund was \$48,241,848.
- General Fund revenues were \$9,946,842 and General Fund expenses were \$5,714,290.

Government-Wide

- EEDC's governmental activities reported program expenses of \$4,240,085. General revenues totaled to \$10,720,638 and charges for services \$17,138, resulting in an increase in net position of \$6,497,691.
- At year end, EEDC's governmental activities reported combined total net position of \$23,600,438.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 10 and 11. These statements provide information about the activities of the EEDC as a whole and present a longer-term view of EEDC's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner like the financial reports of a business enterprise.

Fund financial statements, starting on page 12, report the EEDC's operations in more detail than the government-wide statements by providing information about the EEDC's most significant funds. For governmental funds, these statements tell how services were financed in the short-term, as well as, what resources remain for future spending. They reflect the flow of current financial resources and the appropriations budget.

The notes to the financial statements starting on page 16 provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Government-Wide Financial Statements

The analysis of the EEDC's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the EEDC is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the EEDC's assets, liabilities and outflow of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by EEDC's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All the current year's revenues and expenses are recognized regardless of when cash is received or paid. The EEDC's revenues are divided into those provided by outside parties who share the costs of some programs. All the EEDC's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the EEDC's net position and changes in them. The EEDC's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the EEDC's financial health or financial position. Over time, increases or decreases in the EEDC's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the EEDC, however, you should consider non-financial factors as well, such as changes in the EEDC's sales taxes due to the economy and the condition of the EEDC's facilities.

In the Statement of Net Position and the Statement of Activities, we reflect the EEDC in only one kind of activity:

- Governmental activities: All of the EEDC's basic services are reported here. Sales taxes designated for economic development finance most of EEDC's activities.

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the EEDC as a whole. The EEDC has one fund type - Governmental Funds.

- Governmental funds: All of the EEDC's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the EEDC's general operations and the basic services it provides.

We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. At year end, EEDC's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$23,600,438. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$(1,880,826). In prior years, EEDC acquired debt that was committed for projects and assets contributed to other entities, please refer to Note XVII - Commitments for additional information. The release of funds related to the contributed projects and assets, decreases the restricted net position. In the year ending September 30, 2023, unrestricted net assets increased by \$7,788,055 and restricted net assets decreased by \$359,454. Additionally, EEDC sold land and buildings, leased office space, and took on additional research and customer relation and management tools that decreased capital assets by \$1,148,458.

The following table summarizes the EEDC's net Position as of September 30, 2023.

Table I

	Governmental Activities 2023	Governmental Activities 2022
Assets		
Current and other assets	\$ 48,311,156	\$ 43,116,198
Capital assets	7,462,480	8,610,938
Total assets	<u>55,773,636</u>	<u>51,727,136</u>
Deferred outflow of resources	1,583,142	1,566,855
Total Assets and Deferred Outflow of Resources	<u>\$ 57,356,778</u>	<u>\$ 53,293,991</u>
Liabilities		
Current liabilities	\$ 202,119	\$ 1,218,887
Long-term liabilities	33,531,881	34,735,000
Total liabilities	<u>33,734,000</u>	<u>35,953,887</u>
Deferred inflow of resources	22,340	-
Total Liabilities and Deferred Inflow of Resources	<u>33,756,340</u>	<u>35,953,887</u>
Net Position		
Net in invested in capital assets	7,442,671	8,610,938
Restricted	18,038,593	18,398,047
Unrestricted	(1,880,826)	(9,668,881)
Total Net Position	<u>23,600,438</u>	<u>17,340,104</u>
Total Liabilities and Net Position	<u>\$ 57,356,778</u>	<u>\$ 53,293,991</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Statement of Activities

The EEDC's total revenues were \$10,737,776. Sales tax contributed \$9,184,192 or 85.5% of total revenues, which contributed for most of the revenues increase. Economic Development and Assistance expenses decreased by \$2,576,381 or 46.0% as the EEDC was restructured. As part of the restructure, EEDC incorporated new personnel after the beginning of the year, reducing personnel cost and also delaying the completion of projects and other expenses. Additionally, Developers' and other grantees' experienced delays on the completion on their projects, for delaying the related reimbursements to them. Series 2015 Sales Tax Revenue Bond was refinanced in fiscal year 2021, bond interest decreased as expected.

The following table summarizes the change in the EEDC's net position from its activities for the year ended September 30, 2023.

Table 2

	Governmental Activities 2023	Governmental Activities 2022
Revenues		
Program Revenues:		
Charges for Services	\$ 17,138	\$ 104,995
General Revenues:		
General Sales Taxes	9,184,192	8,600,943
Miscellaneous Revenue	250	336,242
Investment Earnings	745,262	107,322
Gain on Sale of Property	790,934	236,617
Total Revenue	<u>\$ 10,737,776</u>	<u>\$ 9,386,119</u>
Expenses		
Economic Development and Assistance	\$ 3,022,682	\$ 5,599,063
Interest on Debt and Other Debt Charges	1,217,403	1,355,227
Total Expenses	<u>4,240,085</u>	<u>6,954,290</u>
Change in Net Position	6,497,691	2,431,829
Net Position Beginning	17,340,104	14,908,275
Prior Period Adjustment	(237,357)	-
Net Position Ending	<u>\$ 23,600,438</u>	<u>\$ 17,340,104</u>

As reflected in the Statement of Activities, total expenses for governmental activities were \$4,240,085. General revenues of \$10,737,776 exceeded the total net expenses for governmental activities of \$4,240,085 by \$6,497,691. As projects are undertaken, expenses are increasing, and a large decrease in net position in the upcoming year due to the magnitude of the projects is expected.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

GENERAL FUND FINANCIAL ANALYSIS

The General Fund is the chief operating fund of the EEDC. At the end of the current year, the total fund balance of the General Fund was \$48,241,848.

General Fund Budgetary Highlights

The EEDC amended the General Fund budget during the year. Those budget amendments fall into two categories. The first involved amendments moving funds from categories that did not need all the resources to categories with resource needs. The second involved adjusting the budget to better reflect the needs and resources available as changes in personnel affected the use of the budget.

- The major revenue variance of \$680,262, or 91%, was in Investment Earnings as it was budgeted conservatively.
- Overall expenditures were below budget. The Executive Director hired new personnel after the beginning of the year which reduced personnel costs and the completion of projects. Marketing activities were also below projected. There were delays in land acquisitions and programs took longer than projected to implement, which reduced the related expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current year, the EEDC had \$7,462,480 invested in a broad range of capital assets, including land, buildings, furniture and equipment. No capital assets are impaired.

More detailed information about the EEDC's Capital Assets is presented in the notes to the financial statements.

Debt

At year-end, the EEDC had \$33,155,000 in bonds outstanding versus \$34,735,000 last year. The decrease is attributed to principal payments made during the year. No new debt was issued.

More detailed information about the EEDC's long-term liabilities is presented in the notes to the financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2024 is projected to be a year of continued growth. Both public and private development in building and infrastructure activity will serve to broaden the City's tax base and provide continuing employment opportunities for the residents. In 2023, the EEDC experienced a 6.8% increase in sales tax revenue from 2022. Cash reserves are in place in accordance with the investment policy in secured investments. Additionally, according to the Texas Labor Market Review, the unemployment rate for the McAllen-Edinburg-Mission MSA as of November 30, 2023 was 5.3%, which represents a decrease compared to a 6.4% from prior year. The state average rate is reported at 3.5% and the national average rate is at 3.5%.

The EEDC Board of Directors has approved the General Fund Budget for fiscal year 2024 that includes funding for continued growth and development opportunities. Revenues in the General Fund are estimated at \$12,015,676, with an additional transfer in from the City of Edinburg of \$1,800,000. Budgeted expenditures are estimated at \$13,815,676. Cash is expected to decrease by the close of fiscal year 2024 as construction progresses. Priority has been placed on the development of the airport, infrastructure projects, workforce programs, and the revitalization of the Downtown District, including the construction of the Parking Garage and the completion of the Edinburg Arts, Culture, and Events Center (A.C.E.).

CONTACTING THE EEDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the EEDC's finances and to show the EEDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the EEDC's administration office at:

Edinburg Economic Development Corporation
3111 W. Freddy Gonzalez Dr.
Edinburg, Texas 78539

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 13,501,268
Cash and Cash Equivalents - Restricted	19,742,338
Due from Primary Government	1,695,444
Notes Receivable, Net	13,367,203
Prepayments	4,903
Capital Assets:	
Land	6,780,643
Buildings, Net	660,734
Right-to-Use Lease & SBITA, Net	21,103
Total Assets	<u>55,773,636</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge for Refunding	1,441,087
Deferred Outflow Related to Pensions	131,582
Deferred Outflow Related to OPEB	3,178
Deferred Outflow Related to OPEB - MED	7,295
Total Deferred Outflows of Resources	<u>1,583,142</u>
LIABILITIES	
Accounts Payable	44,224
Accrued Interest Payable	132,811
Due to Primary Government	10,878
Accrued Expenditures	14,206
Noncurrent Liabilities:	
Due Within One Year	1,644,809
Due in More Than One Year:	
Bonds, Notes, Loans, Leases, etc.	31,530,000
Net Pension Liability	287,625
Net OPEB Liability	9,507
Net OPEB - MED Liability	59,940
Total Liabilities	<u>33,734,000</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	1,078
Deferred Inflow Related to OPEB	5,275
Deferred Inflow Related to OPEB - MED	15,987
Total Deferred Inflows of Resources	<u>22,340</u>
NET POSITION	
Net Investment in Capital Assets	7,442,671
Restricted for:	
Restricted for Capital Acquisition	13,495,296
Restricted for Debt Service	3,763,297
Restricted for Other Purposes	780,000
Unrestricted	(1,880,826)
Total Net Position	<u>\$ 23,600,438</u>

The accompanying notes are an integral part of these financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary government:				
GOVERNMENTAL ACTIVITIES:				
Economic Development and Assistance	\$ 3,022,682	\$ 17,138	\$ -	\$ (3,005,544)
Interest on Debt	1,213,653	-	-	(1,213,653)
Other Debt Charges	3,750	-	-	(3,750)
Total Governmental Activities	<u>4,240,085</u>	<u>17,138</u>	<u>-</u>	<u>(4,222,947)</u>
Total Primary Government	<u>\$ 4,240,085</u>	<u>\$ 17,138</u>	<u>\$ -</u>	<u>(4,222,947)</u>
General Revenues:				
				9,184,192
				250
				745,262
				790,934
				<u>10,720,638</u>
			Change in Net Position	6,497,691
			Net Position - Beginning	17,340,104
			Prior Period Adjustment	(237,357)
			Net Position - Ending	<u>\$ 23,600,438</u>

The accompanying notes are an integral part of these financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 13,501,268
Cash and Cash Equivalents - Restricted	19,742,338
Due from Primary Government	1,695,444
Notes Receivable, Net	13,367,203
Prepayments	4,903
Total Assets	<u>\$ 48,311,156</u>
LIABILITIES	
Accounts Payable	\$ 44,224
Due to Primary Government	10,878
Accrued Expenditures	14,206
Total Liabilities	<u>69,308</u>
FUND BALANCES	
Nonspendable	13,367,203
Restricted for:	
Restricted for Capital Acquisition	13,495,296
Restricted for Debt Service	3,763,297
Restricted for Other Purposes	780,000
Unassigned	16,836,052
Total Fund Balances	<u>48,241,848</u>
Total Liabilities and Fund Balances	<u>\$ 48,311,156</u>

The accompanying notes are an integral part of these financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$ 48,241,848
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,235,003 and accumulated depreciation was \$624,065. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(24,557,207)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays and debt principal payments is to increase net position.	449,629
Current year GASB 68 changes for the TMRS Pension plan this fiscal year required that the EDC report their net pension liability in the Government-Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$287,625, a Deferred Resource Inflow of \$1,078, and a Deferred Resource Outflow of \$131,582. The net effect of these was to decrease the ending net position by \$157,121.	(157,121)
Current year GASB 75 changes for the OPEB Pension plan this fiscal year required that the EDC report their net OPEB liability in the Government-Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$69,447, a Deferred Resource Inflow of \$21,262, and a Deferred Resource Outflow of \$10,473. The net effect of these was to decrease the ending net position by \$80,236.	(80,236)
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(37,896)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(258,579)
Net Position of Governmental Activities	<u>\$ 23,600,438</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
REVENUES	
General Sales Taxes	\$ 9,184,192
Lease and Rental	17,138
Investment Earnings	745,262
Other Revenue	250
Total Revenues	<u>9,946,842</u>
EXPENDITURES	
Conservation and Development	
Economic Development and Assistance	2,984,786
Debt Service:	
Principal on Debt	1,596,342
Interest on Debt	1,093,261
Other Debt Charges	3,750
Capital Outlay:	
Capital Outlay	36,151
Total Expenditures	<u>5,714,290</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,232,552</u>
OTHER FINANCING SOURCES (USES)	
Sale of Real and Personal Property	1,937,647
Right-to-Use Lease and SBITA Proceeds	36,151
Total Other Financing Sources (Uses)	<u>1,973,798</u>
Net Change in Fund Balance	6,206,350
Fund Balance - October 1 (Beginning)	<u>42,035,498</u>
Fund Balance - September 30 (Ending)	<u>\$ 48,241,848</u>

The accompanying notes are an integral part of these financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 6,206,350
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays, the disposal of capital assets with net value of (\$1,146,713) and debt principal payments of \$1,596,342 is to increase net position.	449,629
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position	(37,896)
Amortization of deferred bond charges and accrued interest payable are not recognized as expenses in governmental funds since they do not require the use of current financial resources. The net effect of the current year's amortization expense of \$125,768 and accrued interest of \$5,376 is to decrease the change in net position.	(120,392)
Change in Net Position of Governmental Activities	<u><u>\$ 6,497,691</u></u>

The accompanying notes are an integral part of these financial statements.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edinburg Economic Development Corporation (EEDC), a component unit of the City of Edinburg, Texas, (the City) was incorporated on April 23, 1990, under the Constitution of the State of Texas. The EEDC was organized on behalf of the City for the purpose of promoting the development of commercial, industrial, and manufacturing enterprises as well as improving the quality of life within its city limits and encouraging new employment opportunities.

The EEDC is a 501(c)(4) not for profit corporation by the Internal Revenue Service, and thus, its income is generally exempt from federal income taxation.

The EEDC prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

The accounting policies of the EEDC as reflected in the accompanying financial statements conform to GAAP for local governmental units as prescribed by the GASB.

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," provides guidance for determining which governmental organizations should be included within a reporting entity. GASB statement No. 61 sets forth financial accountability as the basic criterion for inclusion of a government unit in a governmental reporting entity. Financial accountability is defined as appointment of a voting majority of the component units board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Due to the primary government's ability to impose its will on the EEDC, the EEDC is a component unit of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the EEDC's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and other intergovernmental revenues.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (*Continued*)

The Statement of Activities demonstrates how other people or entities that participate in programs the EEDC operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the EEDC. The "grants and contributions" column includes amounts paid by organizations outside the EEDC to help meet the operational or capital requirements of given function. If a revenue is not a program revenue, it is a general revenue used to support all of the EEDC's functions. Taxes are always general revenues.

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the government-wide statement of net position.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present net increases and decreases in current assets (i.e. revenues and other financing sources and the expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The EEDC considers all revenues available if they are collected within 60 days after year-end.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (*Continued*)

Revenues from local sources consist primarily of sales taxes. Sales tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The EEDC considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The EEDC reports the following major governmental funds:

General Fund - The primary operating fund is the only major fund in the current fiscal year. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

E. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects are appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Board of Directors.

F. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

F. OTHER ACCOUNTING POLICIES (*Continued*)

2. 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.
3. Receivables consist of uncollected notes receivable at year end. Additional details can be found on Note III.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the EEDC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the EEDC are depreciated using the straight-line method over the following estimated useful lives. The estimated lives range from 5 to 20 years for equipment, 10 to 40 years for improvements, and 40 years for buildings.

5. Deferred Outflows/Inflows of Resources are sometimes an addition to assets and liabilities. They are reported in a separate section for deferred outflows and inflows of resources in the statement of net position. Deferred outflow of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The EEDC records deferred outflows of resources related to deferred charges on refunding.
6. *Restricted Assets:* Proceeds of revenue bonds issued, as well as, certain resources set aside for their repayment, are classified as restricted assets on the Balance Sheet because their use is limited by applicable bond covenants.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

F. OTHER ACCOUNTING POLICIES (*Continued*)

7. When the EEDC incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In the fund financial statements, governmental funds report fund balance based on the following classifications: non-spendable, restricted, committed, assigned *or* unassigned. Restricted fund balances are amounts legally restricted by outside parties for use by a specific purpose. Commitments of fund balance require approval of the Board of Directors through formal action. The Board of Directors delegates the responsibility to assign fund balance to the Director or his/her designee, when appropriate. Unassigned fund balance is the residual classification for the general fund after the amounts for the restricted, committed, and assigned classifications have been identified. Funds will be utilized in the following order: restricted, committed, assigned, and unassigned.

G. CURRENT ACCOUNTING STANDARDS

In June 2017, GASB issued Statement No. 87, Leases, which improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The EEDC implemented GASB 96 for reporting Subscription-Based-Information Technology Arrangements (SBITAs). GASB 96 requires recognition of certain right-to-use subscription assets and liabilities for SBITAs in the financial statements. There are no SBITAs that require a prior period adjustment.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

II. DEPOSITS AND INVESTMENTS

The EEDC Depository Agreement requires its designated financial institution to secure by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2023, the 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. The bank balance consisted of the following at September 30, 2023:

Bank	Bank Balance
Texas National Bank-Operating	\$ 13,806,008
Texas National Bank-Debt Service	2,310,824
Texas National Bank-Arena	780,000
TexStar 2019 DS	803,164
TexStar 2021AB	9,493,550
TexStar 2021B DS	171,639
TexStar 2021A DS	477,671
TexStar 2019	5,705,490
Total Bank Deposits	\$ 33,548,346

The Public Funds Investment Act (Government Code, Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the EEDC to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity (2) portfolio diversification (3) allowable investments (4) acceptable risk levels (5) expected rates of return (6) maximum allowable stated maturity of portfolio investments (7) maximum average dollar- weighted maturity allowed based on the stated maturity date for the portfolio (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas (2) certificates of deposit (3) certain municipal securities (4) money market savings accounts (5) repurchase agreements (6) bankers acceptance (7) Mutual Funds (8) Investment Pools guaranteed investment contract (10) and common trust funds.

At September 30, 2023 the EEDC had 100% of its investments in interest paying accounts and TexSTAR, a conservatively managed fund operated in full compliance with the PFIA, rated AAAM by Standard & Poors. TexSTAR is an investment pool created by Local Governments for Local Governments.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

II. DEPOSITS AND INVESTMENTS (*Continued*)

As of September 30, 2023, all of the EEDC's external investment pools meet the criteria described in GASB Statement No. 79 and measure all of their investments at amortized cost; therefore, the EEDC 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.

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the EEDC limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by the U.S. Government Securities. As of September 30, 2023, the EEDC's investments were secured by the U.S. Government Securities, pursuant to the Depository Agreement.

Custodial Credit Risk for Investments: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the EEDC complies with this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. As of September 30, 2023, the EEDC had investments only in a public funds investment pool.

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. For operating funds, such as the general fund, maturities shall not exceed one year. As of September 30, 2023, the EEDC had investments only in a public funds investment pool.

Foreign Currency Risk for Investments: Foreign currency risk is the risk that changes in exchanges rates will adversely affect the fair value of an investment. At year-end, the EEDC was not exposed to foreign currency risk.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

III. AGGREGATE RECEIVABLES

The aggregate receivables at September 30, 2023, were:

Notes Receivable - Santana Textiles	\$ 13,640,003
Allowance for Uncollectible Notes	(272,800)
Total Notes Receivable, net	\$ 13,367,203
Accounts Receivable - Accrued Interest and Late Fees (Santana Textiles)	\$ 3,577,449
Accounts Receivable - Nu-Co Tool	127,633
Allowance for Uncollectible	(3,705,082)
Total Receivable, net	\$ -

The notes receivable (Santana Textiles) account is comprised of two (2) notes from Santana Textiles, LLC. The first note originated on April 16, 2010, in the amount of \$5,000,000. The second note originated on August 30, 2011, in the amount of \$10,000,000. The current agreement with Santana Textiles expired on October 21, 2022. The EEDC renegotiated an extension which was approved by the Board of Directors on November 15, 2023 and by City Council on December 5, 2023. However, to this date, Santana Textiles has failed to execute the agreements and also to pay the amount due to bring the notes current. Other options to collect are being explored and pursued.

The \$5,000,000 note receivable from Santana Textiles, LLC requires payments of \$26,778 monthly, including principal and interest (4.25%) beginning November 21, 2017, and ending upon maturity on October 21, 2022.

The \$10,000,000 note receivable from Santana Textiles, LLC requires payments of \$59,971 monthly, including principal and interest (4.25%) beginning November 21, 2017, and ending upon maturity on October 21, 2022.

Santana Textiles has ceased operations and is in default of loan payments and interest and is currently under an agreement to cover delinquent property taxes with Hidalgo County. EEDC is secondary lien holder on the notes. Management of EEDC feels that a satisfactory agreement will be placed and is negotiating an extension to agree on a date to satisfy the pending receivable either by contracting with other companies to take over the project or through asset liquidation.

The combined balance of the Santana Textiles notes receivable is \$13,640,003. An allowance for uncollectible has been setup for \$272,800 or 2% of the note receivable balance. An additional allowance for uncollectible has been set up for 100% of the related accrued interest and late fees. The total notes allowance for uncollectible balance is \$3,577,449 which brings the notes receivable, net balance to \$13,367,203. A Cross-Collateralization and Cross-Default and Security Agreement was executed on August 30, 2011 and recorded in the Office of the County Clerk of Hidalgo County, Texas as Document No. 2237059 for both Notes.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IV. ACCOUNTS PAYABLE

The accounts payable at September 30, 2023, were:

Communications & Other	\$ 3,008
Projects	3,400
Travel, Training and Meetings	16,217
Audit	16,000
TML Insurance	5,599
Total Accounts Payable	\$ 44,224

V. SINKING FUNDS

As of September 30, 2023, the sinking funds consisted of the following:

Account	Reserve Required	Balance at 09/30/23	Overfunded/ (Underfunded)
TexStar Series 19 Bond Reserve	\$ 761,150	\$ 803,164	\$ 42,014
TexStar Series 2021A Bond Reserve	456,194	477,671	21,477
TexStar Series 2021B Bond Reserve	162,988	171,639	8,651
	\$ 1,380,332	\$ 1,452,474	\$ 72,142

VI. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund
General Sales Taxes	\$ 9,184,192
Lease and Rental	17,138
Investment Earnings	745,262
Other Revenue	250
Total	\$ 9,946,842

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VII. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Primary Government</u>			
<i>For the Years Ended September 30,</i>	2022	Additions	Retirements	2023
Capital assets not being depreciated:				
Land	\$ 7,322,205	\$ -	\$ (541,562)	\$ 6,780,643
Total capital assets not being depreciated	7,322,205	-	(541,562)	6,780,643
Capital assets being depreciated:				
Buildings	1,912,074	-	(1,123,054)	789,020
Furniture and equipment	724	-	-	724
Right-to-use lease	-	29,651	-	29,651
SBITA	-	6,500	-	6,500
Total capital assets being depreciated	1,912,798	36,151	(1,123,054)	825,895
Less: accumulated depreciation for:				
Buildings	(623,341)	(22,848)	517,903	(128,286)
Furniture and equipment	(724)	-	-	(724)
Right-to-use lease	-	(9,884)	-	(9,884)
SBITA	-	(5,164)	-	(5,164)
Total accumulated depreciation	(624,065)	(37,896)	517,903	(144,058)
Total capital assets, being depreciated, net	1,288,733	(1,745)	(605,151)	681,837
Governmental activities capital assets, net	\$ 8,610,938	(1,745)	\$ (1,146,713)	\$ 7,462,480

Costs associated with the ongoing construction projects were not capitalized as the assets will be owned and operated by the City or other entities. See note XIV for additional information. For the fiscal year ended September 30, 2023 depreciation expense was \$37,896.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VIII. LONG-TERM DEBT

Long-term debt for bonds consists of the following at September 30, 2023:

\$2,300,000 Bond Issue Series 2013A; payable in semi-annual installments of \$18,750 plus interest of 3.120%, maturing February 15, 2024; collateralized by economic development sales tax receipts.	\$ 265,000
\$4,575,000 Bond Issue Series 2013B; payable in semi-annual installments of \$37,500 plus interest of 3.040%, maturing August 15, 2024; collateralized by economic development sales and use tax receipts.	525,000
\$10,840,000 Bond Issue Series 2019; payable in semi-annual installments plus interest maturing August 15, 2044.	9,885,000
\$7,730,000 2021A Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 2.500%-3.375%, maturing in August 15, 2046; collateralized by sales and use tax receipts.	7,275,000
\$2,250,000 2021B Sales Tax Revenue Bonds; payable in semi-annual installments plus interest of 4.750%-5.250%, maturing in August 15, 2046; collateralized by sales and use tax receipts.	2,145,000
\$13,610,000 2021 Sales Tax Revenue Refunding Bonds; payable in semi-annual installments plus interest of .355%-2.340%, maturing in February 15, 2035; collateralized by sales and use tax receipts.	<u>13,060,000</u>
	<u>\$ 33,155,000</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VIII. LONG-TERM DEBT (Continued)

EEDC has issued sales tax revenue bonds to finance various construction projects to enhance economic development in the area of the City. These bonds are to be repaid with sales tax revenue.

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

Fiscal Year	Principal	Interest
2024	\$ 1,625,000	\$ 1,049,036
2025	1,665,000	1,010,977
2026	1,695,000	977,766
2027	1,735,000	941,187
2028	1,775,000	900,010
2029-2033	9,590,000	3,778,671
2034-2038	7,060,000	2,415,669
2039-2043	5,580,000	1,280,163
2044-2046	2,430,000	169,275
	<u>\$ 33,155,000</u>	<u>\$ 12,522,754</u>

On June 1, 2023, EEDC entered into a 12 month lease as Lessee for the use of JH/JC, LLC & EEDC 3111 W. Freddy Gonzalez. An initial lease liability was recorded in the amount of \$29,651. As of September 30, 2023, the value of the lease liability is \$19,809. EEDC is required to make monthly fixed payments of \$2,500. The lease has an interest rate of 2.56%. The Buildings estimated useful life was 12 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$19,767 with accumulated amortization of \$9,884 is included on Note VII. EEDC has 1 extension option for 12 months.

A summary of right-to-use lease arrangements for the year ended September 30, 2023 is as follows:

	Interest Rate	Original Lease Liability	September 30, 2022	Additions	Reductions	September 30, 2023	Current Portion
Right-to-Use Lease - Office Space	2.56%	\$ 29,651	\$ -	\$ 29,651	\$ (9,842)	\$ 19,809	\$ 19,809
Total Right-to-Use Lease		\$ 29,651	\$ -	\$ 29,651	\$ (9,842)	\$ 19,809	\$ 19,809

Debt service requirements for right-to-use lease is as follows:

Fiscal Year	Principal	Interest
2024	\$ 19,809	\$ 191
	<u>\$ 19,809</u>	<u>\$ 191</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VIII. LONG-TERM DEBT (Continued)

On December 15, 2022, the EEDC entered into a 12 month subscription for the use of REsimplifi Application. An initial subscription liability was recorded in the amount of \$6,500. As of September 30, 2023, the value of the subscription liability is \$0.00. EEDC is required to make annual fixed payments of \$6,500. The subscription has an interest rate of 3.14%. The value of the right to use asset as of September 30, 2023 of \$6,500 with accumulated amortization of \$5,164 is included on Note VII. EEDC has 1 extension option, for 12 months.

A summary of the SBITA for the year ended September 30, 2023 is as follows:

	Interest Rate	Original Lease Liability	September 30, 2022	Additions	Reductions	September 30, 2023	Current Portion
SBITA	3.14%	\$ 6,500	\$ -	\$ 6,500	\$ (6,500)	\$ -	\$ -
Total SBITA		\$ 6,500	\$ -	\$ 6,500	\$ (6,500)	\$ -	\$ -

Summary of changes in Long-Term Debt for the year ended September 30, 2023:

	September 30, 2022	Additions	Reductions	Adjustments	September 30, 2023	Current Portion
Bonds payable						
Series 2013A	\$ 520,000	\$ -	\$ (255,000)	\$ -	\$ 265,000	\$ 265,000
Series 2013B	1,030,000	-	(505,000)	-	525,000	525,000
Series 2019	10,170,000	-	(285,000)	-	9,885,000	295,000
Series 2021A	7,495,000	-	(220,000)	-	7,275,000	225,000
Series 2021B	2,195,000	-	(50,000)	-	2,145,000	55,000
Series 2021 Refunding	13,325,000	-	(265,000)	-	13,060,000	260,000
Total Bonds Payable	34,735,000	-	(1,580,000)	-	33,155,000	1,625,000
Right-to-Use Lease	-	29,651	(9,842)	-	19,809	19,809
SBITA	-	6,500	(6,500)	-	-	-
Net Pension Liability	-	-	-	287,625	287,625	-
Net OPEB Liability	-	-	-	69,447	69,447	-
Total Long-Term Debt	\$ 34,735,000	\$ 36,151	\$ (1,596,342)	\$ 357,072	\$ 33,531,881	\$ 1,644,809

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IX. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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 also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the government-wide financial statements, deferred outflows include deferred charges on refunding of the bonds.

As of September 30, 2023, the various components of deferred outflows and inflows of resources are as follows:

Deferred Outflow Related to TMRS Pension	\$ 131,582
Deferred Outflow Related to OPEB	<u>10,473</u>
Total Deferred Outflows	<u><u>\$ 142,055</u></u>
Deferred Inflow Related to TMRS Pension	\$ 1,078
Deferred Inflow Related to OPEB	<u>21,262</u>
Total Deferred Inflows	<u><u>\$ 22,340</u></u>

X. EMPLOYEE RETIREMENT BENEFIT PLAN

Texas Municipal Retirement System

Plan Description

The EEDC participates as one of the 892 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS), thru the City of Edinburg (City).

TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.org.

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

All terms, conditions and benefits of EEDC employees are identical to the City's employees and covered under the City's plan with TMRS.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

X. EMPLOYEE RETIREMENT BENEFIT PLAN (*Continued*)

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 and apply to EEDC employees.

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.

Employees Covered by Benefit Terms

At the December 31, 2022, valuation and measurement date, the following city employees which include EEDC employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit	325
Inactive employees entitled to but not yet receiving benefits	609
Active employees	<u>986</u>
Total	<u><u>1,920</u></u>

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 14.63% and 14.78% in the calendar years 2022 and 2023, respectively. The City's contribution to TMRS for the year ended September 30, 2023 were \$7,551,647 and were equal to the required contributions.

Net Pension Liability

The EEDC's Net Pension Liability (NPL) is included in the City's Net Pension Liability (NPL) and was measured as of December 31, 2022 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. There is no specific information as it relates to the EEDC's portion.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

X. EMPLOYEE RETIREMENT BENEFIT PLAN (*Continued*)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 3-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class (Arithmetic)	Target Allocation	Long-Term Expected Net Real Rate of Return
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real estate	12.0%	5.80%
Other Public and Private Markets	12.0%	8.10%
Hedge Funds	5.0%	6.90%
Private equity	10.0%	11.80%
Total	100.0%	

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

X. EMPLOYEE RETIREMENT BENEFIT PLAN (*Continued*)

The discount rate used to measure Total Pension Liability was 6.75%. The projections 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.

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Net Pension Liability - December 31, 2021	\$ 188,772,526	\$ 166,486,369	\$ 22,286,157
Changes for the year:			
Service Cost	7,924,131	-	7,924,131
Interest (on the Total Pension Liability)	12,787,769	-	12,787,769
Change in benefit terms	-	-	-
Difference between expected and actual experience	3,988,085	-	3,988,085
Changes of assumptions	-	-	-
Contributuions - employer	-	7,256,687	(7,256,687)
Contributuions - employee	-	3,512,914	(3,512,914)
Net investment income	-	(12,170,826)	12,170,826
Benefit payments, including refunds of employee contributions	(6,572,314)	(6,572,314)	-
Administrative expense	-	(105,164)	105,164
Other changes	-	125,492	(125,492)
Net Changes	18,127,671	(7,953,211)	26,080,882
Net Pension Liability - December 31, 2022	\$ 206,900,197	\$ 158,533,158	\$ 48,367,039

The amount presented above includes pension liabilities for the City's discretely presented component units. At September 30, 2023, the City's Governmental Activities portion of the net pension obligation was \$36,266,866, and the Business type activities was \$11,013,175, the Boys & Girls Club of Edinburg's portion was \$799,373, and the EEDC's portion was \$287,625. The total net pension liability for the Primary Government was \$47,280,041.

Sensitivity of the Net Pension Liability to Changes in the Discounted 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:

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

X. EMPLOYEE RETIREMENT BENEFIT PLAN (*Continued*)

	Current Single Discount		
	1 % Decrease	Rate Assumption	1 % Increase
	5.75%	6.75%	7.75%
Governmental Activities	\$ 61,896,093	\$ 36,266,866	\$ 15,672,084
Business Type Activities	18,796,014	11,013,175	4,759,149
Boys & Girls Club	1,364,277	799,373	345,435
Edinburg EDC	490,885	287,625	124,292
Total net pension liability	<u>\$ 82,547,269</u>	<u>\$ 48,367,039</u>	<u>\$ 20,900,960</u>

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

For the year ended September 30, 2023, the City and component units recognized a combined pension expense of \$10,495,822. At September 30, 2023, 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
Difference between expected and actual experience	\$ 5,501,784	\$ 181,284
Changes in actuarial assumptions	146,521	-
Difference between projected and actual investment earnings	10,896,549	-
Contributions subsequent to measurement period	5,582,060	-
Total	<u>\$ 22,126,914</u>	<u>\$ 181,284</u>

Of the total deferred outflows relating to the pension plan, \$16,591,338 is reported in Governmental Activities and \$5,038,298 is reported in Business-Type Activities. The Boys and Girls Club of Edinburg's portion is \$365,696, and the remaining \$131,582 pertains to the EEDC.

Of the total deferred inflows relating to the pension plan, \$135,931 is reported in Governmental Activities, and \$41,279 is reported in Business-Type Activities. The Boys and Girls Club of Edinburg's portion is \$2,996, and the remaining \$1,078 pertains to the EEDC.

\$5,582,060 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, 2024. Other amounts reported as deferred outflows and the inflows of resources related to pensions will be recognized in pension expense as follows:

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

X. EMPLOYEE RETIREMENT BENEFIT PLAN (*Continued*)

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2024	\$ 2,444,328
2025	4,347,565
2026	4,253,192
2027	5,318,485
2028	-
Thereafter	-
Total	<u>\$ 16,363,570</u>

XI. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The EEDC, thru the City also participates in the defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The SDBF is considered to be a single-employer plan. 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.

Benefits

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).

Contributions

The EEDC, thru 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.

Inactive employees or beneficiaries currently receiving benefit	251
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>986</u>
Total	<u><u>1,280</u></u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XI. OTHER POST EMPLOYMENT BENEFITS (*Continued*)

Accounting Policy

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statements No. 75. Therefore, the Plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Funding Policy

The benefits levels and contribution rate are approved annually by the city management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contribution are equal to the benefits that are paid on behalf of the retirees. OPEB expenses for the SDBF program as actuarially determined for the City was \$132,925 and \$2,181,550 for Health Insurance program.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2022, actuarial valuation for the SDBF program are as follows:

SDBF Program

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XI. OTHER POST EMPLOYMENT BENEFITS (*Continued*)

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2022.

Health Insurance Program

Inflation	2.70% per year
Salary Increases	Varies from 11.50% to 3.50%
Discount Rate: (1)	
Prior Measurement Date	4.77% per year
Measurement Date	4.87% per year
Mortality Table	Pub-2010 General and Public Safety Employees / Retirees Headcount-Weighted Mortality Tables projected fully generationally using scale MP-2021
Health Care Cost Trends	Actual 7.60% from 2022 to 2023, 6.50% from 2023 to 2024, decreasing gradually to an ultimate rate of 4.14% by 2076.

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

These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation. The actuarial valuation report determines, as of the actuarial valuations date, the service cost, total OPEB liability, and related actuarial present value of projected benefits.

Total OPEB Liability

The total OPEB Liability for the SDBF and Health Insurance Program respectively of \$1,598,701 and \$25,179,938 was determined by an actuarial valuation as of December 31, 2022.

The total OPEB liability and related information are as follows for the city at December 31, 2022:

SDBF Program

Total OPEB Liability - beginning of the year	\$ 2,352,323
Changes for the Year	
Service Cost	125,461
Interest on Total OPEB Liability	44,021
Differences Between Expected and Actual Experience	33,577
Changes in Assumptions of Other Inputs	(911,515)
Benefit Payments	(45,166)
Net Changes	(753,622)
Total OPEB Liability - End of Year	\$ 1,598,701

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XI. OTHER POST EMPLOYMENT BENEFITS (*Continued*)

	Health Insurance Program		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability Liability (a) - (b)
Net Pension Liability - December 31, 2021	\$ 23,726,239	\$ -	\$ 23,726,239
Changes for the year:			
Service Cost	1,368,317	-	1,368,317
Interest (on the Total Pension Liability)	1,174,953	-	1,174,953
Change in benefit terms	-	-	-
Difference between expected and actual experience	93,316	-	93,316
Changes of assumptions	(247,170)	-	(247,170)
Contributions - employer	-	935,717	(935,717)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(935,717)	(935,717)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	1,453,699	-	1,453,699
Net Pension Liability - December 31, 2022	\$ 25,179,938	\$ -	\$ 25,179,938

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2023, the City recognized OPEB expenses of \$132,925 for the SDBF Program and \$2,181,550 for the Health Insurance program.

SDBF Program

OPEB Expense:	
Service cost	\$ 125,461
Interest on total OPEB liability	44,021
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(10,395)
Changes in assumptions or other inputs ¹	(26,162)
Total OPEB expense	<u>\$ 132,925</u>

1. Generally, this will only be the annual change in the municipal bond index rate.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XI. OTHER POST EMPLOYMENT BENEFITS (*Continued*)

The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources.

Other amounts reported as deferred outflow related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience - OPEB Health	\$ 642,352	\$ 1,754,608
Difference between expected and actual experience - OPEB Death	37,698	73,472
Changes in assumptions and other inputs - OPEB Health	2,422,192	4,961,428
Changes in assumptions and other inputs - OPEB Death	400,643	813,618
Contributions subsequent to measurement period - OPEB Death	96,044	-
Total	<u>\$ 3,598,929</u>	<u>\$ 7,603,126</u>

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 4.05%, 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 (3.05%) or 1 percentage point higher (5.05%) than the current rate.

SDBF Program

1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
\$1,940,973	\$1,598,701	\$1,336,940

Health Insurance Program

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.87%, 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 (3.87%) or 1 percentage point higher (5.87%) 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	Discount Rate		
	1% Increase (5.87%)	Current (4.87%)	1% Decrease (3.87%)
1% Decrease		\$ 21,952,395	
Current	\$ 22,846,298	\$ 25,179,938	\$ 27,767,825
1% Increase		\$ 29,065,049	

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XI. OTHER POST EMPLOYMENT BENEFITS (*Continued*)

The City's contributions to the TMRS SDBF for the year ended 2023 was \$119,199 which equaled the required contributions.

Schedule of Contributions (retiree-only portion of the rate, for OPEB)

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	0.15%	0.03%
2020	0.15%	0.03%
2021	0.17%	0.09%
2022	0.17%	0.09%
2023	0.25%	0.09%

XII. RISK MANAGEMENT

The EEDC maintains insurance for all business and government functions of which it may be liable for claims, through the City of Edinburg, Texas. The more significant of these include general liability insurance, property insurance covering the EEDC's industrial park buildings and structures, and the Director and Board of Directors. City personnel who served as administrators for the EEDC were covered by a fully insured health insurance plan provided by the City of Edinburg. There have been no significant reductions in insurance coverage.

XIII. TAX INCREMENT REINVESTMENT ZONE

In 1997, the City Council approved Ordinance No. 1915 which created a tax increment reinvestment zone pursuant to Chapter 311 of the Texas Code. This was originally designated as Reinvestment Zone Number One, City of Edinburg, Texas (1997 Zone). However, no public or private improvements were made to the 1997 Zone and expected development never materialized. Therefore, on November 18, 2008, an ordinance was passed terminating the 1997 zone. However, the new zone established in 2007 (TIRZ #1 described below) was inadvertently named Reinvestment Zone Number One, City of Edinburg, Texas. Since the 1997 Zone was terminated, there was no need to change the name of the 2007 tax increment zone. There is no Tax Increment Zone Number Two. Reinvestment Zone Number One, City of Edinburg, Texas (TIRZ #1) is a reinvestment zone created by the City of Edinburg, pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code. Creation of the tax increment zone along with an economic development agreement between the City of Edinburg, Hidalgo County, the Edinburg Economic Development Corporation, the City of Edinburg Local Government Finance Corporation, and the developer, allowed for property tax increment funding to support development activities relating to the development of a retail shopping center containing approximately 800,000 square feet in multiple buildings. On March 16, 2015, the development agreement with First Harford Realty Corporation dated February 20, 2007 and subsequently amended on August 16 and November 15, 2011 was cancelled. All work under the agreement had been performed by the developer and the City desired to use TIRZ #1 to help finance the repayment of debt issued for the construction Reinvestment Zone Number Four, City of Edinburg, Texas of a new municipal facility in (TIRZ #4).

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XIII. TAX INCREMENT REINVESTMENT ZONE (*Continued*)

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

On March 1, 2015, an agreement was entered into between the City, the Local Government Finance Corporation (LGFC), TIRZ # 1, TIRZ #4, and the EEDC. Under the terms of the agreement, the LGFC will aid in the financing, constructing, furnishing, and owning of an indoor multipurpose event center. The LGFC will be the landlord and lease the municipal facility to Vipers Arena, LLC as further described in the Lease and Development Agreement. In connection with this agreement, the LGFC issued bonds to finance the construction.

Under the terms of the agreement, the developer was responsible for half of the construction costs of the municipal facility and any cost overruns. 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. The zone is managed by the City Local Government Finance Corporation, which is presented as a blended component unit of the City.

Under the developer agreement, the City was required to provide a Chapter 380 Grant Reimbursement equal to the difference between \$8,000,000 and the public infrastructure reimbursement. This was being paid from the City's dedicated 1% sales tax revenues within TIRZ #1 and TIRZ #4. The remaining amount due to the developer under the agreement was \$1,575,266. In addition, the EEDC owed a remaining balance of \$1,975,684, for a total amount of \$3,547,950. Under the agreement to terminate the economic development agreement, both the City and the EEDC agreed to pay off these balances. In return, the developer would release both the City and the EEDC from future obligations under the agreement. The amount needed to pay off this balance was provided by a contribution from the Vipers Arena, LLC. Tax increment revenues received by the City of Edinburg are deposited into a separate bank account designated for the tax increment reinvestment zone and transferred to the City 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 and Hidalgo County, no other taxing jurisdictions are participating. 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. TIRZ #1 and TIRZ#4 are managed by the City Local Government Finance Corporation, which is presented as a blended component unit of the City.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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XIV. RELATED PARTY TRANSACTIONS

The City provides administrative services to EEDC. Administrative fees for the year ended September 30, 2023 totaled \$500,000. Additionally, the EEDC committed proceeds from its 2019, 2021A and 2021B bonds for projects that will be contributed to the City as incentives. As of the year ended September 30, 2023, EEDC had paid \$4,222,222 related to the projects.

The EEDC has a receivable for sales tax revenue sharing from the City. The receivable balance as of September 30, 2023 was \$1,695,444 and a payable to the City of \$10,878.

EEDC entered into a contract for technical assistance with the University of Texas – Rio Grande Valley Office of Center Operations and Community Services. An officer of the University is a member of the Board of Directors of EEDC. Consulting fees for the year ended September 30, 2023 totaled \$15,000. Additionally, EEDC contributed \$12,500 to the University in sponsorships for the year ended September 30, 2023.

XV. EXPENDITURES EXCEEDING APPROPRIATIONS

For fiscal year ended September 30, 2023 expenditures exceeded budget in the General Fund in the following:

Function	Amount
Economic Development Assistance	\$ 234,557
Debt Service	20,258
Total	\$ 254,815

XVI. LITIGATION

Although EEDC is a party in two pending lawsuits, EEDC's administration believes the outcome of these proceedings, if not favorable to the EEDC, will not materially affect the EEDC's financial position and therefore no allowance has been made.

XVII. COMMITMENTS

Commitments as of September 30, 2023 consisted of:

	Beneficiary	Committed	Expended to Date	Remaining Commitment
Incentives				
Workforce Resource Center	EEDC	\$ 1,854,828	\$ -	\$ 1,854,828
El Tule Recreation Center	City of Edinburg	4,974,310	4,222,222	752,088
Municipal Water Park	City of Edinburg	1,000,000	-	1,000,000
ACE Center	City of Edinburg	7,000,000	-	7,000,000
Parking Garage	City of Edinburg	2,000,000	-	2,000,000
Total Commitments		\$ 16,829,138	\$ 4,222,222	\$ 12,606,916

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XVIII. SUBSEQUENT EVENTS

The EEDC considered all events through April 15, 2024, the financial statement issuance date.

Subsequently to April 15, 2024, the EEDC entered into agreements with the City which are considered to have a significant impact as follows:

- The construction of a 1,000,000-gallon water tower to provide adequate water supply and pressure to the North Industrial Park and other parts of the City for continued economic growth, contribution of \$2,000,000.
- The extension of the sanitary sewer infrastructure in an area with a variety of industrial entities and the potential for commercial development, contribution of \$1,750,000.
- The installation of artificial turf in several baseball/softball fields to encourage sports tourism, contribution of \$2,000,000.
- Issuance of a loan in the amount of \$7,500,000 to the City for the purchase of real estate. The City committed to repay the EEDC over the next fifteen years or sooner.

The EEDC is negotiating the sale of land at North Industrial Park that would generate approximately \$3,600,000 in revenues and considering the purchase of land to develop an additional industrial park.

Completion of the construction of other projects will require that EEDC pay approximately \$575,000 in grant funds to developers in the year ending September 30, 2024.

XIX. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$237,357 to record GASB 68 & GASB 75 pension plan balances not previously recorded was made due to the restructure of the EEDC. The balances will now be part of the EEDC.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
General Sales Taxes	\$ 9,000,000	\$ 8,700,000	\$ 9,184,192	\$ 484,192
Lease and Rental	69,480	17,138	17,138	-
Investment Earnings	50,000	65,000	745,262	680,262
Other Revenue	-	-	250	250
Total Revenues	<u>9,119,480</u>	<u>8,782,138</u>	<u>9,946,842</u>	<u>1,164,704</u>
EXPENDITURES				
Conservation and Development:				
Economic Development and Assistance	3,676,627	2,750,229	2,984,786	(234,557)
Debt Service:				
Principal on Debt	1,585,000	1,585,000	1,596,342	(11,342)
Interest on Debt	1,088,095	1,088,095	1,093,261	(5,166)
Other Debt Charges	-	-	3,750	(3,750)
Capital Outlay:				
Capital Outlay	<u>2,769,758</u>	<u>2,769,758</u>	<u>36,151</u>	<u>2,733,607</u>
Total Expenditures	<u>9,119,480</u>	<u>8,193,082</u>	<u>5,714,290</u>	<u>2,478,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>589,056</u>	<u>4,232,552</u>	<u>3,643,496</u>
OTHER FINANCING SOURCES (USES)				
Sale of Real and Personal Property	-	-	1,937,647	1,937,647
Right-to-Use Lease and SBITA Proceeds	-	-	36,151	36,151
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,973,798</u>	<u>1,937,647</u>
Net Change in Fund Balance	-	589,056	6,206,350	5,617,294
Fund Balance - October 1 (Beginning)	<u>42,035,498</u>	<u>42,035,498</u>	<u>42,035,498</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 42,035,498</u>	<u>\$ 42,624,554</u>	<u>\$ 48,241,848</u>	<u>\$ 5,617,294</u>

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS REPORTED BY THE CITY OF EDINBURG, WHICH INCLUDES THE EEDC
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
A. Total Pension Liability			
Service Cost	\$ 7,924,131	\$ 7,055,662	\$ 6,569,509
Interest (on the Total Pension Liability)	12,787,769	11,698,505	10,828,811
Difference Between Expected and Actual Experience	3,988,085	3,130,005	960,974
Change of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,572,314)	(5,789,996)	(5,646,042)
Net Change in Total Pension Liability	18,127,671	16,094,176	12,713,252
Total Pension Liability - Beginning	188,772,526	172,678,350	159,965,098
Total Pension Liability - Ending	<u>\$ 206,900,197</u>	<u>\$ 188,772,526</u>	<u>\$ 172,678,350</u>
B. Plan Fiduciary Net Position			
Contributions - Employer	\$ 7,256,687	\$ 6,466,214	\$ 6,003,536
Contributions - Employee	3,512,914	3,125,926	2,934,688
Net Investment Income	(12,170,826)	18,793,124	9,938,942
Benefit Payments, Including Refunds of Employee Contributions	(6,572,314)	(5,789,996)	(5,646,042)
Administrative Expense	(105,164)	(86,846)	(64,251)
Other	125,492	595	(2,507)
Net Change in Plan Fiduciary Net Position	(7,953,211)	22,509,017	13,164,366
Plan Fiduciary Net Position-Beginning	166,486,369	143,977,352	130,812,986
Plan Fiduciary Net Position-Ending	<u>\$ 158,533,158</u>	<u>\$ 166,486,369</u>	<u>\$ 143,977,352</u>
C. Net Pension Liability	<u>\$ 48,367,039</u>	<u>\$ 22,286,157</u>	<u>\$ 28,700,998</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.62%	88.19%	83.38%
E. Covered Payroll	\$ 50,184,488	\$ 44,656,087	\$ 41,924,117
F. Net Pension Liability as a Percentage of Covered Payroll	96.38%	49.91%	68.46%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's currently fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 6,001,648	\$ 5,451,177	\$ 5,271,339	\$ 4,897,533	\$ 4,465,697	\$ 3,905,080
10,025,754	9,496,321	8,778,659	8,221,195	7,952,761	7,415,662
588,622	(1,994,144)	1,028,193	(1,032,455)	(237,828)	(554,280)
674,533	-	-	-	(377,240)	-
(5,708,662)	(5,061,598)	(4,010,576)	(4,018,322)	(3,651,078)	(3,096,759)
11,581,895	7,891,756	11,067,615	8,067,951	8,152,312	7,669,703
148,383,203	140,491,447	129,423,832	121,355,881	113,203,569	105,533,866
<u>\$ 159,965,098</u>	<u>\$ 148,383,203</u>	<u>\$ 140,491,447</u>	<u>\$ 129,423,832</u>	<u>\$ 121,355,881</u>	<u>\$ 113,203,569</u>
\$ 5,499,792	\$ 5,075,953	\$ 5,094,161	\$ 4,621,389	\$ 4,444,421	\$ 3,999,261
2,681,017	2,477,808	2,401,271	2,222,723	2,127,970	1,968,692
17,217,376	(3,362,715)	13,244,540	5,874,570	123,828	4,388,353
(5,708,662)	(5,061,598)	(4,010,576)	(4,018,322)	(3,651,078)	(3,096,759)
(97,159)	(64,934)	(68,598)	(66,307)	(75,414)	(45,809)
(2,919)	(3,393)	(3,476)	(3,572)	(3,725)	(3,766)
19,589,445	(938,879)	16,657,322	8,630,481	2,966,002	7,209,972
111,223,541	112,162,420	95,505,098	86,874,617	83,908,615	76,698,643
<u>\$ 130,812,986</u>	<u>\$ 111,223,541</u>	<u>\$ 112,162,420</u>	<u>\$ 95,505,098</u>	<u>\$ 86,874,617</u>	<u>\$ 83,908,615</u>
<u>\$ 29,152,112</u>	<u>\$ 37,159,662</u>	<u>\$ 28,329,027</u>	<u>\$ 33,918,734</u>	<u>\$ 34,481,264</u>	<u>\$ 29,294,954</u>
81.78%	74.96%	79.84%	73.79%	71.59%	74.12%
\$ 38,300,244	\$ 35,397,255	\$ 34,296,282	\$ 31,740,329	\$ 30,399,572	\$ 28,124,170
76.11%	104.98%	82.60%	106.86%	113.43%	104.16%

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CONTRIBUTIONS
AS REPORTED BY THE CITY OF EDINBURG, WHICH INCLUDES THE EEDC
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	\$ 7,551,647	\$ 6,466,214	\$ 6,003,536
Contributions in Relation to the Actuarially Determined contribution	7,551,647	6,466,214	6,003,536
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 52,038,413	\$ 44,656,087	\$ 41,924,117
Contributions as a Percentage of Covered Payroll	14.51%	14.48%	14.32%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

Notes to Schedule of Contributions

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.
<u>Methods and Assumptions Used to Determine Contribution Rates:</u>	
Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor
Other Information:	There were no benefit changes during the year.

2020	2019	2018	2017	2016	2015
\$ 5,499,792	\$ 5,075,953	\$ 5,094,161	\$ 4,621,389	\$ 4,586,475	\$ 4,351,814
5,499,792	5,075,953	5,094,161	4,621,389	4,586,475	4,351,814
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 40,178,654	\$ 35,397,255	\$ 34,296,282	\$ 31,740,329	\$ 30,399,572	\$ 28,124,170
13.69%	14.34%	14.85%	14.56%	15.09%	15.47%

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS REPORTED BY THE CITY OF EDINBURG, WHICH INCLUDES THE EEDC
POST RETIREMENT SUPPLEMENTAL DEATH BENEFITS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability			
Service Cost	\$ 125,461	\$ 107,175	\$ 96,425
Interest on the Total OPEB Liability	44,021	44,760	49,704
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	33,577	(43,731)	(26,207)
Change of Assumptions	(911,515)	79,821	331,664
Benefit Payments, Including Refunds of Employee Contributions [‡]	(45,166)	(40,190)	(12,577)
Net Change in Total OPEB Liability	(753,622)	147,835	439,009
Total OPEB Liability - Beginning	2,352,323	2,204,488	1,765,479
Total OPEB Liability - Ending	<u>\$ 1,598,701</u>	<u>\$ 2,352,323</u>	<u>\$ 2,204,488</u>
Covered Payroll	\$ 50,184,488	\$ 44,656,087	\$ 41,924,117
Total OPEB Liability as a Percentage of Covered Payroll	3.19%	5.27%	5.26%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
\$ 57,450	\$ 63,715	\$ 51,444
53,368	47,160	45,625
-	-	-
(64,335)	29,186	-
314,963	(112,151)	125,031
(11,490)	(10,619)	(10,289)
349,956	17,291	211,811
1,415,523	1,398,232	1,186,421
<u>\$ 1,765,479</u>	<u>\$ 1,415,523</u>	<u>\$ 1,398,232</u>
\$ 38,300,244	\$ 35,397,255	\$ 34,296,282
4.61%	4.00%	4.08%

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS REPORTED BY THE CITY OF EDINBURG, WHICH INCLUDES THE EEDC
POST-RETIREMENT MEDICAL PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability			
Service Cost	\$ 1,368,317	\$ 2,086,690	\$ 2,023,214
Interest on the Total OPEB Liability	1,174,953	672,095	659,614
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	93,316	(1,786,737)	(663,288)
Change of Assumptions	(247,170)	(5,979,817)	173,777
Benefit Payments	(935,717)	(874,443)	(812,433)
Net Change in Total OPEB Liability	1,453,699	(5,882,212)	1,380,884
Total OPEB Liability - Beginning	23,726,239	29,608,451	28,227,567
Total OPEB Liability - Ending	<u>\$ 25,179,938</u>	<u>\$ 23,726,239</u>	<u>\$ 29,608,451</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 935,717	\$ 874,443	\$ 812,433
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(935,717)	(874,443)	(812,433)
Administrative Expense	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending	\$ 25,179,938	\$ 23,726,239	\$ 29,608,451
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered Payroll	\$ 46,069,139	\$ 43,107,343	\$ 38,052,277
Total OPEB Liability as a Percentage of Covered Payroll	54.66%	55.04%	77.81%

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
\$ 1,500,352	\$ 1,069,819	\$ 1,149,843
654,448	826,562	715,606
-	-	-
1,079,257	56,192	-
2,243,038	3,178,838	(1,041,173)
(700,345)	(762,157)	(607,647)
4,776,750	4,369,254	216,629
23,450,817	19,081,563	18,864,934
<u>\$ 28,227,567</u>	<u>\$ 23,450,817</u>	<u>\$ 19,081,563</u>
\$ 700,345	\$ 762,157	\$ 607,647
-	-	-
-	-	-
(700,345)	(762,157)	(607,647)
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 28,227,567	\$ 23,450,817	\$ 19,081,563
0.00%	0.00%	0.00%
\$ 35,377,683	\$ 29,675,741	\$ 29,675,741
79.79%	79.02%	64.30%



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

**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***

To the Board of Directors of the
Edinburg Economic Development Corporation
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 and each major fund of Edinburg Economic Development Corporation (EEDC), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise EEDC's basic financial statements, and have issued our report thereon dated April 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EEDC's internal control over financial reporting (internal control) as a basis for designing 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 EEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of EEDC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003 that we considered to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EEDC's 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 financial statements. 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 responses as items 2023-001, 2023-002, 2023-003.



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EEDC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the EEDC's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. EEDC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in blue ink that reads "Cascos & Associates, PC". The signature is written in a cursive, flowing style.

Cascos & Associates, PC
Brownsville, Texas
April 15, 2024

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Finding 2023-001

Public Funds Investment Act (Significant Deficiency)

Criteria and Condition:

Under Public Funds Investment Act (Government Code Chapter 2256) provides public entities in Texas with specific parameters related to the administration of investments. These parameters include a requirement for the entity's governing body to review and approve the entity's investment policy and investment strategies not less than annually, sets forth training requirements for the entity's investment officers, and requires the investment officers to prepare and submit to the governing body an investment report not less than quarterly. We noted EEDC did not have an investment policy in place for the fiscal year ended September 30, 2023. No evidence could be provided to support that investment officers had undergone the required training nor that the required investment reports were provided to the governing body on a quarterly basis.

Cause and Effect:

The EEDC did not comply with the provisions of the Public Funds Investment Act (Government Code Chapter 2256).

Recommendation:

We recommend the investment policy be presented to the EEDC board of directors not less than annually, that investment officers undergo the required training and that quarterly investment reports be presented to the board of directors for approval to comply with the provisions of the Public Funds Investment Act.

Management's views:

The investment policy was presented and approved by the EEDC board of directors on September 26, 2023. EEDC Executive Director, who is one of the investment officers, completed his training on January 11-12, 2024. The City of Edinburg's (the City) Director of Finance, who is the other investment officer, completed his training on July 21, 2022. Investment reports will be provided on a quarterly basis to the board of directors for approval to comply with provisions of the Public Funds Investment Act.

Finding 2023-002

Disaster Recovery Plan (Significant Deficiency)

Criteria and Condition:

A disaster recovery plan is critical as it provides a framework for establishing efficient and effective restoration of systems and mitigates the risk of data loss in the event of system disruption or disaster. The EEDC's IT systems are overseen by the City. The City and EEDC do not have a formal disaster recovery plan in place.

Cause and Effect:

The City has been working on a disaster recovery plan, but the plan has not yet been finalized and implemented. The lack of a formal disaster recovery plan may increase the risk of extended downtime, data loss and/or recovery challenges, and inadequate communication.

Recommendation:

We recommend the City finalize and implement the formal disaster recovery plan. Additionally, we recommend the disaster recovery plan be tested periodically to ensure its effectiveness.

Management's views:

The City's IT Department is actively working on a comprehensive Disaster Recovery Plan (DRP) to strengthen our resilience against various crises, including natural and cyber-related disasters. However, significant challenges remain. To fully implement our DRP, substantial IT investment is necessary. While progress has been made, including the purchase of a firewall and integration of replication sites, more enhancements are needed to address vulnerabilities comprehensively. Continued investment and strategic planning are crucial to ensure the City's resilience and preparedness for future challenges.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Finding 2023-003

Fiscal Year-End Closing Process (Significant Deficiency)

Criteria and Condition:

The fiscal year-end closing process should be completed within a reasonable time after the end of the fiscal year, ideally no later than 2 months after the end of the entity's fiscal year-end. An auditable trial balance was not provided to us to begin our audit until February 9, 2024, or approximately 4 months after the EEDC's fiscal year end.

Cause and Effect:

The City's finance department, who maintains the books and records for EEDC, experienced turnover which caused delays in the year end closing process. Significant delays in the year end closing process may be indicative of weaknesses in internal controls and results in untimely financial reporting, including the completion of the audit.

Recommendation:

We recommend management evaluate the year-end closing process to ensure adequate controls are in place for timely completion.

Management's views:

Management will evaluate the year-end closing process to implement adequate controls ensuring timely completion in the future. We are committed to improving internal controls and ensuring timely financial reporting. We will adhere to US GAAP standards to ensure the accuracy of financial statements and prevent material misstatements. We recognize the impact of personnel changes on the closing process and are committed to providing additional support and resources to ensure smooth operations and timely reporting in the future.

EDINBURG ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Reference Number</u>	<u>Status of Prior Year Findings</u>
<u>2022-001:</u>	<i>Prior Period Adjustments (Material Weakness)</i> Finding resolved in the current year.
<u>2022-002:</u>	<i>Prior Public Funds Investment Act (Significant Deficiency)</i> The EEDC did not comply with the provisions of the Public Funds Investment Act (Government Code Chapter 2256). See current year finding 2023-001.
<u>2022-003:</u>	<i>Disaster Recovery Plan (Significant Deficiency)</i> The City has been working on a disaster recovery plan, but the plan has not yet been finalized and implemented. The lack of a formal disaster recovery plan may increase the risk of extended downtime, data loss and/or recovery challenges, and inadequate communication. See current year finding 2023-002.
<u>2022-004:</u>	<i>Fiscal Year-End Closing Process (Significant Deficiency)</i> The City's finance department, who maintains the books and records for EEDC, experienced turnover which caused delays in the year-end closing process. Additionally, in preparing for the audit management identified accounting matters which required additional analysis and correction as outlined in finding 2022-001. Significant delays in the year-end closing process may be indicative of weaknesses in internal controls and results in untimely financial reporting, including the completion of the audit. See current year finding 2023-003.
<u>2022-005:</u>	<i>Required Reserves 2021A Series Bonds (Significant Deficiency)</i> Finding resolved in the current year.