

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF LA FERIA, TEXAS

For the Fiscal Year Ended September 30, 2014

Prepared by:

Finance Department

City of La Feria, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2014

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INTRODUCTORY SECTION



CITY OF LA FERIA



April 14, 2015

To the Honorable Mayor, City Commission, and Citizens of the City of La FERIA, Texas:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the City of La FERIA, Texas (the City) for the fiscal year ended September 30, 2014 is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Long Chilton, LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of La Feria, Texas, incorporated in 1915, is located in the southern part of the state, approximately 20 miles from the American-Mexican border. The City currently occupies a land area of 5.13 square miles and serves a 2010 census population of 7,302. The residential population of the City of La Feria, Texas has been on a steady incline. The future growth is estimated to be at a 1.8 percent jump per year. The City is empowered to levy a property tax on both real and personal properties located within its boundaries and collect 2 percent sales tax (1 percent: City revenue; ½ of one percent: Industrial Development Corporation; ½ of one percent: Economic Development Corporation) on goods and services purchased within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

On November 7, 1989, the City adopted a Home-Rule Charter that was approved by its citizens. On May 12, 2007 the City Charter was amended and approved by the voters of the City of La Feria. The City operates under a Council/Manager form of government with a City Commission comprised of a Mayor and five Commissioners. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Manager also appoints the City Attorney which is subject to City Commission confirmation. The Commission is elected on a non-partisan basis for a three year term. At the election held in May 2007 and every three years thereafter an election shall be held for the election of candidates to hold the office of City Commissioner No. 1, City Commissioner No. 2, and the Mayor. At the regular election held in May 2008 and every three years thereafter, an election shall be held for the election of candidates to hold the office of City Commissioner No. 3, City Commissioner No. 4, and City Commissioner No. 5.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events. Certain sanitary services are provided through a legally separate Waterworks and Sewer System entity, which has been included as a component unit of the City's financial statements. Additional information on the legally separate entities can be found in Note A in the notes to the financial statements.

The annual budget serves as the foundation for the City of La Feria, Texas' financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager on or before the last week of the month of July each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Commission for review prior to August 31. The Commission is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 93 as part of required supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of La Feria, Texas operates.

Local Economy

The economic condition of the local economy of La Feria, Texas seems to be slowly improving along with the rest of the State. The major economic indicator for the City is the sales tax revenue which increased by 9.68% this year compared to last year's stagnant results of a .07% increase compared to the prior year. Current sales tax reports indicate continuing increases, signaling a continued economic activity. This fiscal year has indicated that the local economy's health, as well as the state of Texas' is in better shape compared to that of the nation's economy. The economic position of the City of La Feria seems to currently be favorable. The City has maintained a steady level of business growth and improvements during the fiscal year 2014. The City annexed 1.066 square miles in December 2013, adding an estimated property taxable value of \$12,875,922 for tax year 2014. Business growth is expected to continue in the next year with the addition of two three new businesses which include a pharmacy, a new housing development and a luxury car dealership. The addition of these new developments will also add new property tax values of approximately \$7,650,000 for tax year 2015.

The City of La Feria, Texas currently enjoys a mild economic environment and local indicators point to continued stability. The City is surrounded on the east and west by the economically viable city of Harlingen, Texas and a city with an economically aggressive city management of Mercedes, Texas respectively. On the north and south of La Feria, Texas, lie the entities of the city of Santa Rosa and Bluetown respectively which govern to maintain their current economic status. The City of La Feria, Texas' current economy consists of fast food restaurants reliant on the expressway traffic and bargain stores. During the winter months, Winter Texans populate and give a decent boost to the local economy and City.

Long-Term Financial Planning

The City Commission and management have identified long-term projects that will have a positive impact on the community and financial stability of the City.

Current Capital Projects

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 in the amount of \$5,005,000 to finance the City's match of the funding needed for capital projects which include the construction of two shelters which will also function as a wellness center and a technology and training center, and a new City park, as well as financing further capital street improvements throughout the City.

The City was awarded two grants totaling \$4,082,546 from the United States Department of Homeland Security-Federal Emergency Management Agency (FEMA) to assist in the construction two dome shaped buildings to serve as shelters during declared emergencies. The first building will be 15,000 sq. ft. and serve as a wellness center to promote healthier lifestyles for the citizens of La Feria. The total cost of the wellness center is estimated to be \$2,459,500. FEMA is providing a grant amount of \$1,844,625 and the City will be utilizing funds from the CO Series 2011 to fund the other 25% of the costs.

The second building will be 20,000 sq. ft. and is estimated to cost \$2,983,895. The second building will serve as a technology and training center in the community to promote economic development. FEMA is providing a grant amount of \$2,237,921 and the City will be utilizing funds from the CO 2011 to fund the other 25% of this building also. Construction of these capital projects is expected to be completed by June 2015.

The City was awarded a grant totaling \$1,000,000 from the Department of Commerce's Economic Development Administration (EDA) to assist with the funding of the construction of a new technology and success center to promote innovation and technology skills for the citizens of La Feria and surrounding communities. The total cost to build this new facility is estimated at \$1,537,500 with construction starting in July 2015. The City's local match of \$537,500 will be funded from Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011.

On March 24, 2015, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 in the amount of \$6,330,000 to finance various capital improvements including the expansion of the police and fire stations, improvements to City parks, as well as financing further capital street improvements throughout the City.

The City is will be utilizing funds from the CO Series 2015 to fund the expansion of the existing fire station and construction of a new substation on the south side of the City. The expansion and new facility will benefit the residents of La Feria and the outlying community of Bluetown. Construction of both projects is expected to start in July of 2015 and is expected to be completed by August 2016.

The Texas Water Development Board (TWDB) approved a \$7,167,700 loan forgiveness loan from the Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community Program to finance water system improvements on May 4, 2011. The proposed project consists of water treatment plant and distribution improvements and upgrades to comply with the disinfection byproducts rule. Improvements to the water treatment plant include electrical motor controls and the installation of a Supervisory Control and Data Acquisition (SCADA) system. The distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing water meters and implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss. Construction on this project has started in January 2014 and is expected to be completed by December 2015.

The TWDB also approved an \$8,381,340 loan forgiveness loan from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements on May 4, 2011. This project includes extending first time sanitary sewer service to several existing disadvantaged areas. The project also includes the purchase and installation of a Supervisory Control and Data Acquisition (SCADA) system at the existing wastewater treatment plant. Construction on this project is also expected to start in April 2014 and is expected to be completed by the end of 2015.

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Grant funds were also awarded in the amount of \$2,892,026 from the U.S. Department of Homeland Security and passed through the Texas Department of Public Safety under the Hazard Mitigation Grant Program (HMGP) to supplement the drainage improvement at four sites and minimize flooding of the local expressway. Construction for this drainage project funded with HMGP grant funds started in October of 2013 and is expected to be completed by December of 2015. Construction of the watershed improvements and other public flood components funded with GLO funds is also expected to be completed by December 2015.

Future Planning

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement. The City will contribute 100% of property tax revenue generated from future improvements constructed in the area; Cameron County agreed to contribute 50% through August 31, 2036. Funds generated through the TIRZ will be expended for specific capital improvement needs within the TIRZ district in future fiscal years.

Awards & Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of La Feria for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the eleventh consecutive year that the City of La Feria has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of La Feria, Texas. We would like to express our appreciation to all members of the City staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of La Feria, Texas finances.

A review of the following pages will enable the reader to see that the City of La Feria, Texas is an outstanding organization with capable leaders that can manage and efficiently utilize the resources that belong to the citizenry of La Feria, Texas. Because we are operating an efficient government that puts priority on its citizens, the community as a whole is the benefactor of the many hours of hard work from all employees.

Respectfully submitted,



Sunny K. Philip
City Manager



Maria S. Chavero, CGFO
IT/Finance Director



Government Finance Officers Association

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

Presented to

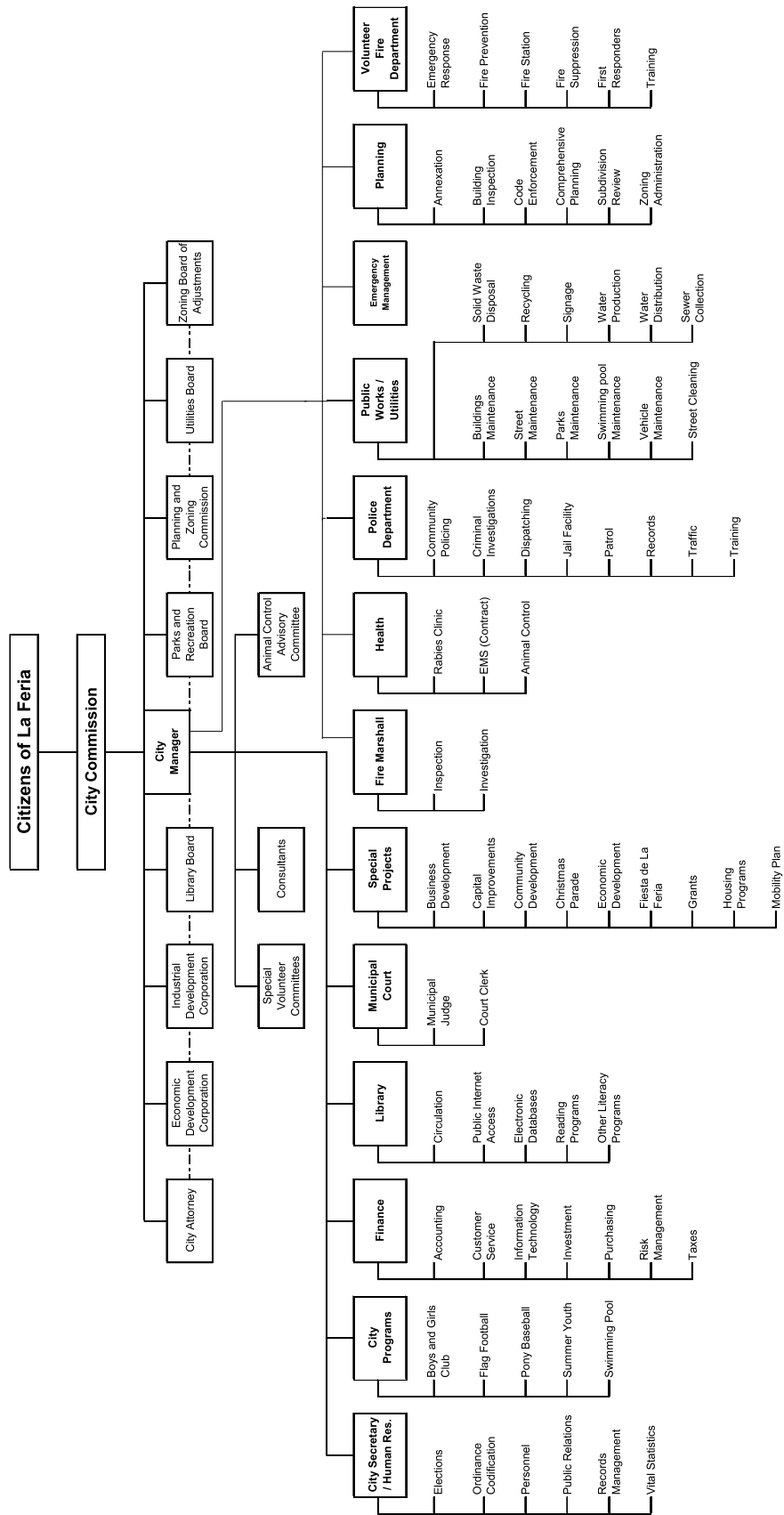
**City of La Feria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO



City of La Feria, Texas
LIST OF PRINCIPAL OFFICIALS
As of September 30, 2014

Mayor	Victor Gonzalez, Jr.
Mayor Pro-Tem/Commissioner 5	Esmeralda Lozano
Commissioner 1	John Betancourt
Commissioner 2	John Hernandez
Commissioner 3	Olga H. Maldonado
Commissioner 4	Julian Guevara, Jr.
Waterworks and Sewer System Chairperson	Adolfo Lopez
Waterworks and Sewer System Vice-Chairperson	Betty Jo Dunlap
Waterworks and Sewer System Official	Ralph Muse
Waterworks and Sewer System Official	Ovidio Saldivar
Waterworks and Sewer System Official	Victor Gonzalez, Jr.
Industrial Development Corporation President	Brad Shields
Industrial Development Corporation Vice-President	Steven Salinas
Industrial Development Corporation Secretary/Treasurer	Ignacio A. Garcia-Galvez
Industrial Development Corporation Official	Lloyd Betts
Industrial Development Corporation Official	Candace Y. Guillen
Economic Development Corporation President	Betty Jo Dunlap
Economic Development Corporation Vice-President	Mary Garcia
Economic Development Corporation Secretary/Treasurer	John Hernandez
Economic Development Corporation Official	Ignacio A. Garcia-Galvez
Economic Development Corporation Official	Olga H. Maldonado
Economic Development Corporation Official	Esmeralda Lozano
Economic Development Corporation Official	Victor Gonzales, Jr.

City of La Feria, Texas
LIST OF PRINCIPAL OFFICIALS - CONTINUED
As of September 30, 2014

Library Board President	Betty Jo Dunlap
Library Board Vice President	Sheri Durham
Library Board Secretary/Treasurer	Valarie Nicholson
Library Board Official	Nora A. De Los Santos
Library Board Official	Carlos Ochoa
Library Board Official	Eva Verduzco
City Manager/Utilities Manager	Sunny K. Philip
IT/Finance Director	Maria S. Chavero, CGFO
Director of Planning	Paula M. Rodriguez
City Secretary	Olga Oberwetter
Public Works Director	Javier F. Martinez
Water Plant Manager	Heriberto Ureste Jr.
Water Distribution Manager	Alfonso Rodriguez
Chief of Police	Donato Garcia
Volunteer Fire Chief	Rick Garcia
Library Director	Lori A. Vogt
Municipal Judge	William Pope
Attorney	Richard S. Talbert
Engineer	Joe B. Winston, Jr.



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system supplementary information and budgetary comparison information on pages 27-40, 94 and 95-96, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas's basic financial statements. The introductory section, other supplementary information, schedules of capital assets used in the operation of governmental funds, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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The other supplementary information, schedules of capital assets used in the operation of governmental funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, schedules of capital assets used in the operation of governmental funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2015, on our consideration of the City of La Feria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Feria, Texas's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is fluid and cursive, with the letters "L", "C", and "P" being particularly prominent.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 14, 2015

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CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of La Feria, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of La Feria for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 9-13 of this report.

Financial Highlights

- The assets of the City's primary government exceeded its liabilities at the close of the most recent fiscal year by \$11,329,423 (net position). Of this amount, \$3,294,955 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets of the City component units exceeded its liabilities at the close of the most recent fiscal year by \$32,561,701 (net position). Of this amount, \$637,482 (unrestricted net position) may be used to meet the component unit's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$362,150.
- At the end of the current fiscal year, unassigned fund balance for the general fund had a deficit balance of \$1,130,173 due to the deferral of unavailable grant revenue in the amount of \$1,253,025.
- The City's total debt decreased by \$504,087 (3 percent) during the current fiscal year. The key factors in the net decrease were the timely payment of maturities and the issuance of two note payables to finance capital assets for the police department and the baseball park.

Overview of the Financial Statements

The Comprehensive Annual Financial Report is composed of three main sections – (A) Introductory Section, (B) Financial Section and (C) the Statistical Section. The Financial Section of this Comprehensive Annual Financial Report consists of four parts: (1) *management's discussion and analysis (this section)*, (2) *the basic financial statements*, (3) *required supplementary information*, and (4) *other supplementary information*, which is an optional section that presents additional information such as *combining non-major fund financial statements and the individual budget to actual schedules* for non-major and major governmental funds, fiduciary funds, capital assets and required compliance information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the Waste Disposal Fund.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: Industrial Development Corporation, the Economic Development Corporation and the Waterworks and Sewer System.

The government-wide financial statements begin on page 43 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into four categories: governmental funds, proprietary funds, fiduciary funds, and discretely presented component units.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major and nine non-major governmental funds. Information for the major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Certificates of Obligation – Series 2011 Fund both of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The City's governmental fund financial statements begin on page 46 of this report.

Proprietary Funds

The City maintains one proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its collection of waste and the pick-up of brush. There are no internal service funds being used by the City at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waste Disposal Fund.

The basic proprietary fund financial statements begin on page 50 of this report.

Discretely Presented Component Units

Discretely presented component units are legally separate from the City. The component units are intended to operate on a self-supporting basis through user charges or the collection of sales tax. The units are discretely presented because the City has a voting majority, imposition of will, financial benefit and financial accountability over the units. The units also maintain a September 30 fiscal year end. There are three discretely presented component units.

The discretely presented component unit's financial statements begin on page 54 of this report.

Notes to the Financial Statements

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

The notes to the financial statements begin on page 60 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits to its employees. The City also presents a schedule of revenues, expenditures, and changes in fund balances – Budget and Actual for the general fund and each major special revenue fund.

Required supplementary information begins on page 94 of this report.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Non-major governmental funds combining and individual fund statements and schedules begin on page 98 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,329,423 at the close of the most recent fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Component Unit Activities</u>	
	<u>9/30/14</u>	<u>9/30/13</u>	<u>9/30/14</u>	<u>9/30/13</u>	<u>9/30/14</u>	<u>9/30/13</u>	<u>9/30/14</u>	<u>9/30/13</u>
Current and other assets	\$ 9,805,669	\$ 8,922,669	\$387,231	\$399,823	\$10,195,900	\$ 9,322,492	\$14,729,904	\$17,256,848
Capital assets	<u>18,079,085</u>	<u>13,897,384</u>	<u>485,076</u>	<u>365,006</u>	<u>18,564,161</u>	<u>14,262,390</u>	<u>39,450,536</u>	<u>37,344,106</u>
Total assets	27,884,754	22,820,053	872,307	764,829	28,757,061	23,584,882	54,180,440	54,600,954
Long-term liabilities								
outstanding	14,112,674	14,593,025	154,843	4,428	14,597,453	14,597,453	7,690,893	8,165,042
Other liabilities	<u>3,160,121</u>	<u>745,677</u>	-	-	<u>3,160,121</u>	<u>745,677</u>	<u>13,927,846</u>	<u>16,300,880</u>
Total liabilities	17,272,795	15,338,702	154,843	4,428	17,427,638	15,343,130	21,618,739	24,465,922
Net position								
Net investment								
in capital assets	5,889,955	6,927,935	334,692	365,006	6,224,647	7,292,941	30,732,780	28,049,898
Restricted	1,809,821	420,047	-	-	1,809,821	1,237,439	1,191,439	-
Unrestricted	<u>2,912,183</u>	<u>133,369</u>	<u>382,772</u>	<u>395,395</u>	<u>3,294,955</u>	<u>528,764</u>	<u>637,482</u>	<u>883,971</u>
	<u>\$10,611,959</u>	<u>\$ 7,481,351</u>	<u>\$717,464</u>	<u>\$760,401</u>	<u>\$11,329,423</u>	<u>\$ 8,241,752</u>	<u>\$32,561,701</u>	<u>\$30,135,032</u>

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

An additional portion of the City's net position, \$1,809,821 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,294,955 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The City's net position increased by \$3,087,671 during the current fiscal year and can be attributed mostly to a 125% increase in capital grants and contributions for major capital projects this fiscal year.

The discretely presented component units' net position increased \$2,426,669 during the current fiscal year which can be attributed to increased capital project activities compared to the prior year.

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

Governmental activities increased the City's net position by \$3,130,608. The key elements of this increase are described as follows:

- Increased revenues derived from capital grants and contributions compared to the prior year.
- Increased general revenues derived from charges for services.
- Increased revenue derived from operating grants and contributions compared to the prior year.

Capital improvements in the general government continued this year and were funded through capital grants and contributions, thus offsetting expenses and revenues in the current year.

The City's condensed Changes in Net Position along with last fiscal year's numbers are presented for comparison on the next page.

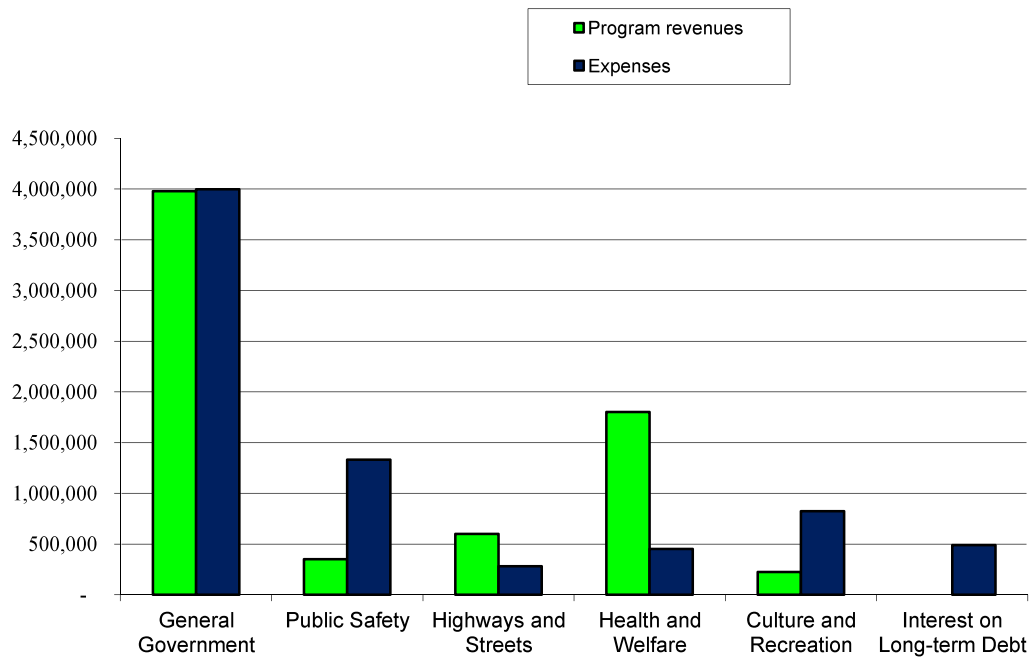
City of La Feria's Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Revenues:								
Program Revenues								
Charges for services	\$ 618,149	\$ 495,522	\$ 786,848	\$ 771,427	\$ 1,404,997	\$ 1,266,949	\$ 2,435,413	\$ 2,486,868
Operating grants and contributions	750,775	125,310	-	-	750,775	125,310	-	486,887
Capital grants and contributions	5,584,343	2,538,597	-	-	5,584,343	2,538,597	3,252,890	7,870
General Revenues:								
Property tax	1,292,331	1,281,494	-	-	1,292,331	1,281,494	-	-
Other taxes	928,431	863,804	-	-	928,431	863,804	582,716	531,276
Other	1,014,524	1,097,845	-	-	1,014,524	1,097,845	16,532	16,189
Transfers	321,208	69,349	(321,208)	(69,349)	-	-	-	-
Total revenues	10,509,761	6,471,921	465,640	702,078	10,975,401	7,173,999	6,287,551	3,529,090
Expenses:								
General government	3,997,353	1,835,803	-	-	3,997,353	1,835,803	-	-
Public safety	1,332,728	1,293,958	-	-	1,332,728	1,293,958	-	-
Highways/streets	282,807	779,326	-	-	282,807	779,326	-	-
Health and welfare	453,132	66,340	-	-	453,132	66,340	-	-
Culture and recreation	823,182	698,116	-	-	823,182	698,116	-	-
Interest on long-term debt	489,951	516,101	-	-	489,951	516,101	-	-
Sanitation	-	-	508,577	519,138	508,577	519,138	-	-
Waterworks system	-	-	-	-	-	-	3,119,438	2,976,695
IDC	-	-	-	-	-	-	490,892	361,690
EDC	-	-	-	-	-	-	250,552	153,388
Total expenses	7,379,153	5,189,644	508,577	519,138	7,887,730	5,708,782	3,860,882	3,491,773
Increase/(decrease) in net position	3,130,608	1,282,277	(42,937)	182,940	3,087,671	1,465,217	2,426,669	37,317
Net position - beginning	7,481,351	6,199,074	760,401	577,461	8,241,752	6,776,535	30,135,032	30,097,715
Net position - ending	<u>\$ 10,611,959</u>	<u>\$ 7,481,351</u>	<u>\$ 717,464</u>	<u>\$ 760,401</u>	<u>\$ 11,329,423</u>	<u>\$ 8,241,752</u>	<u>\$ 32,561,701</u>	<u>\$ 30,135,032</u>

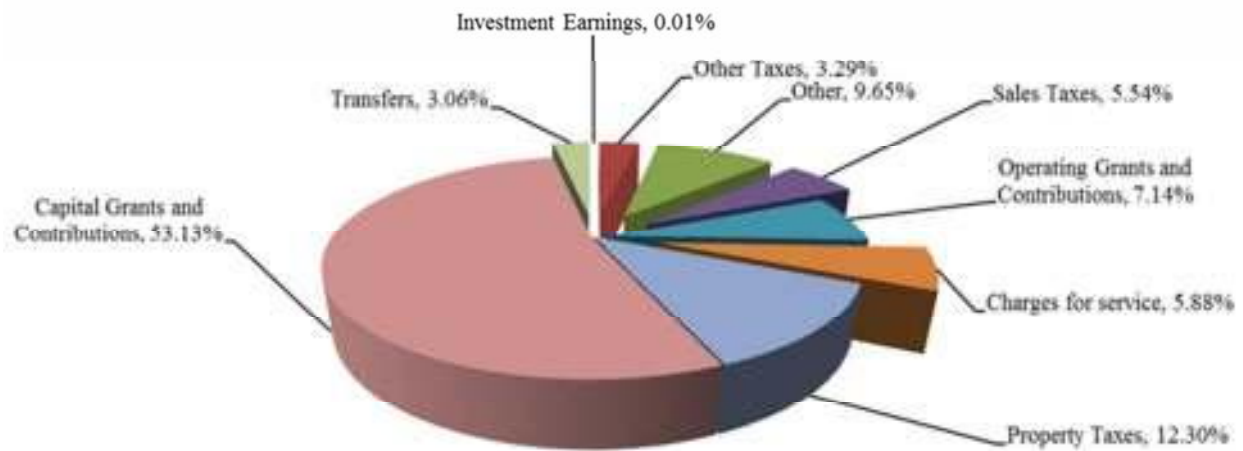
CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

An overview of the City's governmental expenses and revenue are presented in the charts below.

Expenses and Program Revenues – Governmental Activities



Revenue by Source – Governmental Activities



CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Business-Type Activities

Business-type activities consist of operating expenses of \$503,081, transfers-out totaling \$321,208 and revenues of \$786,848 resulting in a decrease in net position of \$42,937. The key element of this decrease in net position can be attributed to an increase in the transfers-out:

- An annual transfer-out to the general government in the amount of \$321,208 compared to the prior year's net transfer-out of \$69,349.

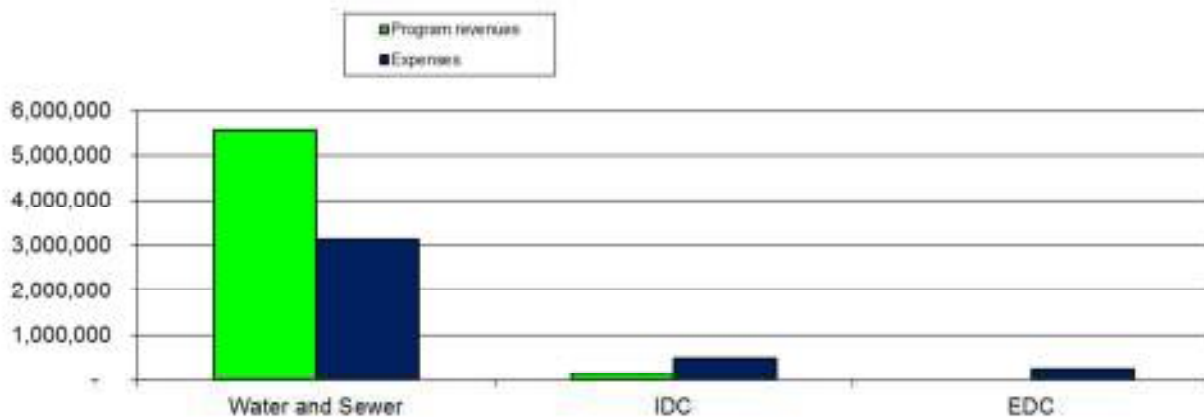
Discretely Presented Component Units

Component unit's activities increased their net position by \$2,426,669 accounting for approximately 7.45 percent of the total net position. Key elements of this increase are as follows:

- The Waterworks and Sewer System's net position increased by \$2,429,868 in comparison with the prior year. The key factor in this increase is due to the ongoing capital projects for the System which are being funded by the Texas Water Development Board (TWDB) in the form of forgivable loans.
- The La Feria Industrial Development Corporation's net position decreased by \$48,511 during the current fiscal year and is attributed to increases in payments to the primary government compared to the prior year. Sales tax revenues increased by 9.68% compared to last year's slight increase of .07%.
- The La Feria Economic Development Corporation's net position increased by \$45,312 and is attributed to increases in sales tax revenue of 9.68% compared to the prior year's slight increase of .07%. Operating expenses increased by 176% and is attributed to the distribution of two economic incentives.

An overview of the component units' expenses and program revenue and revenue by source are presented in the following charts:

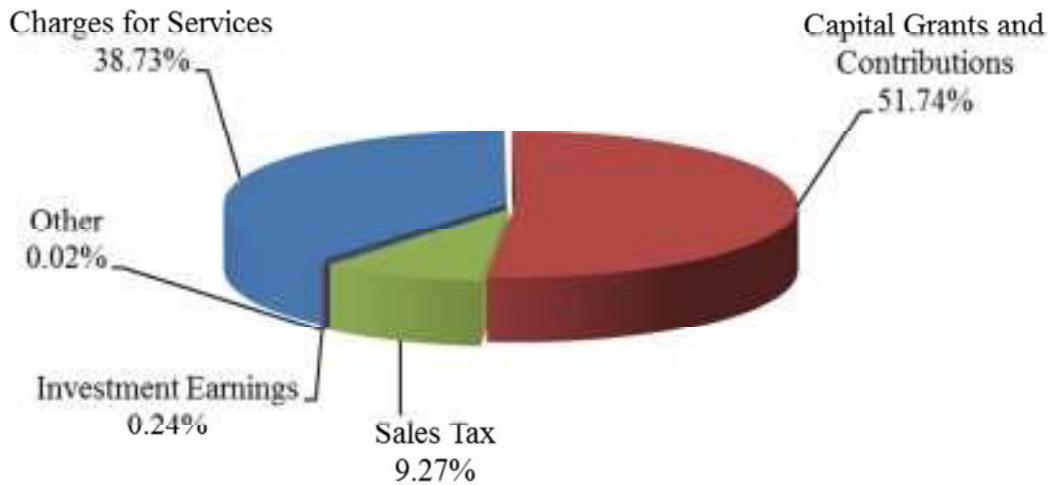
Expenses and Program Revenues – Component Unit Activities



CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Revenue by Source – Component Unit Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2014 and 2013.

Revenues: General, Special Revenue, Debt Service and Capital Projects Funds

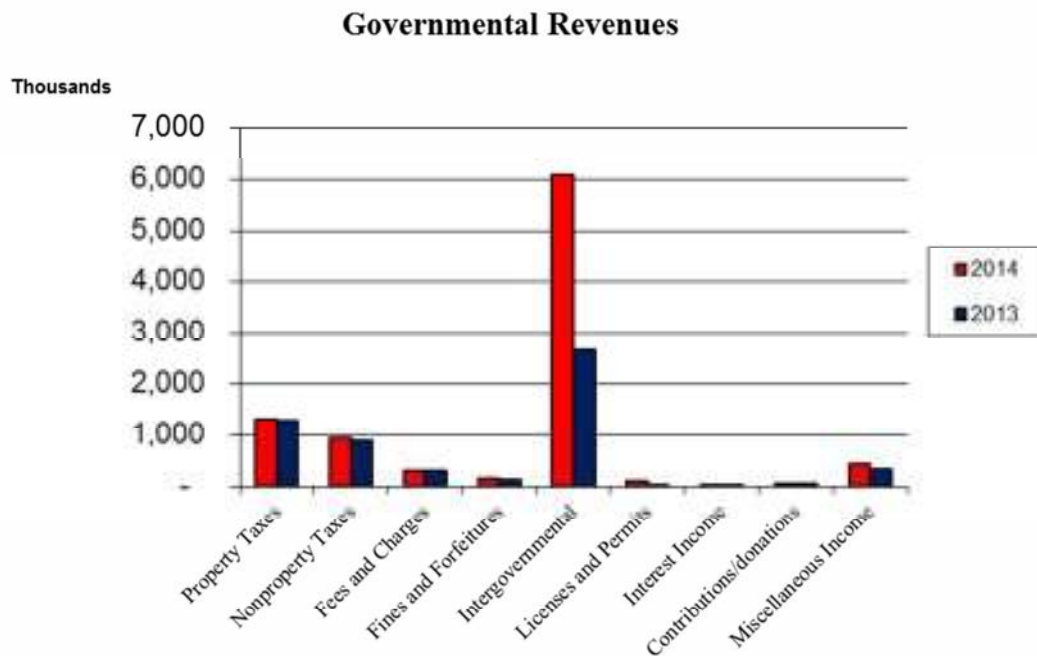
	2014 <u>Amount</u>	Percent of <u>2014 Total</u>	2013 <u>Amount</u>	Percent of <u>2013 Total</u>	Increase (Decrease) <u>Over 2013</u>	Percent of Increase (Decrease)
Revenues						
Property taxes	\$1,312,566	13.98%	\$1,272,871	22.56%	\$ 39,695	3.12%
Non-property taxes	928,431	9.89%	871,159	15.44%	57,272	6.57%
Fees and charges	314,067	3.35%	292,777	5.19%	21,290	7.27%
Fines and forfeitures	164,192	1.75%	137,582	2.44%	26,610	19.34%
Intergovernmental	6,090,144	64.88%	2,651,939	47.00%	3,438,205	129.65%
Licenses and permits	99,100	1.06%	29,419	0.52%	69,681	236.86%
Interest income	658	0.01%	2,662	0.05%	(2,004)	(75.28)%
Contributions and donations	57,502	0.61%	46,663	0.83%	10,839	23.23%
Miscellaneous income	<u>420,452</u>	<u>4.48%</u>	<u>337,117</u>	<u>5.97%</u>	<u>83,335</u>	<u>24.72%</u>
	<u>\$9,387,112</u>	100.00%	<u>\$5,642,189</u>	100.00%	<u>\$3,744,923</u>	

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Revenues from governmental funds increased by \$3,744,923 or 66.37%. Key elements of this increase shown above are as follows:

- Intergovernmental revenues increased by \$3,438,205 or 129.65% compared to last year. The intergovernmental revenues consisted mostly of grant funds for capital projects which had more activity in the current year compared to prior years.
- Revenue licenses and permits increased 236.86%; reflecting increases in business activity in the community compared to last year which experienced a decrease of 60.25%.



The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund expenditures for the years ended September 30, 2014 and 2013.

Expenses: General, Special Revenue, Debt Service and Capital Projects Funds

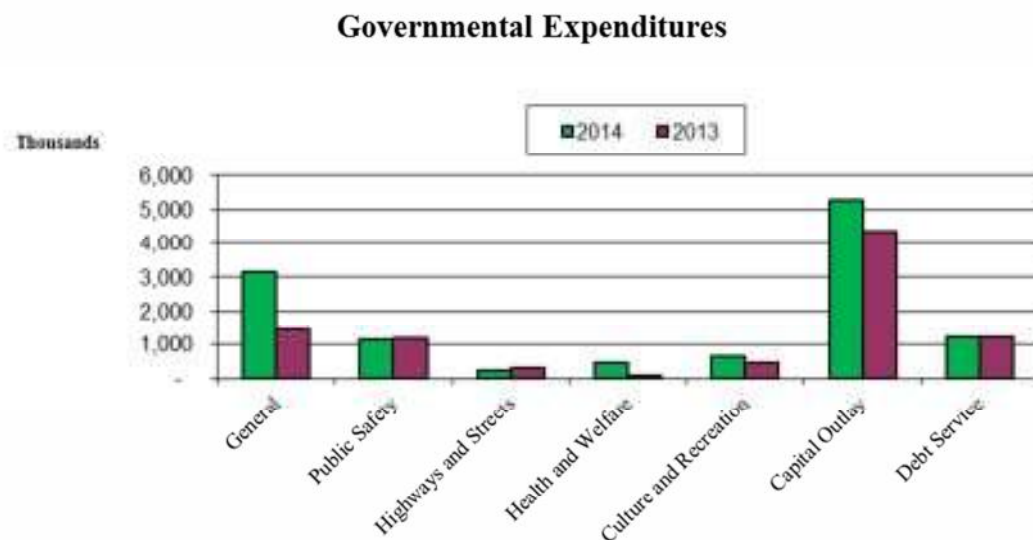
	2014 Amount	Percent of 2014 Total	2013 Amount	Percent of 2013 Total	Increase (Decrease) Over 2013	Percent of Increase (Decrease)
Expenditures						
General	\$ 3,139,210	25.92%	\$1,453,073	16.07%	\$1,686,137	116.04%
Public safety	1,127,994	9.31%	1,187,241	13.13%	(59,247)	(4.99)%
Highways and streets	239,225	1.98%	300,660	3.32%	(61,435)	(20.43)%
Health and welfare	440,970	3.64%	61,232	.68%	379,738	620.16%
Culture and recreation	639,732	5.28%	469,040	5.19%	170,692	36.39%
Capital outlay	5,291,445	43.69%	4,361,463	48.23%	929,982	21.32%
Debt service	<u>1,232,326</u>	<u>10.18%</u>	<u>1,210,243</u>	<u>13.38%</u>	<u>22,083</u>	1.82%
	<u>\$12,110,902</u>	100.00%	<u>\$9,042,952</u>	100.00%	<u>\$3,067,950</u>	

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Governmental activities incurred expenditures of \$12,110,902, approximately 34 percent more expenditures for the City of La Feria, Texas compared to last year. Key elements of this increase are as follows:

- General expenditures increased by \$1,686,137 due to increased administration expenses for the drainage project which includes locations outside of the City limits.
- Health and welfare expenditures increased by \$379,738 due to the completion of a home partnership investment program in the community.
- Capital outlay expenditures increased by \$929,982 compared to last year due to increased activity in capital projects, including a capital outlay for drainage improvements, the construction of two community safe room shelters.



Governmental Fund Balances. The General Fund's fund balance decreased by \$1,056,487 in fiscal year 2013-2014 due to increases in capital improvements related to a \$19M drainage project and the construction of two community safe-room shelters with an estimated cost of \$5.4M. Both projects are being funded with federal grants on a reimbursement basis. The general fund balance will increase as grant funds are received and revenue recorded accordingly. The library's fund balances also decreased due to the continued capital improvements of the library and the delay in grant reimbursements. The Certificate of Obligation Series 2011 Fund was established in the prior year for various capital improvements throughout the City, including the local match of 25% of the costs of two community safe rooms; the CO 2011 fund had an ending fund balance of \$1,524,797. Other non-major governmental fund balances decreased by amount \$198,340 due mostly to one fund, the Tax Increment Reinvestment Zone, which paid for capital infrastructure in the form of an economic incentive to a local non-profit for the development of an affordable rental housing complex.

CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS – CONTINUED

Enterprise Funds – Business-Type Activities, Enterprise. La Feria, Texas' business-type activities include the collection of waste (garbage and brush). These activities increased the Enterprise Fund's operating revenues by \$15,421 thereby accounting for approximately 2% growth in the revenues of the Enterprise Fund. The small growth in operating revenues is due to small volume increases for both the garbage and brush services.

Operating expenses in the business-type activities decreased by \$16,057 or 3 percent. The primary elements for this decrease are due to decreases in the costs of material, supplies and repair due to the purchase of new machinery for the garbage collection department and increases in depreciation expense due to the addition of capital assets in the current fiscal year.

Component Units Funds – Waterworks and Sewer System, Industrial Development Corp., Economic Development Corp.

La Feria, Texas' Component Unit's activities increased operating revenues by \$2,706,678 thereby accounting for approximately a 91% increase in revenues. Key elements of this increase are as follows:

- Capital grants and contributions increased by 557% from the prior year due to increased activity in the Water and Sewer System due to the capital projects for the System which are being funded by the Texas Water Development Board (TWDB) in the form of forgivable loans.

Component Units activities increased the expenditures by a net amount of \$369,109 thereby accounting for approximately an 11% increase in expenditures. Key elements of this increase are as follows:

- The Economic Development Corporation's operating expenditures increased by 63% or \$97,164 from the previous year due mostly an increase in operating expenses for the distribution of two economic incentives.
- The Industrial Development Corporation increased expenditures from the previous year from \$361,690 to \$490,892 due mostly to an increase in payments to the primary government compared to last year's net amount which included payments from the primary government for capital improvement projects.
- The Waterworks and Sewer System increased operating expenditures from the previous year by 5% due mostly to increases in personnel and contractual services as capital projects were ongoing and required additional manpower.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgetary Highlights

Differences between the original budget expenditures and the final amended budget expenditures amounted to a net decrease of \$1,136,466 or 13%; the original budget for revenues and the final amended budget for revenues amounted to a net decrease of \$2,610,092 or 30% and can be briefly summarized as follows:

Revenues

- A decline in property tax revenue reduced this budget amount by \$202,116 or 30%.
- A decline in intergovernmental revenue reduced this budget amount by \$2,462,913 or 40% due to changes in the timeline of projects and the receipt of intergovernmental funds.

Expenditures

- Increased activity in the general government department increased the budget amount by \$713,570 or 67% due to increased activity in administration expenses related to the drainage projects.
- The capital outlay budget decreased by \$1,854,045 or 31% due to changes in the start date of some of several capital projects which includes a major drainage project and two shelters.

The difference in appropriations will be offset with the difference in revenues and transfers-in from other governmental funds.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$18,564,161 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment as well as construction in progress. The total increase in the City's investments in capital assets for the current fiscal year was \$4,301,771 or approximately 30 percent.

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

- Completion of expansion of library;
- Purchase of police and fire equipment
- Purchase of land for future economic development;
- Drainage project improvements;
- Purchase of brush truck

City of La Feria's Capital Assets
(Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/14</u>	<u>9/30/13</u>	<u>9/30/14</u>	<u>9/30/13</u>	<u>9/30/14</u>	<u>9/30/13</u>
Land	\$ 1,382,386	\$ 1,257,793	\$ -	\$ -	\$ 1,382,386	\$ 1,257,793
Building and systems	5,227,835	4,404,259	-	-	5,227,835	4,404,259
Improvements and other than buildings	2,873,053	2,580,984	-	-	2,873,053	2,580,984
Machinery and equipment	1,533,093	1,185,967	485,076	365,006	2,018,169	1,550,973
Construction in progress	<u>7,062,718</u>	<u>4,468,381</u>	<u>-</u>	<u>-</u>	<u>7,062,718</u>	<u>4,468,381</u>
	<u>\$18,079,085</u>	<u>\$13,387,384</u>	<u>\$485,076</u>	<u>\$365,006</u>	<u>\$18,564,161</u>	<u>\$14,262,390</u>

Additional information on the City's capital assets can be found in Note D beginning on page 81 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include \$12,896,000 of (limited) revenue certificates of obligation bonds, and \$3,210,000 of water and wastewater revenue bonds. The City's total long-term debt had a net decrease \$504,087 during this fiscal year. The key factor in the net decrease was the timely repayment of debt maturities.

Additional information on the City's long-term debt begins in Note D on page 81 of this report.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the government's central business district is estimated to have remained at 91 percent for the past year.
- Sales tax increased by 9.68% compared to prior year's increase of less than 1%. The sales tax revenue is expected to increase by 3% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2014-15 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 115 E. Commercial Avenue, La Feria, Texas 78559.

BASIC FINANCIAL STATEMENTS

MAJOR FUNDS

The General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund: The Certificates of Obligation - Series 2011 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

BUSINESS-TYPE FUND

Proprietary fund: The Waste Disposal Fund was established to account for the activities of the City owned residential and commercial garbage collection system.

DISCRETELY PRESENTED COMPONENT UNITS

The Waterworks and Sewer System Fund was established to account for the City's water and sewer system respectively.

The Industrial Development Corporation (IDC) is a nonprofit 4A corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

The Economic Development Corporation (EDC) is a nonprofit 4B corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.



City of La Feria, Texas
STATEMENT OF NET POSITION
September 30, 2014

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business - type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 13,809	\$ 304,490	\$ 318,299	\$ 66,255
Investments	75,000	-	75,000	-
Receivables (net of allowance for uncollectible)	3,718,211	82,741	3,800,952	765,556
Due from primary government	-	-	-	274,976
Due from component units	1,237,074	-	1,237,074	-
Inventories	24,793	-	24,793	51,172
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	408,087	-	408,087	12,672,237
Note receivable	4,328,695	-	4,328,695	899,708
Capital assets (net of accumulated depreciation)				
Land	1,382,386	-	1,382,386	2,912,195
Building and system	5,227,835	-	5,227,835	1,459,715
Improvements other than buildings	2,873,053	-	2,873,053	-
Machinery and equipment	1,533,093	485,076	2,018,169	2,710,527
Infrastructure	-	-	-	28,285,467
Easements	-	-	-	114,478
Certificate of convenience and necessity	-	-	-	120,758
Construction in progress	7,062,718	-	7,062,718	3,847,396
Total assets	<u>27,884,754</u>	<u>872,307</u>	<u>28,757,061</u>	<u>54,180,440</u>
LIABILITIES				
Accounts payable and other				
current liabilities	2,885,145	-	2,885,145	429,444
Due to primary government	-	-	-	1,237,074
Unearned revenue	274,976	-	274,976	12,106,140
Liabilities payable from restricted assets	-	-	-	155,188
Noncurrent liabilities:				
Due within one year	1,053,606	22,901	1,076,507	224,164
Due in more than one year, net	13,059,068	131,942	13,191,010	7,466,729
Total liabilities	<u>17,272,795</u>	<u>154,843</u>	<u>17,427,638</u>	<u>21,618,739</u>
NET POSITION				
Net investment in capital assets	5,889,955	334,692	6,224,647	30,732,780
Restricted for:				
Debt service	183,961	-	183,961	281,926
Capital projects funds	1,581,566	-	1,581,566	909,513
Tax increment reinvestment zone	44,294	-	44,294	-
Unrestricted:	2,912,183	382,772	3,294,955	637,482
Total net position	<u>\$ 10,611,959</u>	<u>\$ 717,464</u>	<u>\$ 11,329,423</u>	<u>\$ 32,561,701</u>

The notes to the financial statements are an integral part of this statement.

City of La Feria, Texas
STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

		Program Revenues	
		Operating	Capital
		Grants and	Grants and
		Contributions	Contributions
	Expenses	Charges for	
		Services	
Governmental activities:			
General government	\$ 3,997,353	\$ 229,386	\$ 173,233
Public safety	1,332,728	201,082	149,359
Highways and streets	282,807	-	-
Health and welfare	453,132	99,100	412,978
Culture and recreation	823,182	88,581	15,205
Interest on long term debt	489,951	-	-
Total governmental activities	<u>7,379,153</u>	<u>618,149</u>	<u>750,775</u>
Business - type activities:			
Sanitation services	\$ 508,577	\$ 786,848	\$ -
Total Business-type activities	<u>508,577</u>	<u>786,848</u>	<u>-</u>
Total primary government	<u>\$ 7,887,730</u>	<u>\$ 1,404,997</u>	<u>\$ 750,775</u>
Component Units			
Waterworks and Sewer Systems	\$ 3,119,438	\$ 2,295,913	\$ -
Industrial Development Corporation	490,892	139,500	-
Economical Development Corporation	250,552	-	-
Total component units	<u>\$ 3,860,882</u>	<u>\$ 2,435,413</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Hotel motel taxes

Unrestricted investment earnings

Gain (loss) on sale of asset

Other non operating revenue

Transfers

Total general revenues and transfers

Change in net position

Net position--beginning

Net position--ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business - type Activities	Total	Component Units
\$ (20,234)	\$ -	\$ (20,234)	\$ -
(982,287)	-	(982,287)	-
316,771	-	316,771	-
1,348,562	-	1,348,562	-
(598,747)	-	(598,747)	-
<u>(489,951)</u>	<u>-</u>	<u>(489,951)</u>	<u>-</u>
<u>(425,886)</u>	<u>-</u>	<u>(425,886)</u>	<u>-</u>
<u>-</u>	<u>278,271</u>	<u>278,271</u>	<u>-</u>
<u>-</u>	<u>278,271</u>	<u>278,271</u>	<u>-</u>
(425,886)	278,271	(147,615)	-
-	-	-	2,429,365
-	-	-	(351,392)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,552)</u>
-	-	-	1,827,421
517,829	-	517,829	-
774,502	-	774,502	-
582,717	-	582,717	582,716
328,744	-	328,744	-
16,970	-	16,970	-
667	-	667	15,064
18,294	-	18,294	-
995,563	-	995,563	1,468
<u>321,208</u>	<u>(321,208)</u>	<u>-</u>	<u>-</u>
<u>3,556,494</u>	<u>(321,208)</u>	<u>3,235,286</u>	<u>599,248</u>
3,130,608	(42,937)	3,087,671	2,426,669
<u>7,481,351</u>	<u>760,401</u>	<u>8,241,752</u>	<u>30,135,032</u>
<u>\$ 10,611,959</u>	<u>\$ 717,464</u>	<u>\$ 11,329,423</u>	<u>\$32,561,701</u>

City of La Feria, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Certificates of Obligation Series 2011 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,460	\$ -	\$ 7,349	\$ 13,809
Investments	75,000	-	-	75,000
Receivables, (net of allowance for uncollectibles)				
Property Taxes	63,561	-	77,374	140,935
Nonproperty taxes	59,181	-	-	59,181
Service	62,221	-	-	62,221
Special assessment	28,601	-	-	28,601
Intergovernmental receivable	2,917,340	-	-	2,917,340
Other	234,449	-	275,484	509,933
Due from other funds	309,986	653,343	151,558	1,114,887
Due from component units	172,112	764,962	-	937,074
Inventories	24,793	-	-	24,793
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	5,460	402,627	-	408,087
TOTAL ASSETS	<u>\$ 3,959,164</u>	<u>\$ 1,820,932</u>	<u>\$ 511,765</u>	<u>\$ 6,291,861</u>
LIABILITIES				
Accounts payable	\$ 2,152,549	\$ 296,135	\$ 1,910	\$ 2,450,594
Accrued liabilities	434,551	-	-	434,551
Due to other funds	787,087	-	327,800	1,114,887
Due to component units	274,976	-	-	274,976
Total liabilities	<u>3,649,163</u>	<u>296,135</u>	<u>329,710</u>	<u>4,275,008</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	44,039	-	58,020	102,059
Grants	1,253,025	-	181,302	1,434,327
Other	118,317	-	-	118,317
Total deferred inflows of resources	<u>1,415,381</u>	<u>-</u>	<u>239,322</u>	<u>1,654,703</u>
FUND BALANCES				
Nonspendable fund balances:				
Inventories	24,793	-	-	24,793
Restricted fund balances:				
Retirement of long-term debt	-	-	125,941	125,941
Tax increment reinvestment zone	-	-	44,294	44,294
Capital projects	-	1,524,797	1,025	1,525,822
Unassigned	(1,130,173)	-	(228,527)	(1,358,700)
Total fund balance	<u>(1,105,380)</u>	<u>1,524,797</u>	<u>(57,267)</u>	<u>362,150</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,959,164</u>	<u>\$ 1,820,932</u>	<u>\$ 511,765</u>	<u>\$ 6,291,861</u>

The notes of the financial statements are an integral part of this statement.

City of La Feria, Texas
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 September 30, 2014

	<u>Governmental Activities</u>
Fund balance -- total governmental funds	\$ 362,150
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	18,079,085
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore not reported in the funds:	
Unavailable revenue - property taxes	102,059
Unavailable revenue - grants	1,434,327
Unavailable revenue - other	118,317
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	(13,008,329)
Note payable	(1,001,733)
Net pension obligation	(68,345)
Compensated absences	(34,267)
Long-term notes receivable including current portion included as part of due from component unit are not due and receivable in the current period and, therefore, are not reported in the funds. Including \$300,000 of current maturities included in due from component unit receivable.	<u>4,628,695</u>
Net position of governmental activities	<u>\$ 10,611,959</u>

The notes to the financial statements are an integral part of this statement.

City of La Feria, Texas
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the year ended September 30, 2014

	General	Certificates of	Other	Total
	Fund	Obligation	Governmental	Governmental
	Fund	Series 2011	Funds	Funds
Revenues				
Taxes:				
Property	\$ 491,786	\$ -	\$ 820,780	\$ 1,312,566
Sales	582,717	-	-	582,717
Franchise	328,744	-	-	328,744
Other	-	-	16,970	16,970
Licenses and permits	99,100	-	-	99,100
Intergovernmental	5,495,663	-	594,481	6,090,144
Fees and charges	266,277	-	47,790	314,067
Fines	164,192	-	-	164,192
Interest income	111	543	4	658
Contributions and donations	3,660	-	53,842	57,502
Other	359,085	-	61,367	420,452
Total revenues	7,791,335	543	1,595,234	9,387,112
Expenditures				
Current				
General government	2,700,778	-	438,432	3,139,210
Public safety	1,127,994	-	-	1,127,994
Highways and streets	239,225	-	-	239,225
Health and welfare	69,213	-	371,757	440,970
Culture and recreation	288,569	-	351,163	639,732
Debt service				
Principal retirement	24,375	-	718,000	742,375
Interest and fiscal agent fees	-	-	489,951	489,951
Capital outlay	4,744,933	427,353	119,159	5,291,445
Total expenditures	9,195,087	427,353	2,488,462	12,110,902
Excess (deficiency) of revenues over (under) expenditures	(1,403,752)	(426,810)	(893,228)	(2,723,790)
Other financing sources (uses)				
Transfers in	639,812	-	902,521	1,542,333
Transfers (out)	(902,521)	(110,971)	(207,633)	(1,221,125)
Proceeds note payable	495,474	-	-	495,474
Sale of capital assets	114,500	-	-	114,500
Total other financing sources (uses)	347,265	(110,971)	694,888	931,182
Net change in fund balances	(1,056,487)	(537,781)	(198,340)	(1,792,608)
Fund balances, beginning	(48,893)	2,062,578	141,073	2,154,758
Fund balances, ending	<u>\$ (1,105,380)</u>	<u>\$ 1,524,797</u>	<u>\$ (57,267)</u>	<u>\$ 362,150</u>

The notes to the financial statements are an integral part of this statement.

City of La Feria, Texas
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the year ended September 30, 2014

	<u>Governmental Activities</u>
Net change in fund balances -- total governmental funds	\$ (1,792,608)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciation is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, of \$5,291,445 exceeded depreciation expense of (\$1,013,537) and capital asset disposals of (\$96,207) in the current period.	4,181,701
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenues - property taxes	(20,236)
Unavailable revenues - grants and other	803,384
Compensated absences in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental fund. The compensated absences increased in the current year.	(2,730)
Net pension obligations in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental fund. The net pension obligation increased in the current year.	(478)
Repayment of non-current liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond principal	718,000
Notes payable principal	251,362
Capital lease principal	9,671
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Note receivable repayment from component unit	(285,000)
Note receivable repayment from TCF grant recipients	(236,984)
funds, but issuing debt increases long-term liabilities in the statement of net position.	<u>(495,474)</u>
Change in net position of governmental activities	<u>\$ 3,130,608</u>

The notes to the financial statements are an integral part of this statement.

City of La Feria, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014

	Business-type Activities
	<u>Waste Disposal Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 304,490
Service receivable, net	<u>82,741</u>
Total current assets	387,231
Noncurrent assets:	
Capital assets	
Machinery and equipment	1,390,936
Less accumulated depreciation	<u>(905,860)</u>
Total capital assets (net of accumulated depreciation)	<u>485,076</u>
 TOTAL ASSETS	 <u><u>\$ 872,307</u></u>
LIABILITIES	
Current liabilities	
Current portion of long-term debt	\$ <u>22,901</u>
Total current liabilities	22,901
Noncurrent liabilities	
Notes payable	127,483
Net pension obligation	<u>4,459</u>
Total non current liabilities	<u>131,942</u>
 Total liabilities	 <u>154,843</u>
NET POSITION	
Net investment in capital assets	334,692
Unrestricted	<u>382,772</u>
Total net position	<u>717,464</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 872,307</u></u>

The notes of the financial statements are an integral part of this statement.

City of La Feria, Texas
**STATEMENT OF REVENUES AND EXPENSES AND
 CHANGES IN NET POSITION
 PROPRIETARY FUND**

For the year ended September 30, 2014

	Business-type Activities
	Waste Disposal Fund
Operating revenues	
Charges for services	<u>\$ 786,848</u>
Total operating revenues	786,848
Operating expenses	
Personnel services	75,440
Contractual services	251,009
Materials, supplies and repairs	36,071
Heat, light and power	52,402
Depreciation	<u>88,159</u>
Total operating expense	<u>503,081</u>
Income before transfers	283,767
Nonoperating revenues (expenses)	
Interest expense	<u>(5,496)</u>
Income before transfers	278,271
Transfers out	<u>(321,208)</u>
Change in net position	(42,937)
Net position--beginning	<u>760,401</u>
Total net position, end of year	<u>\$ 717,464</u>

The notes of the financial statements are an integral part of this statement.



City of La Feria, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the year ended September 30, 2014

	Business-type Activities
	Waste Disposal Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 782,722
Payments to suppliers	(339,482)
Payments to employees	(75,409)
Net cash provided (used) by operations	367,831
Cash flows from (to) noncapital financing activities	
Transfer out	(321,208)
Net cash provided (used) by noncapital financing activities	(321,208)
Cash flows from capital and related financing activities	
Proceeds from note payable	173,247
Principal paid on long-term debt	(22,863)
Interest paid on capital debt	(5,496)
Net cash used by capital and related financing activities	144,888
Cash flows from investing activities	
Purchase of capital assets	(208,229)
Net cash provided (used) by investing activities	(208,229)
Net increase (decrease) in cash and cash equivalents	(16,718)
Cash and cash equivalents, beginning of year	321,208
Cash and cash equivalents, end of year	<u>\$ 304,490</u>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income (loss)	\$ 283,767
Adjustments to reconcile net income from operations to net	
cash from operating activities	
Depreciation expense	88,159
Effect of increases and decreases in current	
assets and liabilities	
Decrease (increase) in receivables	(4,126)
Increase (decrease) in net pension obligation	31
Total adjustments	<u>84,064</u>
Net cash provided (used) by operations	<u>\$ 367,831</u>
<i>Supplemental disclosure of noncash activities</i>	\$ -

The notes of the financial statements are an integral part of this statement.

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Waterworks and Sewer System	La Feria Industrial Development Corporation	La Feria Economic Development Corporation	Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ 12	\$ 66,243	\$ 66,255
Receivables				
Service	223,626	-	-	223,626
Other	484,013	4,713	-	488,726
Intergovernmental	-	26,602	301,578	328,180
Current portion of note receivable	-	39,082	1,601	40,683
Inventories	51,172	-	-	51,172
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	<u>12,513,068</u>	<u>159,169</u>	<u>-</u>	<u>12,672,237</u>
Total current assets	<u>13,271,879</u>	<u>229,578</u>	<u>369,422</u>	<u>13,870,879</u>
NOTES RECEIVABLE	-	711,262	147,763	859,025
CAPITAL ASSETS				
Depreciable				
Buildings	-	1,817,681	-	1,817,681
Water distribution system	14,078,883	-	-	14,078,883
Sewer distribution system	21,668,739	-	-	21,668,739
Furniture, fixture and equipment	3,582,096	24,184	-	3,606,280
Vehicles	<u>157,641</u>	<u>-</u>	<u>-</u>	<u>157,641</u>
	<u>39,487,359</u>	<u>1,841,865</u>	<u>-</u>	<u>41,329,224</u>
Less accumulated depreciation	<u>(8,491,365)</u>	<u>(382,150)</u>	<u>-</u>	<u>(8,873,515)</u>
	<u>30,995,994</u>	<u>1,459,715</u>	<u>-</u>	<u>32,455,709</u>
Non depreciable				
Land	340,496	2,525,699	46,000	2,912,195
Easements	120,758	-	-	120,758
Certificate of Convenience and Necessity	114,478	-	-	114,478
Construction in Progress	<u>3,847,396</u>	<u>-</u>	<u>-</u>	<u>3,847,396</u>
	<u>4,423,128</u>	<u>2,525,699</u>	<u>46,000</u>	<u>6,994,827</u>
Total capital assets (net of accumulated depreciation)	<u>35,419,122</u>	<u>3,985,414</u>	<u>46,000</u>	<u>39,450,536</u>
Total assets	<u>\$ 48,691,001</u>	<u>\$ 4,926,254</u>	<u>\$ 563,185</u>	<u>\$ 54,180,440</u>

The notes of the financial statements are an integral part of this statement.

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Waterworks and Sewer System	La Feria Industrial Development Corporation	La Feria Economic Development Corporation	Totals
LIABILITIES				
Current liabilities				
Accounts payable	\$ 422,373	\$ 691	\$ 200	\$ 423,264
Accrued expenses and liabilities	3,780	2,400	-	6,180
Unearned revenues	12,106,140	-	-	12,106,140
Due to primary government	472,112	764,962	-	1,237,074
Current portion of revenue bonds payable	165,000	59,164	-	224,164
Total current liabilities	<u>13,169,405</u>	<u>827,217</u>	<u>200</u>	<u>13,996,822</u>
Current liabilities payable from restricted assets				
Customer deposits payable	-	-	-	-
Meter deposits	155,188	-	-	155,188
Total current liabilities payable from restricted assets	<u>155,188</u>	<u>-</u>	<u>-</u>	<u>155,188</u>
Noncurrent liabilities				
Net pension obligation	38,790	-	-	38,790
Notes payable	3,996,973	339,966	46,000	4,382,939
Revenue bonds payable (net of amortized discounts and deferred amount on refunding)	3,045,000	-	-	3,045,000
Total noncurrent liabilities	<u>7,080,763</u>	<u>339,966</u>	<u>46,000</u>	<u>7,466,729</u>
Total liabilities	<u>20,405,356</u>	<u>1,167,183</u>	<u>46,200</u>	<u>21,618,739</u>
NET POSITION				
Net investment in capital assets	27,912,149	2,820,631	-	30,732,780
Restricted for debt service	281,926	-	-	281,926
Restricted for capital projects	-	909,513	-	909,513
Unrestricted:	91,570	28,927	516,985	637,482
Total net position	<u>\$ 28,285,645</u>	<u>\$ 3,759,071</u>	<u>\$ 516,985</u>	<u>\$ 32,561,701</u>

The notes of the financial statements are an integral part of this statement.

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Component units</u>				
Waterworks and Sewer System	\$ 3,119,438	\$ 2,295,913	\$ -	\$ 3,252,890
Industrial Development Corporation	490,892	139,500	-	-
Economic Development Corporation	250,552	-	-	-
Total component units	<u>\$ 3,860,882</u>	<u>\$ 2,435,413</u>	<u>\$ -</u>	<u>\$ 3,252,890</u>

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Other non operating revenue

Total general revenues and transfers

Change in net position

Net position--beginning

Net position--ending

The notes of the financial statements are an integral part of this statement.

Component units			
Net (Expense) revenue change in Net Position			
Waterworks and Sewer System	La Feria Industrial Development Corporation	La Feria Economic Development Corporation	Totals
\$ 2,429,365	\$ -	\$ -	\$ 2,429,365
-	(351,392)	-	(351,392)
-	-	(250,552)	(250,552)
2,429,365	(351,392)	(250,552)	1,827,421
-	291,358	291,358	582,716
503	10,055	4,506	15,064
-	1,468	-	1,468
503	302,881	295,864	599,248
2,429,868	(48,511)	45,312	2,426,669
25,855,777	3,807,582	471,673	30,135,032
\$ 28,285,645	\$ 3,759,071	\$ 516,985	\$ 32,561,701



NOTES TO FINANCIAL STATEMENTS

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The City of La Feria, Texas (the “City”) was incorporated on March 22, 1915, under the provisions of the laws for the State of Texas. The home rule charter was adopted on November 7, 1989 and amended on May 12, 2007. The City operates under a City Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - Blended component units, although legally separate entities, are in substance part of the government’s operations and so data from these units are combined with data of the primary government. The City does not include any blended component units.

Discretely presented component units - Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

The City of La Feria Waterworks and Sewer System (the “System”) is governed by a five-member board appointed by the City. The System is intended to operate on a self-supporting basis through user water and sewer charges. The City has a voting majority, imposition of will, financial benefit and financial accountability over the System. The System also maintains a September 30 fiscal year end.

The La Feria Industrial Development Corporation (the “Corporation”) is a Section 4A non-profit industrial development corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote industrial development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

The La Feria Economic Development Corporation (the “Corporation”) is a Section 4B non-profit industrial development corporation governed by an seven-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Complete financial statements of the individual component units can be obtained directly from their administrative offices as indicated.

Waterworks and Sewer System
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Industrial Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Economic Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The City and its component units did not have fiduciary funds for this fiscal year. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Certificates of Obligation Series 2011 Fund, a Capital Projects Fund, accounts for various capital improvements with the use of proceeds from the issuance of Certificates of Obligation Series 2011.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks and Sewer System and of the waste disposal fund are charges to customers for sales and services. The Waterworks and Sewer System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. Fund Balances Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances are classified as follows:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the City Commission such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Commission. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

Committed fund balance is established, modified and/or rescinded by the City Commission in the form of a resolution. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

This policy delegates to the City Manager and Finance Director the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

5. Assets, Liabilities, and Net Position or Equity

a. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

b. Deposits, Investments and Investment Policies

Investment Accounting Policy

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments, which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The City policy authorizes all the State allowable investments.

The City's management believes that it has complied in all material respects with the requirements of the act and the City's investment policies.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the City's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$801,386. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank.

Component Unit Cash Deposits

The component unit's unrestricted cash totaled \$66,255 at September 30, 2014.

Restricted cash for qualified business loans under the Revolving Loan and Intermediary Lending Programs totaled \$159,181. Restricted cash for meter deposits and debt service total \$406,916.

Restricted cash in the amount of \$12,106,140 represents loan forgiveness funds held in escrow which were provided by the Texas Water Development Board through the Disadvantaged Community Programs. The escrow accounts are on deposit at Bank of Texas and are not considered as a banking deposit for the City under the terms of the escrow agreements and loan forgiveness grants. The funds are restricted for approved system improvements and are disbursed to the City with the approval from the TWDB as funds are earned.

In addition, the following is disclosed regarding coverage of *combined balances on the date of highest deposit:

- a. Name of Bank Compass Bank.
- b. Amount of bond and/or market value of securities pledged as of the date of the highest *combined balance on deposit were \$4,133,405 and occurred during the month of March 2014.

In accordance with Texas Law, the City's cash deposits were properly secured at all times by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank.

*Combined balances include all of the City of La Feria cash accounts on deposit at Compass Bank.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is silent as to maximum investment maturities allowed. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

<u>Description</u>	<u>Rate</u>	<u>Amount</u>	<u>Maturity</u>	<u>Days</u>
Certificate of Deposit	0.22%	\$ 75,000	November 26, 2014	365

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's only investment at year-end was the above-mentioned certificate of deposit.

Concentration of Credit Risk

The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act. The above-mentioned certificate of deposit represents 100% of total City investments.

Public Funds Investment Pools

The City had no funds in a public funds investment pool.

c. *Receivables and Payables*

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of October 1, on property values assessed as of January 1 of the same year. The tax levy are billed and considered past due February 1, at which time the applicable property is subject to lien, and penalties and interest are assessed.

d. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

e. *Restricted Assets*

Restricted assets consist of amounts received for specific projects, sales tax, and amounts reserved for bond payments.

f. *Capital Assets*

The capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) 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. Interests incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and system	25 to 50 years
Improvements other than buildings	3 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 25 years

g. *Compensated Absences*

The vacation allowance for eligible employees is based upon length of service according to the following schedule:

<u>Length of Service</u>	<u>Vacation Allowed</u>
After 1 year	5 days
After 2 years	10 days
After 5 years	12 days
After 10 years	15 days
After 20 years	20 days

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Sick leave accumulates at the rate of 5 days per year and may not be accumulated from year to year. In addition, upon termination from the City, employees will not be entitled to be paid for any unused sick leave, therefore, a liability for these amounts is not recorded

Vacation time may not be accrued for more than that allowed in a one-year period. Compensatory time (i.e., overtime for work performed beyond normal working hours) must be used within 30 workdays of being accrued. As a result, although unused vacation and compensatory time is payable to the employee upon termination, the accumulated amount at September 30, 2014 was recognized as accrued when earned during the one-year period in the government-wide and proprietary fund financial statements. Last year's liability was recognized for \$31,537, this year's liability due within a year is \$34,267. This amount is included under Accounts payable and current liabilities.

h. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs on issuance, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

i. *Fund Equity*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has, by resolution, authorized the City Manager to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balances to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

j. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

k. *Net Position*

The City's Net Position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

l. *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: property taxes, payments in lieu of taxes, special assessments, noncurrent receivables and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds and lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- c. Public hearings are conducted at City Hall to obtain taxpayer comments.
- d. Prior to October 1, the budget is adopted by the City Commission.
- e. Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is the functional basis (ex.: general government, public safety, highways and streets, health and welfare, culture and recreation) with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h. Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, a supplementary appropriation was necessary.

2. Deficit Fund Equity

A deficit balance in fund balance occurred in the following funds for the year ended September 30, 2014, and by the indicated amounts. The deficit will be eliminated by grant reimbursements and by other funds.

General Fund	<u>\$1,105,380</u>
Bailey H. Dunlap Memorial Library Fund	<u>\$ 232,484</u>
Home Grant Fund	<u>\$ 1,650</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

3. Excess of Expenditures over Appropriations

For the year ended September 30, 2014, expenditures exceed appropriations in the general government and capital outlay function of the general fund by \$922,626 and \$600,550, respectively. The variance was caused by capital outlay expenditures from the Hazard Mitigation Grant Program (HMGP) and the drainage improvements funded through the Texas General Land Office (GLO). These expenditures are primarily funded through those grants, and amounts spent are either reimbursed or pending reimbursement to the City. The drainage project extends outside the City limits, those sections of the drainage project are allocated to the general government function.

NOTE C - DETAILED NOTES ON ALL FUNDS

A. Receivable

1. Property Tax Receivable

Taxes are levied each October 1st and become delinquent on February 1st of the following year. Liens for unpaid taxes go into effect on July 1st of the year the taxes become delinquent. The City may not have a tax rate higher than \$2.50 per \$100 of assessed valuation. Statutes require that all assessments be made on 100% of fair value.

	General Fund	Debt Service Fund	Total
Gross property taxes receivable	\$112,855	\$125,779	\$238,634
Less allowance for doubtful accounts	<u>(49,294)</u>	<u>(48,405)</u>	<u>(97,699)</u>
Net property taxes receivable	\$ <u>63,561</u>	\$ <u>77,374</u>	\$ <u>140,935</u>

2. Service Receivable

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services. At September 30, 2014, the City reflected service receivables of the following:

Primary Government	
Waste disposal services	\$ 82,741
Service receivables	<u>62,221</u>
	144,962
Component Units Activities	
Water services	122,395
Sewer services	<u>101,231</u>
	223,626
Other	<u>61,143</u>
	<u>\$284,769</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

3. Governmental Activities

Receivables for governmental activities at September 30, 2014, consisted of the following:

	<u>General</u>	<u>Certificates of Obligation Series 2011</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables				
Property taxes	\$ 112,855	\$ -	\$125,778	\$ 238,633
Other taxes	59,181	-	-	59,181
Accounts	62,221	-	-	62,221
Special assessments	28,601	-	-	28,601
Intergovernmental	2,917,340	-	-	2,917,340
Other	<u>234,449</u>	<u>-</u>	<u>275,484</u>	<u>509,933</u>
	3,414,647	-	401,262	3,815,909
Less allowance for uncollectibles	<u>(49,294)</u>	<u>-</u>	<u>(48,404)</u>	<u>(97,698)</u>
Net total receivables	<u>\$3,365,353</u>	<u>\$ -</u>	<u>\$352,858</u>	<u>\$3,718,211</u>

B. Restricted Assets

The City maintains restricted assets in certain funds for future capital improvements, for property seized by the police department, and future debt service requirements.

Sales tax receivable is restricted for special uses; therefore, they become restricted assets. In addition, the City of La Feria Waterworks and Sewer System is required under the terms of its bond indentures to maintain certain reserve funds. The System has invested in certificates of deposit and money market accounts that are secured and held in the System's name to comply with these requirements. In addition, the System has funds restricted for customers' meter deposits. At September 30, 2014, the balances in these funds are as indicated as follows:

Governmental Funds

General Fund	
Cash – seized by police department for future capital improvements	\$ 5,157
Certificate of Obligation Series 2011 Fund	402,627
Other funds	<u>303</u>
	<u>\$ 408,087</u>

Component Units

Enterprise Funds	
LFIDC Revolving Loan Fund – business loans	\$ 159,169
Debt Service Reserve	281,926
Meter deposits	155,188
Texas Water Development Board-grant/loan forgiveness escrow	<u>12,106,140</u>
	<u>\$12,702,423</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

C. Net Position

Governmental activities net position is composed of three categories: Net investment in Capital Assets, Restricted and Unrestricted.

	<u>2014</u>	<u>2013</u>
Long-term assets		
Capital assets, net of accumulated depreciation	\$18,079,085	\$13,897,384
Less related liabilities (bonds and notes payable)	(14,010,062)	(9,032,027)
Restricted investments (unexpended bond proceeds)	<u>1,820,932</u>	<u>2,062,578</u>
Net investment in capital assets	5,889,955	6,927,935
<i>Restricted Net Position consists of the following:</i>		
Debt service	183,961	118,935
Capital projects	1,581,566	-
Tax Increment Reinvestment Zone	44,294	301,112
Unrestricted net position	<u>2,912,183</u>	<u>133,369</u>
Total net position	<u>\$10,611,959</u>	<u>\$ 7,481,351</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

D. Capital Assets

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

Primary Government

	Beginning Balance <u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Ending Balance <u>September 30, 2014</u>
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,257,793	\$ 220,800	\$96,207	\$ -	\$ 1,382,386
Construction in progress	<u>4,468,381</u>	<u>3,466,678</u>	<u>-</u>	<u>(872,341)</u>	<u>7,062,718</u>
Total capital assets, not being depreciated	5,726,174	3,687,478	96,207	(872,341)	8,445,104
Capital assets, being depreciated					
Buildings and systems	5,741,771	126,361	9,082	872,341	6,731,391
Improvements other than buildings	11,100,485	882,550	-	-	11,983,035
Machinery and equipment	<u>3,708,725</u>	<u>595,056</u>	<u>-</u>	<u>-</u>	<u>4,303,781</u>
Total capital assets, being depreciated	20,550,981	1,603,967	9,082	872,341	23,018,207
Less accumulated depreciation for					
Buildings and systems	(1,337,512)	(175,126)	9,082	-	(1,503,556)
Improvements other than buildings	(8,519,501)	(590,481)	-	-	(9,109,982)
Machinery and equipment	<u>(2,522,758)</u>	<u>(247,930)</u>	<u>-</u>	<u>-</u>	<u>(2,770,688)</u>
Total accumulated depreciation	<u>(12,379,771)</u>	<u>(1,013,537)</u>	<u>-</u>	<u>-</u>	<u>(13,384,226)</u>
Total capital assets, being depreciated, net	<u>8,171,210</u>	<u>590,430</u>	<u>9,082</u>	<u>872,341</u>	<u>9,633,981</u>
Governmental activities capital assets, net	<u>\$13,897,384</u>	<u>\$4,277,908</u>	<u>\$96,207</u>	<u>\$ -</u>	<u>\$18,079,085</u>
Business-type Activities					
Capital assets, being depreciated					
Machinery and equipment	\$ <u>1,182,707</u>	\$ <u>208,229</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,390,936</u>
Total capital assets, being depreciated	1,182,707	208,229	-	-	1,390,936
Less accumulated depreciation for					
Machinery and equipment	<u>(817,701)</u>	<u>(88,159)</u>	<u>-</u>	<u>-</u>	<u>(905,860)</u>
Total accumulated depreciation	<u>(817,701)</u>	<u>(88,159)</u>	<u>-</u>	<u>-</u>	<u>(905,860)</u>
Total capital assets being depreciated, net	<u>365,006</u>	<u>120,070</u>	<u>-</u>	<u>-</u>	<u>485,076</u>
Business-type activities capital assets, net	<u>\$ 365,006</u>	<u>\$ 120,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,076</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

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

Governmental activities

General government	\$ 84,366
Public safety	161,860
Highways and streets	524,026
Health and welfare	13,830
Culture and recreation	<u>229,455</u>

Total depreciation expenses – governmental activities	<u>\$1,013,537</u>
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Business-type activities

Sanitation	\$ <u>88,159</u>
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Total depreciation expenses – business-type activities	<u>\$ 88,159</u>
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Discretely Presented Component Units

	Beginning Balance <u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Ending Balance <u>September 30, 2014</u>
Waterworks and Sewer System					
Capital assets, not being depreciated					
Land	\$ 340,496	\$ -	\$ -	\$ -	\$ 340,496
Easement	82,807	37,951	-	-	120,758
CCN	114,478	-	-	-	114,478
Construction in progress	<u>646,317</u>	<u>3,201,079</u>	<u>-</u>	<u>-</u>	<u>3,847,396</u>
Total capital assets, not being depreciated	1,184,098	3,239,030	-	-	4,423,128
Capital assets, being depreciated					
Machinery and equipment	3,739,737	-	-	-	3,739,737
Infrastructure	<u>35,669,210</u>	<u>78,412</u>	<u>-</u>	<u>-</u>	<u>35,747,622</u>
Total capital assets, being depreciated	39,408,947	78,412	-	-	39,487,359
Less accumulated depreciation:					
Machinery	(870,512)	(158,698)	-	-	(1,029,210)
Infrastructure	<u>(6,589,112)</u>	<u>(873,043)</u>	<u>-</u>	<u>-</u>	<u>(7,462,155)</u>
Total accumulated depreciation	<u>(7,459,624)</u>	<u>(1,031,741)</u>	<u>-</u>	<u>-</u>	<u>(8,491,365)</u>
Total capital assets, being depreciated, net	<u>31,949,323</u>	<u>(953,329)</u>	<u>-</u>	<u>-</u>	<u>30,995,994</u>
Waterworks and Sewer System activities capital assets, net	<u>\$33,133,421</u>	<u>\$(2,285,701)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$35,419,122</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

	<u>Beginning Balance October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance September 30, 2014</u>
Industrial Development Corporation					
Capital assets not being depreciated					
Land	<u>\$2,704,730</u>	<u>\$ 5,000</u>	<u>\$184,031</u>	<u>\$ _____</u>	<u>\$2,525,699</u>
Total capital assets not being depreciated	<u>2,704,730</u>	<u>5,000</u>	<u>184,031</u>	<u>-</u>	<u>2,525,699</u>
Capital assets being depreciated					
Buildings and improvements	<u>1817,881</u>	<u>6,400</u>	<u>6,600</u>	<u>-</u>	<u>1,817,681</u>
Furniture, fixtures and equipment	<u>24,184</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>24,184</u>
Total capital assets being depreciated	<u>1,842,065</u>	<u>6,400</u>	<u>6,600</u>	<u>_____</u>	<u>1,841,865</u>
Less accumulated depreciation for					
Building and improvements	<u>(311,926)</u>	<u>(52,640)</u>	<u>6,600</u>	<u>-</u>	<u>(357,966)</u>
Furniture, fixtures and equipment	<u>(24,184)</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>(24,184)</u>
Total accumulated depreciation	<u>(336,110)</u>	<u>(52,640)</u>	<u>6,600</u>	<u>_____</u>	<u>(382,150)</u>
Total capital assets being depreciated, net	<u>1,505,955</u>	<u>(46,240)</u>	<u>_____</u>	<u>_____</u>	<u>1,459,715</u>
Industrial Development Corporation activities capital assets, net	<u>\$4,210,685</u>	<u>\$ (41,240)</u>	<u>\$184,031</u>	<u>\$ _____</u>	<u>\$3,985,414</u>
Economic Development Corporation					
Capital assets not being depreciated					
Land	<u>\$ _____</u>	<u>\$ 46,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 46,000</u>
Total capital assets not being depreciated	<u>_____</u>	<u>46,000</u>	<u>_____</u>	<u>_____</u>	<u>46,000</u>
Economic Development Corporation activities capital assets, net	<u>\$ _____</u>	<u>\$ 46,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 46,000</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

Construction Commitments

At September 30, 2014, the City was a party to the following contracts:

Governmental Funds:

Projects	Estimated Projected Costs	Expended to Date	Completed to Date	Construction in Progress	Estimated Amount Remaining
Drainage Improvements	19,302,679	5,844,916	\$ -	\$ 5,844,916	\$ 13,457,763
Community Safe-rooms	5,407,060	1,209,430	-	1,209,430	4,197,630
Total Projects	\$ 24,709,739	\$7,054,346	\$ -	\$ 7,054,346	\$ 17,655,393

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Two grant funds were also awarded totaling \$2,892,026 from the U.S. Department of Homeland Security and passed through the Texas Department of Public Safety under the Hazard Mitigation Grant Program (HMGP) to supplement the drainage improvement at four sites and minimize flooding of the local expressway. Construction for this drainage project funded with HMGP grant funds started in October of 2013 and is expected to be completed by December 31, 2015. Construction of the watershed improvements and other public flood components funded with GLO funds is also expected to be completed by December 2015.

The City was awarded two grants totaling \$4,082,546 to assist in the construction of two community safe rooms. The funding was awarded and approved by the United States Department of Homeland Security-Federal Emergency Management Agency (FEMA) under the Hazard Mitigation Grant Program and passed through the State of Texas Department of Public Safety. The grants will provide 75% of the funding and the City will be utilizing funds from the CO 2011 proceeds to fund the other 25%. Both safe rooms are expected to be completed by June 30, 2015.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

Construction Commitments

Waterworks and Sewer System:

Projects	Estimated Projected Costs	Expended to Date	Completed to Date	Construction in Progress	Estimated Amount Remaining
CIP Sewer Improvements	8,381,340	568,472	\$ -	\$ 568,472	\$ 7,812,868
CIP Water Improvements	7,167,700	3,278,924	-	3,278,924	3,888,776
Total Projects	\$ 15,549,040	\$3,847,396	\$ -	\$ 3,847,396	\$ 11,701,644

The Texas Water Development Board (TWDB) approved a \$7,167,700 loan forgiveness loan from the Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community Program to finance water system improvements on May 4, 2011. The proposed project consists of water treatment plant and distribution improvements and upgrades to comply with the disinfection byproducts rule. Improvements to the water treatment plant include electrical motor controls and the installation of a Supervisory Control and Data Acquisition (SCADA) system. The distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing water meters and implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss. Construction on this project started in January 2014 and is expected to be completed by December 2015.

On May 4, 2011, the Texas Water Development Board (TWDB) also approved an \$8,381,340 loan forgiveness grant from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements. The proposed project includes extending first-time sanitary sewer service to several disadvantaged areas by constructing and installing approximately 31,550 feet of pipe, three lift stations and manholes and related appurtenances. Also included in the project is the purchase and installation of a SCADA system at the System's wastewater treatment plant. Construction on this project began in April 2014 and is expected to be completed by the end of 2015.

The City participates in a number of grant programs funded by federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all these programs including the year ended September 30, 2014 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

E. Inter-fund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ -	\$ 300	\$ 300
C. O. Bonds – Series 2011 Fund	153,732	327,499	481,231
Non-major Governmental Funds	<u>151,558</u>	<u>-</u>	<u>151,558</u>
	<u>\$305,290</u>	<u>\$327,799</u>	<u>\$633,089</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. The City expects to collect these balances in the subsequent year.

Transfers

Inter-fund transfers for the year ended September 30, 2014, are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ -	\$902,521	\$ 902,521
C. O. Bonds – Series 2011 Fund	110,971	-	110,971
Non-major Governmental Funds	<u>207,633</u>	<u>-</u>	<u>207,633</u>
	318,604	902,521	1,221,125
Business-type Activities	<u>321,208</u>	<u>-</u>	<u>321,208</u>
	<u>\$639,812</u>	<u>\$902,521</u>	<u>\$1,542,333</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT

1. General Government Bank Notes and Long-Term Notes Payable

Long-term notes payable at September 30, 2014 consist of the following:

City of La Feria

Note payable to *D.A. Werlla and A.G. Diesing* dated January 13, 2013, original principal amount of \$320,000, payable in fifty-nine monthly installments of \$2,700 (including interest) and a final payment due at maturity on January 18, 2018 in the amount of any unpaid principal and accrued unpaid interest. The note is secured by land being financed, a 24.041 acre tract of land purchased for the City's future economic development project and payable from general fund revenues. The balance at 09/30/2014 was \$296,479.

Note payable to *Government Capital Corporation - Southside Bank* dated February 7, 2014, original principal amount of \$373,474, payable in seven annual installments of \$59,316 (including interest) with the first payment due on November 15, 2014 and a final payment due at maturity on November 15, 2020. The note is payable from general fund revenues. The balance at 09/30/2014 was \$373,474.

2. General Government Capital lease

The government entered into a 10-year lease purchase agreement with Musco Finance, LLC on July 8, 2013, with the first payment due on July 8, 2014 for the acquisition and installation of a "green lighting project system" at one of the municipal baseball parks. The lighting equipment has a ten-year estimated useful life and is valued at \$122,000. The installation of the equipment was completed in October 2013. This year, \$12,200 was included in depreciation expense. This purchase lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The lease purchase agreement is secured by the lighting equipment being financed, and is payable from general fund revenues. A final payment of \$15,849 is due on July 8, 2023, at which time the title of the lighting equipment passes to the government and becomes property of the government. The balance at 09/30/2014 was \$112,329. The annual lease requirements to maturity are as follows:

<u>Fiscal Year-ending September 30,</u>	<u>Governmental Activities</u>
2015	15,849
2016	15,849
2017	15,849
2018	15,849
2019	15,849
2020-2023	63,396
Total minimum lease payments	142,641
Less: amount representing interest	(30,312)
Present value of minimum lease payments	<u>\$ 112,329</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT – Continued

Enterprise Fund

Note payable to *Government Capital Corporation - Citizen's 1st Bank* dated March 22, 2013, original principal amount of \$173,247, payable in seven annual installments of \$28,360 (including interest) with the first payment due on December 1, 2013 and the final payment due at maturity on December 1, 2019. The note is payable from the Waste Disposal Fund revenues. The balance at 09/30/2014 was \$150,383.

Discretely Presented Component Units

La Feria Industrial Development Corporation, Inc., (IDC)

At year-end, the IDC had two long-term debts outstanding. The long-term debts, were incurred for the purchase of land for industrial development. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance September 30,		Current Term Portion	Long- Term Portion
				2014	2013		
Public Works Warehouse & Land	\$340,000	6.50%	July 2007 & 2008	\$135,638	\$166,917	\$ 33,492	\$102,146
First Community Bank	303,467	5.50%	January 2013	<u>263,492</u>	<u>287,634</u>	<u>25,672</u>	<u>237,820</u>
				<u>\$399,130</u>	<u>\$454,551</u>	<u>\$ 59,164</u>	<u>\$339,966</u>

La Feria Economic Development Corporation, Inc., (EDC)

At year-end, the EDC had one long-term debt outstanding. The EDC signed a promissory note in the amount of \$46,000 on May 1, 2015 due to South Texas Collaborative for Housing Development, Inc. with an annual interest rate of 10% due if the principal amount is not paid by the maturity date of May 1, 2017; principal payments are not due until maturity. The funds were used to purchase four lots for the construction of four single family rental homes funded through the General Land Office (GLO) under the disaster recovery housing program. The grant funds will assist in providing affordable rental homes in La Feria. At September 30, 2014, the balance on the note payable was \$46,000.

2. Certificates of Obligation Bonds

Certificates of obligation bonds have only been issued for governmental activities.

- Proceeds from the Series 2004 were used to pave streets, purchase capital assets, and develop an industrial park.
- Proceeds from the Series 2008 were used for infrastructure, equipment, parks, the library expansion and the construction of an indoor recreation facility.
- Proceeds from the Series 2011 were used for street improvements, the expansion to city hall, public works equipment, the fire department expansion, and the development of two dome/shelter facilities.
- Proceeds from the Series 2012A were used for the expansion of the library.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT – Continued

Certificates of obligation bonds are direct obligations and pledge the full faith credit of the City. These bonds are generally issued as 7-year serial bonds with non-equal amounts of principal maturing each year.

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 at a fixed rate of 3.9% in the amount of \$5,005,000 to finance the City's match of the funding needed for capital projects and further capital street improvements throughout the City. The City of La Feria Waterworks and Sewer System (the "System") was allocated \$670,000 of this amount to complete capital projects and meet certain local match grant requirements. The System agreed to pay its portion of debt services to the City as required annually until the bonds mature in 2032.

On December 22, 2011, the City of La Feria issued General Obligation Refunding Bonds, Series 2011 at a fixed rate of 3.4% in the amount of \$7,970,000 and a maturity date of May 15, 2028. The proceeds were used to refund the total outstanding principal balances of three prior bond series listed below which had interest rates ranging from 3.85% to 5.85%:

- The City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2000, (principal balance totaling \$255,000),
- City of La Feria, Texas Utility System Revenue Bonds, Series 2004, (principal balance totaling \$4,450,000) and
- City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2008, (principal balance totaling \$3,060,000).

Accrued interest payments of \$115,110 and issuance costs of \$89,890 were also paid with part of the refunding bond proceeds. The refunding bonds were issued to restructure the City's debt service and associated tax rates in the coming years, and resulted in an economic net present value savings of \$399,256 (3.57%) and a gross savings of \$403,118.

An inter-local agreement was signed by the City of La Feria, Texas (the "City") and the City of La Feria Waterworks and Sewer System (the "System") whereby the City agreed to refund the City of La Feria, Texas Utility System Revenue Bonds, Series 2004. In order to take advantage of lower interest rates the City refunded the bonds in the City's name and ultimately removed the long-term debt from the books of the System. However, the System is still responsible for their portion of the debt service payments related to the 2004 refunded bonds. The inter-local agreement provides for the System to make annual payments to the City for its portion of debt service related to these refunded bonds until 2027.

The City commission passed Resolution 2011-46 on November 1, authorizing the interlocal cooperative agreement between the City and the System for the two certificate issues mentioned above.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT – Continued

The following schedule reflects the remaining requirements for the System's portion of the GO Refunding, Series 2011 and CO Series 2011:

Year Ending September 30,	Due to Primary Government - GO Refunding Series 2011			Due to Primary Government - CO Series 2011			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2015	\$ 300,000	\$ 124,950	\$ 424,950	\$ -	\$ 26,130	\$ 26,130	\$ 451,080
2016	305,000	114,750	419,750	-	26,130	26,130	445,880
2017	310,000	104,380	414,380	-	26,130	26,130	440,510
2018	290,000	93,840	383,840	35,000	26,130	61,130	444,970
2019	300,000	83,980	383,980	35,000	24,765	59,765	443,745
2020-2024	1,630,000	261,630	1,891,630	195,000	102,180	297,180	2,188,810
2025-2029	491,973	38,250	530,223	240,000	60,840	300,840	831,063
2030-2032	-	-	-	165,000	12,870	177,870	177,870
	<u>\$ 3,626,973</u>	<u>\$ 821,780</u>	<u>\$ 4,448,753</u>	<u>\$ 670,000</u>	<u>\$ 305,175</u>	<u>\$ 975,175</u>	<u>\$ 5,423,928</u>

Certificates of obligation bonds currently outstanding as of September 30, 2014 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<i>Certificates of obligation bonds</i>		
Governmental activities	3.40 – 4.00%	<u>\$12,896,000</u>

3. Revenue Bonds issued by Component Units

The City also issues bonds where the City allows the Waterworks and Sewer System (System), to pledge income derived from the acquired or constructed assets to pay debt service. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the System is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

The System, for the purpose of financing partially the improvements and extensions to the combined waterworks and sanitary sewer system, has revenue bonds, 2004-A, and 2009 at a 4.4% average interest rate with a maturity date of September 15, 2032. The bonds are secured by a lien on and pledge of the net revenues of the System. The principal balance outstanding on these bonds at September 30, 2014 was \$3,375,000. City of La Feria, Texas Utility System Revenue Bonds, Series 2004 in the amount of \$4,450,000 were retired with proceeds from the City of La Feria, Texas GO Refunding Series 2011.

Revenue bonds currently outstanding consist of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water/sewer infrastructure		
Waterworks & Sewer System	0.00% -5.26%	<u>\$3,210,000</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT – Continued

4. Changes in Long-Term Debt

During the year ended September 30, 2014, the following changes occurred:

	Beginning Balance <u>10/1/2013</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>9/30/2014</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>Certificate of Obligation Bonds</i>					
Texas Tax and Limited Pledge Revenue Certificate of Obligation - Series 2004	\$ 1,275,000	\$ -	\$ 175,000	\$ 1,100,000	\$ 180,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation – Series 2011	4,970,000	-	35,000	4,935,000	40,000
General Obligation Refunding Bonds- Series 2011	6,990,000	-	500,000	6,490,000	525,000
Combination Tax and Limited Pledge Certificates of Obligation – Series 2012A	<u>379,000</u>	<u>-</u>	<u>8,000</u>	<u>371,000</u>	<u>8,000</u>
	13,614,000	-	718,000	12,896,000	753,000
Notes Payable	879,621	373,474	251,362	1,001,733	256,179
Capital Lease	-	122,000	9,671	112,329	10,160
Net Pension Obligation	67,867	128,269	127,791	68,345	-
Compensated Absences	<u>31,537</u>	<u>33,942</u>	<u>31,212</u>	<u>34,267</u>	<u>34,267</u>
Total Governmental Activities	14,593,025	657,685	1,138,036	14,112,674	1,053,606
Business-type Activities					
Notes Payable	-	173,247	22,864	150,383	22,901
Net Pension Obligation	<u>4,428</u>	<u>5,478</u>	<u>5,447</u>	<u>4,459</u>	<u>-</u>
Total Business-type Activities	4,428	178,725	28,311	154,842	22,901
Component Units Activities					
Revenue Bonds					
Water and Sewer Infrastructure Revenue Bonds	3,375,000	-	165,000	3,210,000	165,000
Notes Payable	454,551	46,000	55,421	445,130	59,165
Net Pension Obligation	<u>38,518</u>	<u>72,084</u>	<u>71,813</u>	<u>38,789</u>	<u>-</u>
Total Component Units Activities	<u>3,868,069</u>	<u>118,084</u>	<u>292,234</u>	<u>3,693,919</u>	<u>224,165</u>
Total Government-Wide Long-Term					
Obligations	<u>\$18,465,522</u>	<u>\$954,494</u>	<u>\$1,458,581</u>	<u>\$17,961,435</u>	<u>\$ 1,300,672</u>

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities. In regard to business-type activities, other noncurrent liabilities are liquidated through the waste disposal fund.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE D – LONG-TERM DEBT – Continued

Annual debt service requirements to maturity for bonded indebtedness are as follows:

Year Ending September 30.	Governmental Activities			Component Units Activities				Total Requirements
	Primary Government							
	General Obligation Bonds	General Obligation Bonds		Revenue Bonds	Revenue Bonds			
	Principal	Interest	Total	Principal	Interest	Total		
2015	\$ 753,000	\$ 463,365	\$ 1,216,365	\$ 165,000	\$116,926	\$ 281,926	\$ 1,498,291	
2016	778,000	435,910	1,213,910	175,000	111,448	286,448	1,500,358	
2017	798,000	407,308	1,205,308	185,000	105,436	290,436	1,495,744	
2018	594,000	377,483	971,483	1,035,000	422,703	1,457,703	2,429,186	
2019	1,104,000	346,005	1,450,005	1,200,000	203,971	1,403,971	2,853,976	
2020-2024	4,205,000	1,280,470	5,485,470	450,000	10,783	460,783	5,946,253	
2025-2029	3,245,000	165,478	3,410,478	-	-	-	3,410,478	
2030-2034	1,272,000	106,858	1,378,858	-	-	-	1,378,858	
2035-2039	87,000	18,358	105,358	-	-	-	105,358	
2040-2042	<u>60,000</u>	<u>3,150</u>	<u>63,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,150</u>	
	<u>\$12,896,000</u>	<u>\$3,604,383</u>	<u>\$16,500,383</u>	<u>\$3,210,000</u>	<u>\$971,267</u>	<u>\$4,181,267</u>	<u>\$20,681,650</u>	

NOTE E – RISK MANAGEMENT

The City is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool.

The risk pool is an inter-local non-assessable agency with present unreserved resources in excess of \$372,000,000 (as of September 30, 2014, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$1,000,000 to \$125,000,000 depending on type of insurance coverage.

City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE F – DEFERRED INFLOW OF RESOURCES

Governmental funds report deferred inflows of resources in connection with the acquisition of the City's net position that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. At the end of the current fiscal year, deferred inflows of resources reported in the fund financial statements were as follows:

Governmental Funds	
Delinquent property taxes receivable	\$ 102,059
Grants and other	<u>1,552,644</u>
Total deferred inflows of resources for governmental funds	<u>\$1,654,703</u>

NOTE G – COMMITMENTS AND CONTINGENCIES

1. *Litigation*

At September 30, 2014, the City did not have any pending litigation.

2. *Grant Programs*

The City as well as its component units participates in a number of grant programs funded by Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

- a. On November 19, 2009, the City of La Feria and the Texas Department of Agriculture (TDA) entered into Texas Capital Fund (TCF) Contract No. 729082 in which the City was required to perform certain economic development activities, i.e., infrastructure activities in the form of water, sewer, road and drainage as well as engineering and administration activities, in support of Allied Waste of the Rio Grande Valley (Company). The City was also required to ensure that the Company constructed three buildings at a site specified in the contract and create 30 permanent full-time equivalent jobs, of which 51% or 16 jobs must be held by low to moderate income persons. The TCF Contract No. 729082 expired on November 18, 2012, and although the City had completed the public infrastructure activities required pursuant to the contract, the Company failed to perform other necessary activities required by the contract and failed to create any jobs at the location by the required date of performance. Pursuant to the TCF rules and guidelines and by the Contract No. 729082, the City is required to repay all contract funds received to date, totaling \$301,942 for failure to meet contractual obligations and de-obligate any remaining funds.
- b. On September 23, 2009, the City of La Feria and TDA entered into TCF Contract No. 729102 in which the City was required to perform certain economic development activities, i.e., real estate activities in the form of acquisition and building construction as well as engineering and administration activities, in support of Little Lighthouse Children's Rehab (Company). The City was also required to ensure that the Company created and retained 27 permanent full-time equivalent jobs, of which 51% or 14 jobs must be held by low to moderate income persons. The TCF Contract 729102 expired on September 22, 2012 and the City had completed the real estate activities required pursuant to the contract; however, the Company had only created and retained 15 of the required 27 permanent full-time jobs. Pursuant to the TCF rules and guidelines and by Contract No. 729102, the City is required to repay contract funds for jobs that were not created by the Company, which amount to \$266,821.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE G – COMMITMENTS AND CONTINGENCIES - Continued

On August 26, 2013, the City and the Texas Department of Agriculture signed a repayment agreement to repay the \$301,942 due under Contract No 729082 and the \$266,821 due under Contract No. 729102 in twelve (12) quarterly installments, beginning October 1, 2013 and ending July 1, 2016. The City will make an initial payment of \$47,396 to TDA by October 1, 2013, and the remaining eleven (11) payments of \$47,397 shall be due on January 1, April 1, July 1, and October 1 each year thereafter until the entire \$568,763 obligation is paid. As of 09/30/2014, the City issued payments totaling \$236,984; leaving a balance due to TDA of \$331,779.

	Beginning Balance <u>10/01/2013</u>	<u>Decrease</u>	Ending Balance <u>9/30/2014</u>	Due Within <u>One Year</u>
TCF – TDA Repayment Agreement				
Contract – 729082 Allied Waste Project	\$301,942	\$125,809	\$176,133	\$100,647
Contract – 729102 Little Lighthouse	<u>266,821</u>	<u>111,175</u>	<u>155,646</u>	<u>88,941</u>
Total – TDA Repayment Agreement	<u>\$568,763</u>	<u>\$236,984</u>	<u>\$331,779</u>	<u>\$189,588</u>

Allied Waste and the Little Lighthouse entered into a separate agreement with the City to repay the contract funds received by each company which will offset the funds due to TDA from the City.

3. Component Unit Note Receivable

Included in the notes receivable of the component unit is a note to a local business which has an outstanding balance of \$384,604 at September 30, 2014. The business which held the note filed for bankruptcy in the previous year; subsequently, the Corporation foreclosed on the note and properties on February 3, 2015. No portion of the note is considered to be current since no payments have been received since December of 2012.

The La Feria Industrial Development Corporation held liens on a commercial building, a residential rental home, and seven company pickup and delivery trucks as collateral for the note. No valuation allowance on the note receivable is recognized in the financial statements as the fair value of the assets held as collateral appear to be sufficient to satisfy the full collection of the value of the note. The Corporation will be actively marketing to sell the foreclosed property and collateral assets which were foreclosed on February 3, 2015.

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated service credit	100% Repeating, transfers	100% Repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Annual Required Contribution (ARC)	\$128,687	\$ 69,388
Interest on net pension obligation	5,061	2,696
Adjustment to the ARC	<u>(4,551)</u>	<u>(2,425)</u>
Annual Pension Cost (APC)	129,197	69,659
Contributions made	<u>(128,688)</u>	<u>(69,388)</u>
Increase (decrease) in net pension obligation	509	271
Net pension obligation/(asset), beginning of year	<u>72,295</u>	<u>38,518</u>
Net pension obligation/(asset), end of year	<u>\$ 72,804</u>	<u>\$ 38,789</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

**PRIMARY GOVERNMENT
THREE YEAR TREND INFORMATION**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2012	\$124,861	\$120,607	96.59%	\$71,685
2013	125,847	125,238	99.52%	72,295
2014	129,197	128,687	99.61%	72,804

**COMPONENT UNIT
THREE YEAR TREND INFORMATION**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2012	\$65,715	\$63,379	96.45%	\$38,194
2013	65,880	65,556	99.51%	38,518
2014	69,660	69,388	99.61%	38,790

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

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

<u>Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.1 years; closed period	25.1 years; closed period	19.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market

Actuarial Assumptions:

Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

PRIMARY GOVERNMENT

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Unfunded AAL (UAAL)</u> (4)	<u>Covered Payroll</u> (5)	UAAL as a Percentage of Covered Payroll (6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2013	<u>\$2,491,791</u>	<u>\$3,503,444</u>	71.1%	<u>\$1,011,653</u>	<u>\$1,286,826</u>	78.6%

COMPONENT UNIT

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Unfunded AAL (UAAL)</u> (4)	<u>Covered Payroll</u> (5)	UAAL as a Percentage of Covered Payroll (6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2013	<u>\$1,341,733</u>	<u>\$1,886,470</u>	71.1%	<u>\$544,737</u>	<u>\$692,907</u>	78.6%

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE I- OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$4,435, \$3,809, and \$3,570, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates
(RETIREE – only portion of the rate)**

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2012	0.05%	0.05%	100.0%
2013	0.06%	0.06%	100.0%
2014	0.06%	0.06%	100.0%

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE J – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan's assets were the property of the City of La Feria until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. A 1996 federal law requires all assets and income of Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Private corporations under contract with the City administer assets of the City's plan. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities are not reported in the City's financial statements.

NOTE K – TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On December 27, 2013, The TIRZ contributed \$290,000 to a local developer for public improvements for a new 70-unit single family subdivision. As of September 30, 2014, the TIRZ fund balance was at \$44,294.

NOTE L – RELATED ORGANIZATION TRANSACTIONS

As described in Note A1, the City has three discretely presented component units all of which have fiscal years ended September 30, 2014. During the year and at year end the City and the components had the following transactions.

Due from Primary Government - During the year, the City maintained receivables totaling \$472,112 and \$764,962 from the Waterworks and Sewer System and La Feria IDC for unreimbursed advances. These advances were repaid immediately subsequent to year end.

Payments from Component Units - Included in other Intergovernmental revenues are payments of \$160,770, \$146,839 and \$95,715 from the Waterworks and Sewer System, La Feria IDC and La Feria EDC, respectively, for their share of debt service related to General Obligation Refunding Bonds, Series 2011 and City of La Feria Certificates of Obligation, Series 2011.

NOTE M – SUBSEQUENT EVENTS

On March 24, 2015, the City of La Feria issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 at a fixed rate of 3.21% in the amount of \$6,330,000 to finance the City's match of the funding needed for capital projects and further capital improvements throughout the City.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of La Feria, Texas
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over / (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess / Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
12/31/2004	1,088,937	1,868,209	(779,272)	58.3%	1,289,882	60.4%
12/31/2005	1,230,354	2,075,294	(844,940)	59.3%	1,257,737	67.2%
12/31/2006	1,328,266	2,186,740	(858,474)	60.7%	1,414,714	60.7%
12/31/2007	1,511,219	2,754,573	(1,243,354)	54.9%	1,407,829	88.3%
12/31/2008	1,762,814	3,079,843	(1,317,029)	57.2%	1,623,659	81.1%
12/31/2009	2,073,349	3,515,585	(1,442,236)	59.0%	1,725,382	83.6%
12/31/2010	2,645,493	4,026,539	(1,381,046)	65.7%	1,869,308	73.9%
12/31/2011	3,032,875	4,422,511	(1,389,636)	68.6%	1,886,492	73.7%
12/31/2012	3,414,113	4,740,130	(1,326,017)	72.0%	2,000,643	66.3%
12/31/2013	3,833,524	5,389,914	(1,556,390)	71.1%	1,979,733	78.6%

City of La Feria, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 673,524	\$ 471,408	\$ 491,786	\$ 20,378
Sales	563,224	571,289	582,717	11,428
Franchise	338,501	279,051	328,744	49,693
Licenses and permits	69,200	93,041	99,100	6,059
Intergovernmental	6,224,690	3,761,777	5,495,663	1,733,886
Fees and charges	293,810	260,517	266,277	5,760
Fines	150,000	171,401	164,192	(7,209)
Interest income	176	84	111	27
Contributions and donations	6,500	3,660	3,660	-
Other	242,600	339,905	359,085	19,180
Total revenues	8,562,225	5,952,133	7,791,335	1,839,202
EXPENDITURES				
Current:				
General government:				
General government:	1,064,521	1,778,091	2,700,778	(922,687)
Public safety	1,211,587	1,180,747	1,127,994	52,753
Highways and streets	293,331	269,863	239,225	30,638
Health and welfare	59,425	76,580	69,213	7,367
Culture and recreation	260,148	301,026	288,569	12,457
Debt service:				
Principal	46,915	47,199	24,375	22,824
Interest	-	-	-	-
Capital outlay	5,998,489	4,144,444	4,744,933	(600,489)
Total expenditures	8,934,416	7,797,950	9,195,087	(1,397,137)
Excess (deficiency) of revenues over (under) expenditures	(372,191)	(1,845,817)	(1,403,752)	442,065
OTHER FINANCING SOURCES (USES)				
Transfers in	970,354	1,251,290	639,812	(611,478)
Transfers (out)	(813,677)	(908,312)	(902,521)	5,791
Sale of capital assets	-	114,500	114,500	-
Bond/loan proceeds	-	668,721	495,474	(173,247)
Total other financing sources and uses	156,677	1,126,199	347,265	(778,934)
Net change in fund balance	(215,514)	(719,618)	(1,056,487)	(336,869)
Fund balances - beginning	(48,893)	(48,893)	(48,893)	-
Fund balance - ending	<u>\$ (264,407)</u>	<u>\$ (768,511)</u>	<u>\$ (1,105,380)</u>	<u>\$ (336,869)</u>

City of La Feria, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2014

Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principals generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds and lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- c. Public hearings are conducted at City Hall to obtain taxpayer comments.
- d. Prior to October 1, the budget is adopted by the City Commission.
- e. Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is the functional basis (ex.: general government, public safety, highways and streets, health and welfare, culture and recreation) with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h. Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, a supplementary appropriation was necessary.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS COMBINING AND INDIVIDUAL SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

Special revenue fund: The Tax Increment Reinvestment Zone (TIRZ) Fund was established to account for a portion of property taxes levied by the City and Cameron County to facilitate the provision of capital improvements.

Debt service fund: The Debt Service fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest and related costs. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it comes due and provide the interest and sinking fund reserve.

Special revenue fund: The Texas Capital Fund was established to account for the City's economic development grant received from the State.

Special revenue fund: The Bailey H. Dunlap Memorial Library fund accounts for the donations, grants and other funding resources received and expenditures for operating the public library.

Special revenue fund: The Home Grant Fund was established to account for the Federal grants awarded to provide assistance to first-time low-income homebuyers.

Special revenue fund: The Community Development Block Grant (CDBG) Fund was established to account for Federal grant awards which provide communities with flexible programs with resources to address a wide range of unique community development needs. The current CDBG grants complement capital improvements to the water and sewer system.

Special revenue fund: The La Feria Baseball/Football Fund was established to account for the activities specifically related to the Pony Baseball League and other youth sports programs.

Special revenue fund: The La Feria Recreation Center Fund accounts for the donations, grants and other funding resources received and expenditures for operating the City's recreation center.

Special revenue fund: The Promotion of La Feria Fund was established to account for the hotel/motel tax revenue and the activities specifically related to the promotion of the City of La Feria.

Capital projects fund: The Certificates of Obligation - Series 2012A Fund accounts for the construction of capital improvements for the City's library through the use of proceeds from this issuance of certificates of obligation.

Capital projects fund: The Certificates of Obligation - Series 2012B Fund accounts for the construction of capital improvements for the City's fire station through the use of proceeds from this issuance of certificates of obligation.

City of La Feria, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2014

	Special Revenue Funds					
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Bailey H. Dunlap Memorial Library Fund	Home Grant Fund	Community Development Block Grant Fund	La Feria Baseball / Football Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 201	\$ 80	\$ 100	\$ 100	\$ -
Receivables						
Property Taxes, net	-	-	-	-	-	-
Other	-	93,977	179,153	2,150	-	-
Due from other funds	<u>45,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 45,094</u>	<u>\$ 94,178</u>	<u>\$ 179,233</u>	<u>\$ 2,250</u>	<u>\$ 100</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	-	-	43	1,750	-	-
Due to other funds	<u>800</u>	<u>94,178</u>	<u>232,522</u>	<u>-</u>	<u>100</u>	<u>-</u>
Total liabilities	800	94,178	232,565	1,750	100	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	-	-	-	-	-	-
Unavailable revenues - grants	<u>-</u>	<u>-</u>	<u>179,152</u>	<u>2,150</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	-	-	179,152	2,150	-	-
FUND BALANCES (DEFICIT)						
Restricted fund balances:				-		
Retirement of long-term debt						
Tax increment reinvestment zone	44,294	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(232,484)</u>	<u>(1,650)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>44,294</u>	<u>-</u>	<u>(232,484)</u>	<u>(1,650)</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 45,094</u>	<u>\$ 94,178</u>	<u>\$ 179,233</u>	<u>\$ 2,250</u>	<u>\$ 100</u>	<u>\$ -</u>

Special Revenue Funds - Continued			Capital Projects Funds			Debt Service Fund	Total Nonmajor Governmental Funds
La Feria Recreation Center Fund	Promotion of La Feria Fund	Total	C.O. Bond Series 2012A Fund	C.O. Bond Series 2012B Fund	Total		
\$ 5,724	\$ -	\$ 6,205	\$ 1,015	\$ 6	\$ 1,021	\$ 123	\$ 7,349
-	-	-	-	-	-	77,374	77,374
-	-	275,280	105	99	204	-	275,484
-	-	45,094	-	-	-	106,464	151,558
<u>\$ 5,724</u>	<u>\$ -</u>	<u>\$ 326,579</u>	<u>\$ 1,120</u>	<u>\$ 105</u>	<u>\$ 1,225</u>	<u>\$ 183,961</u>	<u>\$ 511,765</u>
117	-	\$ 1,910	-	-	\$ -	\$ -	\$ 1,910
-	-	327,600	100	100	200	-	327,800
117	-	329,510	100	100	200	-	329,710
-	-	-	-	-	-	58,020	58,020
-	-	181,302	-	-	-	-	181,302
-	-	181,302	-	-	-	58,020	239,322
-	-	44,294	-	-	-	125,941	125,941
-	-	-	1,020	5	1,025	-	44,294
5,607	-	(228,527)	-	-	-	-	1,025
5,607	-	(184,233)	1,020	5	1,025	125,941	(228,527)
<u>\$ 5,724</u>	<u>\$ -</u>	<u>\$ 326,579</u>	<u>\$ 1,120</u>	<u>\$ 105</u>	<u>\$ 1,225</u>	<u>\$ 183,961</u>	<u>\$ 511,765</u>

NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the year ended September 30, 2014

	Special Revenue Funds					
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Bailey H. Dunlap Memorial Library Fund	Home Grant Fund	Community Development Block Grant Fund	La Feria Baseball / Football Fund
Revenues						
Property taxes	\$ 39,196	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel / Motel tax	-	-	-	-	-	-
Intergovernmental	10,620	-	170,883	412,978	-	-
Fees and charges	-	-	-	-	-	47,790
Interest income	-	-	-	-	-	-
Contributions and donations	-	-	9,736	-	-	5,593
Other	-	-	30	-	-	2,655
Total revenues	49,816	-	180,649	412,978	-	56,038
Expenditures						
Current						
General Government	299,000	-	4,062	55,744	-	-
Health and welfare	-	-	-	371,757	-	-
Culture and recreation	-	-	111,077	-	-	88,341
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal agent fees	-	-	-	-	-	-
Capital outlay	-	-	119,159	-	-	-
Total expenditures	299,000	-	234,298	427,501	-	88,341
Excess (deficiency) of revenues over (under) expenditures	(249,184)	-	(53,649)	(14,523)	-	(32,303)
Other financing sources (uses)						
Transfers in	-	-	107,419	18,310	-	32,235
Transfers out	(7,633)	-	-	-	-	-
Total other financing sources (uses)	(7,633)	-	107,419	18,310	-	32,235
Net change in fund balances	(256,817)	-	53,770	3,787	-	(68)
Fund balances, beginning	301,111	-	(286,254)	(5,437)	-	68
Fund balance, ending	\$ 44,294	\$ -	\$ (232,484)	\$ (1,650)	\$ -	\$ -

Special Revenue Funds - Continued			Capital Projects Funds			Debt Service Fund	Total Nonmajor Governmental Funds
La FERIA Recreation Center Fund	Promotion of La FERIA Fund	Total	C.O. Bond Series 2012A Fund	C.O. Bond Series 2012B Fund	Total		
\$ -	\$ -	\$ 39,196	\$ -	\$ -	\$ -	\$ 781,584	\$ 820,780
	16,970	16,970	-	-	-	-	16,970
	-	594,481	-	-	-	-	594,481
	-	47,790	-	-	-	-	47,790
4	-	4	-	-	-	-	4
1,297	37,216	53,842	-	-	-	-	53,842
31,423	-	34,108	105	99	204	27,055	61,367
32,724	54,186	786,391	105	99	204	808,639	1,595,234
2,535	76,912	438,253	85	94	179	-	438,432
-	-	371,757	-	-	-	-	371,757
151,745	-	351,163	-	-	-	-	351,163
-	-	-	-	-	-	718,000	718,000
-	-	-	-	-	-	489,951	489,951
-	-	119,159	-	-	-	-	119,159
154,280	76,912	1,280,332	85	94	179	1,207,951	2,488,462
(121,556)	(22,726)	(493,941)	20	5	25	(399,312)	(893,228)
120,649	17,591	296,204	-	-	-	606,317	902,521
-	-	(7,633)	-	-	-	(200,000)	(207,633)
120,649	17,591	288,571	-	-	-	406,317	694,888
(907)	(5,135)	(205,370)	20	5	25	7,005	(198,340)
6,514	5,135	21,137	1,000	-	1,000	118,936	141,073
\$ 5,607	\$ -	\$ (184,233)	\$ 1,020	\$ 5	\$ 1,025	\$ 125,941	\$ (57,267)



City of La Feria, Texas
TAX INCREMENT REINVESTMENT ZONE FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other	\$ 49,299	\$ 49,814	\$ 39,196	\$ (10,618)
Total revenues	49,299	49,814	39,196	(10,618)
Expenditures	<u>-</u>	<u>299,000</u>	<u>299,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	49,299	(249,186)	(259,804)	(10,618)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(25,133)</u>	<u>(7,633)</u>	<u>(7,633)</u>	<u>-</u>
Total other financing sources and uses	<u>(25,133)</u>	<u>(7,633)</u>	<u>(7,633)</u>	<u>-</u>
Net change in fund balance	24,166	(256,819)	(267,437)	10,618
Fund balance, beginning	<u>301,111</u>	<u>301,111</u>	<u>301,111</u>	<u>-</u>
Fund balance, ending	<u>\$ 325,277</u>	<u>\$ 44,292</u>	<u>\$ 33,674</u>	<u>\$ (10,618)</u>

City of La Feria, Texas
BAILEY H. DUNLAP MEMORIAL LIBRARY FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		(Negative)
Revenues				
Intergovernmental	\$ 1,475	\$ 1,500	\$ 170,883	\$ 169,383
Interest income	200	-	-	-
Other	400	30	30	-
Contributions and donations	<u>29,850</u>	<u>249,834</u>	<u>9,736</u>	<u>(240,098)</u>
Total revenues	31,925	251,364	180,649	(70,715)
Expenditures				
Current:				
General Government	4,000	8,392	4,062	4,330
Culture and recreation	135,344	112,531	111,077	1,454
Capital outlay	<u>-</u>	<u>119,159</u>	<u>119,159</u>	<u>-</u>
Total Expenditures	<u>139,344</u>	<u>240,082</u>	<u>234,298</u>	<u>5,784</u>
Excess (deficiency) of revenues over (under) expenditures	(107,419)	11,282	(53,649)	(64,931)
Other financing sources (uses)				
Transfers in	<u>107,419</u>	<u>107,419</u>	<u>107,419</u>	<u>-</u>
Net change in fund balance	-	118,701	53,770	(64,931)
Fund balance (deficit), beginning	<u>(286,254)</u>	<u>(286,254)</u>	<u>(286,254)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (286,254)</u>	<u>\$ (167,553)</u>	<u>\$ (232,484)</u>	<u>\$ (64,931)</u>

City of La Feria, Texas
HOME GRANT FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 623,000	\$ 414,778	\$ 412,978	\$ (1,800)
Expenditures				
Current				
General government	55,744	55,744	55,744	-
Health and welfare	<u>576,256</u>	<u>371,687</u>	<u>371,757</u>	<u>(70)</u>
Total expenditures	<u>632,000</u>	<u>427,431</u>	<u>427,501</u>	<u>(70)</u>
Excess (deficiency) of revenues over (under) expenditures	(9,000)	(12,653)	(14,523)	(1,870)
Other financing sources (uses)				
Transfers in	<u>9,000</u>	<u>12,653</u>	<u>18,310</u>	<u>5,657</u>
Net change in fund balance	-	-	3,787	3,787
Fund balance (deficit), beginning	<u>(5,437)</u>	<u>(5,437)</u>	<u>(5,437)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (5,437)</u>	<u>\$ (5,437)</u>	<u>\$ (1,650)</u>	<u>\$ 3,787</u>

City of La Feria, Texas
LA FERIA BASEBALL / FOOTBALL FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget			Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Fees	\$ 43,450	\$ 46,755	\$ 47,790	\$ 1,035
Contributions and donations	12,300	5,593	5,593	-
Other	<u>400</u>	<u>2,655</u>	<u>2,655</u>	<u>-</u>
Total revenues	56,150	55,003	56,038	1,035
Expenditures				
Current:				
Culture and recreation	<u>65,391</u>	<u>87,295</u>	<u>88,341</u>	<u>(1,046)</u>
Total expenditures	<u>65,391</u>	<u>87,295</u>	<u>88,341</u>	<u>(1,046)</u>
Excess (deficiency) of revenues over (under) expenditures	(9,241)	(32,292)	(32,303)	(11)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>32,292</u>	<u>32,235</u>	<u>(57)</u>
Net change in fund balance	(9,241)	-	(68)	(68)
Fund balance, beginning	<u>68</u>	<u>68</u>	<u>68</u>	<u>-</u>
Fund balance, ending	<u>\$ (9,173)</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ (68)</u>

City of La Feria, Texas
LA FERIA RECREATION CENTER FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 1,500	\$ 4	\$ 4	\$ -
Donations	-	1,156	1,297	141
Other	<u>64,000</u>	<u>31,090</u>	<u>31,423</u>	<u>333</u>
Total revenues	65,500	32,250	32,724	474
Expenditures				
Current:				
General government	-	-	2,535	(2,535)
Culture and recreation	<u>129,500</u>	<u>164,547</u>	<u>151,745</u>	<u>12,802</u>
Total expenditures	<u>129,500</u>	<u>164,547</u>	<u>154,280</u>	<u>10,267</u>
Excess (deficiency) of revenues over (under) expenditures	(64,000)	(132,297)	(121,556)	(10,741)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>64,000</u>	<u>132,297</u>	<u>120,649</u>	<u>(11,648)</u>
	<u>64,000</u>	<u>132,297</u>	<u>120,649</u>	<u>(11,648)</u>
Net change in fund balance	-	-	(907)	(907)
Fund balance, beginning	<u>6,514</u>	<u>6,514</u>	<u>6,514</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,514</u>	<u>\$ 6,514</u>	<u>\$ 5,607</u>	<u>\$ (907)</u>

City of La Feria, Texas
PROMOTION OF LA FERIA FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget			Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Hotel / Motel tax	\$ 20,000	\$ 16,970	\$ 16,970	\$ -
Interest income	-	2,016	-	(2,016)
Other	<u>53,100</u>	<u>35,149</u>	<u>37,216</u>	<u>2,067</u>
Total revenues	73,100	54,135	54,186	51
Expenditures				
General government	<u>73,100</u>	<u>76,604</u>	<u>76,912</u>	<u>(308)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(22,469)	(22,726)	(257)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>17,334</u>	<u>17,591</u>	<u>257</u>
Total other financing sources (uses)	<u>-</u>	<u>17,334</u>	<u>17,591</u>	<u>257</u>
Net change in fund balance	-	(5,135)	(5,135)	-
Fund balance, beginning	<u>5,135</u>	<u>5,135</u>	<u>5,135</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2011
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ 520	\$ 543	\$ 23
Expenditures				
Debt service				
Capital outlay	<u>1,187,675</u>	<u>319,744</u>	<u>427,353</u>	<u>(107,609)</u>
Total expenditures	<u>1,187,675</u>	<u>319,744</u>	<u>427,353</u>	<u>(107,609)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,187,675)	(319,224)	(426,810)	(107,586)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(100,000)</u>	<u>(110,971)</u>	<u>(110,971)</u>	<u>-</u>
Total other financing sources and uses	<u>(100,000)</u>	<u>(110,971)</u>	<u>(110,971)</u>	<u>-</u>
Net change in fund balance	(1,287,675)	(430,195)	(537,781)	(107,586)
Fund balance, beginning	<u>2,062,578</u>	<u>2,062,578</u>	<u>2,062,578</u>	<u>-</u>
Fund balance, ending	<u>\$ 774,903</u>	<u>\$ 1,632,383</u>	<u>\$ 1,524,797</u>	<u>\$ (107,586)</u>

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2012A
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ 75	\$ 105	\$ 30
Expenditures				
Current:				
General government	-	75	85	(10)
Total expenditures	-	75	85	10
Net change in fund balance	-	-	20	20
Fund balance, beginning	1,000	1,000	1,000	-
Fund balance, ending	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,020</u>	<u>\$ 20</u>

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2012B
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ 74	\$ 99	\$ 25
Other	<u>1,015,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,015,200	74	99	25
Expenditures				
Current:				
General government	2,900	-	94	(94)
Capital outlay	<u>925,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>928,394</u>	<u>-</u>	<u>94</u>	<u>(94)</u>
Net change in fund balance	(928,394)	74	5	(69)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$(928,394)</u>	<u>\$ 74</u>	<u>\$ 5</u>	<u>\$ (69)</u>

City of La Feria, Texas
DEBT SERVICE FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes				
Property	\$ 652,808	\$ 764,405	\$ 781,584	\$ 17,179
Interest income	10	9	-	9
Other	<u>8,000</u>	<u>20,544</u>	<u>27,055</u>	<u>6,511</u>
Total revenues	660,818	784,958	808,639	23,699
Expenditures				
Debt service				
Principal	731,000	718,000	718,000	-
Interest	<u>545,625</u>	<u>489,952</u>	<u>489,951</u>	<u>1</u>
Total expenditures	<u>1,276,625</u>	<u>1,207,952</u>	<u>1,207,951</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	(615,807)	(422,994)	(399,312)	23,700
Other financing sources (uses)				
Transfers in	623,817	606,317	606,317	-
Transfers out	<u>(8,010)</u>	<u>(134,125)</u>	<u>(200,000)</u>	<u>(65,875)</u>
Total other financing sources (uses)	615,807	472,192	406,317	(65,875)
Net change in fund balance	-	49,198	7,005	(42,175)
Fund balance, beginning	<u>118,936</u>	<u>118,936</u>	<u>118,936</u>	<u>-</u>
Fund balance, ending	<u>\$ 118,936</u>	<u>\$ 168,134</u>	<u>\$ 125,941</u>	<u>\$ (42,175)</u>

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

City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
September 30,

	<u>2014</u>	<u>2013</u>
Governmental funds capital assets:		
Land	\$ 1,382,386	\$ 1,257,793
Construction in progress	7,062,718	4,468,381
Buildings	6,731,392	5,741,771
Improvements other than buildings	11,983,034	11,100,485
Machinery and equipment	<u>4,303,781</u>	<u>3,708,725</u>
 Total governmental funds capital assets	 <u><u>\$ 31,463,311</u></u>	 <u><u>\$ 26,277,155</u></u>
Investments in governmental funds capital assets by source:		
General fund	\$ 29,713,408	\$ 24,646,410
Special revenue fund	<u>1,749,903</u>	<u>1,630,745</u>
	<u><u>\$ 31,463,311</u></u>	<u><u>\$ 26,277,155</u></u>

City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2014

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Total
General government:					
City hall	\$ 324,125	\$ 1,737,087	\$ -	\$ 146,218	\$ 2,207,430
Municipal court	-	136,683	-	2,475	139,158
Management information	-	-	-	228,514	228,514
Administration	377,661	291,306	-	376,621	1,045,588
Shop	-	42,667	-	58,230	100,897
Total general government	701,786	2,207,743	-	812,058	3,721,587
Public safety:					
Police	-	293,477	-	1,115,921	1,409,398
Fire	-	371,739	-	1,201,889	1,573,628
Total public safety	-	665,216	-	2,317,810	2,983,026
Highways and street:					
Engineering	-	-	1,045,877	87,498	1,133,375
Streets and alleys	248,275	-	6,642,237	992,257	7,882,769
Construction in progress - drainage	-	-	5,844,916	-	5,844,916
Total highways and street	248,275	-	13,533,030	1,079,755	14,861,060
Health and welfare	-	130,633	-	-	130,633
Construction in progress - community safe rooms	-	1,209,430	-	-	1,209,430
	-	1,340,063	-	-	1,340,063
Culture and recreation:					
Library	-	1,749,904	-	-	1,749,904
Parks	252,325	-	4,294,921	75,389	4,622,635
Construction in progress - park	-	-	8,372	-	8,372
Recreation center	-	1,977,896	-	18,768	1,996,664
Technology and success center	180,000	-	-	-	180,000
Total culture and recreation	432,325	3,727,800	4,303,293	94,157	8,557,575
Total governmental funds capital assets	<u>\$ 1,382,386</u>	<u>\$ 7,940,822</u>	<u>\$ 17,836,323</u>	<u>\$ 4,303,780</u>	<u>\$ 31,463,311</u>

City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended September 30, 2014

<u>Function and Activity</u>	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
General government:				
City hall	\$ 2,203,923	\$ 3,507	\$ -	\$ 2,207,430
Municipal court	139,158	-	-	139,158
Management information	228,514	-	-	228,514
Administration	1,025,502	20,086	-	1,045,588
Shop	100,897	-	-	100,897
Total general government	<u>3,697,994</u>	<u>23,593</u>	<u>-</u>	<u>3,721,587</u>
Public safety:				
Police	1,019,500	389,898	-	1,409,398
Fire	1,400,696	172,931	-	1,573,627
Total public safety	<u>2,420,196</u>	<u>562,829</u>	<u>-</u>	<u>2,983,025</u>
Highways and street:				
Engineering	1,133,376	-	-	1,133,376
Streets and alleys	7,068,949	813,820	-	7,882,769
Construction in progress - drainage	3,596,040	2,248,876	-	5,844,916
Total highways and street	<u>11,798,365</u>	<u>3,062,696</u>	<u>-</u>	<u>14,861,061</u>
Health and welfare	235,922	-	(105,289)	130,633
Construction in progress - community safe rooms	-	1,209,430	-	1,209,430
	<u>235,922</u>	<u>1,209,430</u>	<u>(105,289)</u>	<u>1,340,063</u>
Culture and recreation:				
Library	1,630,745	119,159	-	1,749,904
Parks	4,498,369	124,266	-	4,622,635
Construction in progress - park	-	8,372	-	8,372
Recreation center	1,995,564	1,100	-	1,996,664
Technology and success center	-	180,000	-	180,000
Total culture and recreation	<u>8,124,678</u>	<u>432,897</u>	<u>-</u>	<u>8,557,575</u>
Total governmental funds capital assets	<u>\$26,277,155</u>	<u>\$ 5,291,445</u>	<u>\$ (105,289)</u>	<u>\$31,463,311</u>

City of La Feria, Texas
Statistical Section
(Unaudited)

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

Contents

Page

Financial Trends

118-131

These schedules contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Revenue Capacity

133-143

These tables contain information that may assist the reader in assessing the viability of the City's two most significant local revenue sources, the property and sales taxes. Sales taxes are the primary "own revenue source."

Debt Capacity

144-147

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

Economic and Demographic Information

149-153

These schedules offer economic and demographic indicators to help the reader understand the City's present and ongoing financial status.

Operating Information

154-157

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

Source:

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

City of La Feria, Texas
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(accrual basis of accounting)
Fiscal year ended September 30,

Source	2005	2006	2007	2008
Expenses:				
General government	\$2,367,305	\$5,051,946	\$3,731,393	\$2,997,272
Public safety	806,872	850,806	979,906	1,105,053
Highways and streets	614,992	235,211	263,404	262,740
Health and welfare	48,996	467,811	74,324	140,347
Culture and recreation	571,818	391,613	507,466	417,116
Interest on long-term debt	511,799	186,222	170,692	152,375
Total Expenses	<u>4,921,782</u>	<u>7,183,609</u>	<u>5,727,185</u>	<u>5,074,903</u>
Program Revenues:				
Charges for services:				
General government	302,436	351,611	361,596	260,653
Public safety	103,359	101,183	125,362	133,182
Highways and streets	640	210	775	525
Health and welfare	45,226	28,255	31,701	45,291
Culture and recreation	127,574	77,042	66,851	72,361
Operating Grants and Contributions	36,532	730,914	980,798	502,170
Capital Grants and Contributions	1,583,068	3,599,279	2,765,424	1,284,283
Total Program Revenues	<u>2,198,835</u>	<u>4,888,494</u>	<u>4,332,507</u>	<u>2,298,465</u>
Net (Expense) Revenue	<u>(2,722,947)</u>	<u>(2,295,115)</u>	<u>(1,394,678)</u>	<u>(2,776,438)</u>
General revenues and transfers:				
Taxes:				
Property	900,244	914,589	1,029,681	1,095,191
Sales	399,202	405,405	432,207	475,947
Franchise	234,834	262,070	251,716	271,695
Hotel motel taxes	26,364	25,135	24,108	23,761
Gain on sale of capital assets	7,876	-	14,900	-
Unrestricted investment earnings	66,065	74,299	91,761	-
Miscellaneous	231,014	163,479	262,737	56,218
Transfers to/(from) primary government	209,992	159,474	-	410,297
Total general revenues and transfers	<u>2,075,591</u>	<u>2,004,451</u>	<u>2,107,110</u>	<u>2,333,109</u>
Change in Net Position	<u>\$ (647,356)</u>	<u>\$ (290,664)</u>	<u>\$ 712,432</u>	<u>\$ (443,329)</u>

(Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 11,441,826	\$ 8,388,672	\$ 2,125,512	\$ 1,800,398	\$ 1,835,803	\$ 3,997,353
1,029,596	1,045,841	1,212,459	1,254,198	1,293,958	1,332,728
196,164	270,103	336,097	805,222	779,326	282,807
70,948	75,084	89,491	52,974	66,340	453,132
525,389	598,040	757,048	677,435	698,116	823,182
<u>285,534</u>	<u>272,070</u>	<u>258,012</u>	<u>427,928</u>	<u>516,101</u>	<u>489,951</u>
<u>13,549,457</u>	<u>10,649,810</u>	<u>4,778,619</u>	<u>5,018,155</u>	<u>5,189,644</u>	<u>7,379,153</u>
226,590	549,628	561,215	207,570	205,633	229,386
108,477	162,722	198,684	233,991	182,434	201,082
-	-	125	-	-	-
62,055	33,914	34,657	74,018	29,419	99,100
82,545	83,917	87,353	71,703	78,036	88,581
454,866	491,957	1,049,134	339,900	125,310	750,775
<u>10,658,565</u>	<u>6,205,122</u>	<u>1,193,054</u>	<u>1,323,050</u>	<u>2,538,597</u>	<u>5,584,343</u>
<u>11,593,098</u>	<u>7,527,260</u>	<u>3,124,222</u>	<u>2,250,232</u>	<u>3,159,429</u>	<u>6,953,267</u>
<u>(1,956,359)</u>	<u>(3,122,550)</u>	<u>(1,654,397)</u>	<u>(2,767,923)</u>	<u>(2,030,215)</u>	<u>(425,886)</u>
1,306,404	1,222,966	1,276,207	1,232,089	1,281,494	1,292,331
458,202	440,569	464,453	530,912	531,277	582,717
286,201	296,476	321,325	313,713	315,995	328,744
23,348	19,259	17,564	19,326	16,532	16,970
-	-	-	-	2,500	18,294
48,243	1,133	243	6,182	2,661	667
448,226	479,214	488,201	1,149,548	1,092,684	995,563
<u>(88,200)</u>	<u>405,472</u>	<u>532,213</u>	<u>262,003</u>	<u>69,349</u>	<u>321,208</u>
<u>2,482,424</u>	<u>2,865,089</u>	<u>3,100,206</u>	<u>3,513,773</u>	<u>3,312,492</u>	<u>3,556,494</u>
<u>\$ 526,065</u>	<u>\$ (257,461)</u>	<u>\$ 1,445,809</u>	<u>\$ 745,850</u>	<u>\$ 1,282,277</u>	<u>\$ 3,130,608</u>

City of La Feria, Texas
CHANGES IN NET POSITION - BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS
(accrual basis of accounting)
Fiscal year ended September 30,

Source	2005	2006	2007	2008	2009
Expenses:					
Sanitation services	<u>\$ 324,926</u>	<u>\$ 376,032</u>	<u>\$ 416,136</u>	<u>\$ 464,093</u>	<u>\$ 436,121</u>
Total Expenses	<u>324,926</u>	<u>376,032</u>	<u>416,136</u>	<u>464,093</u>	<u>436,121</u>
Program Revenues:					
Charges for services:					
Sanitation services	522,674	528,184	572,608	627,251	645,828
Capital Grants and Contributions	<u>30,062</u>	<u>-</u>	<u>43,750</u>	<u>-</u>	<u>-</u>
Total program revenues	<u>552,736</u>	<u>528,184</u>	<u>616,358</u>	<u>627,251</u>	<u>645,828</u>
Net (expense) revenue	<u>227,810</u>	<u>152,152</u>	<u>200,222</u>	<u>163,158</u>	<u>209,707</u>
General revenues and transfers:					
Transfers	<u>(209,992)</u>	<u>159,474</u>	<u>-</u>	<u>-</u>	<u>88,200</u>
Total general revenues and transfers	<u>(209,992)</u>	<u>159,474</u>	<u>-</u>	<u>-</u>	<u>88,200</u>
Change in net position	<u>\$ 17,818</u>	<u>\$ 311,626</u>	<u>\$ 200,222</u>	<u>\$ 163,158</u>	<u>\$ 297,907</u>

(Continued)

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ 464,939</u>	<u>\$ 462,764</u>	<u>\$ 455,225</u>	<u>\$ 519,138</u>	<u>\$ 508,577</u>
<u>464,939</u>	<u>462,764</u>	<u>455,225</u>	<u>519,138</u>	<u>508,577</u>
688,370	707,360	786,848	771,427	786,848
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>688,370</u>	<u>707,360</u>	<u>786,848</u>	<u>771,427</u>	<u>786,848</u>
<u>223,431</u>	<u>244,596</u>	<u>331,623</u>	<u>252,289</u>	<u>278,271</u>
<u>(405,472)</u>	<u>(532,213)</u>	<u>(321,208)</u>	<u>(69,349)</u>	<u>(321,208)</u>
<u>(405,472)</u>	<u>(532,213)</u>	<u>(321,208)</u>	<u>(69,349)</u>	<u>(321,208)</u>
<u>\$ (182,041)</u>	<u>\$ (287,617)</u>	<u>\$ 10,415</u>	<u>\$ 182,940</u>	<u>\$ (42,937)</u>

City of La Feria, Texas
CHANGES IN NET POSITION - COMPONENT UNITS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
Fiscal year ended September 30,

Source	2005	2006	2007	2008
Expenses:				
Waterworks and Sewer System	\$ 1,388,770	\$ 2,474,350	\$ 1,773,744	\$ 1,963,145
Industrial Development Corporation	217,925	792,165	688,556	598,107
Economic Development Corporation	187,429	47,524	361,908	337,509
Total Expenses	<u>1,794,124</u>	<u>3,314,039</u>	<u>2,824,208</u>	<u>2,898,761</u>
Program Revenues:				
Charges for services:				
Waterworks and Sewer System	1,367,017	1,477,871	1,399,591	1,579,026
Industrial Development Corporation	67,061	-	-	142,509
Economic Development Corporation	-	-	-	-
Operating Grants and Contributions	367,906	590,837	478,976	848,145
Capital Grants and Contributions	<u>1,728,494</u>	<u>4,133,560</u>	<u>2,982,453</u>	<u>1,228,761</u>
Total program revenues	<u>3,530,478</u>	<u>6,202,268</u>	<u>4,861,020</u>	<u>3,798,441</u>
Net (expense) revenue	<u>1,736,354</u>	<u>2,888,229</u>	<u>2,036,812</u>	<u>899,680</u>
General revenues and transfers:				
Taxes:				
Sales	399,200	405,676	432,206	475,948
Unrestricted investment earnings	176,084	268,078	332,940	155,306
Gain on sale of capital assets	8,168	865,421	317,011	81,866
Other non operating revenue	<u>1,000,000</u>	<u>112,956</u>	<u>158,450</u>	<u>26,557</u>
Total general revenues and transfers	<u>1,583,452</u>	<u>1,652,131</u>	<u>1,240,607</u>	<u>739,677</u>
Change in net position	<u>\$ 3,319,806</u>	<u>\$ 4,540,360</u>	<u>\$ 3,277,419</u>	<u>\$ 1,639,357</u>

(Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$4,796,075	\$7,895,575	\$3,024,940	\$3,114,050	\$2,976,695	\$3,119,438
720,820	993,270	606,962	558,816	361,690	490,892
<u>146,924</u>	<u>240,408</u>	<u>200,375</u>	<u>138,943</u>	<u>153,388</u>	<u>250,552</u>
<u>5,663,819</u>	<u>9,129,253</u>	<u>3,832,277</u>	<u>3,811,809</u>	<u>3,491,773</u>	<u>3,860,882</u>
1,747,385	1,994,491	2,308,698	2,413,022	2,348,068	2,295,913
160,066	525,322	190,760	143,271	138,800	139,500
-	-	-	-	-	-
518,567	792,900	423,655	2,031,015	486,887	-
<u>9,801,857</u>	<u>5,972,195</u>	<u>868,581</u>	<u>9,950</u>	<u>7,870</u>	<u>3,252,890</u>
<u>12,227,875</u>	<u>9,284,908</u>	<u>3,791,694</u>	<u>4,597,258</u>	<u>2,981,625</u>	<u>5,688,303</u>
<u>6,564,056</u>	<u>155,655</u>	<u>(40,583)</u>	<u>785,449</u>	<u>(510,148)</u>	<u>1,827,421</u>
458,202	440,570	464,454	530,912	531,276	582,716
51,312	28,196	4,305	29,828	15,845	15,064
216,516	-	-	-	-	-
<u>42,782</u>	<u>7,159</u>	<u>13,534</u>	<u>347,750</u>	<u>344</u>	<u>1,468</u>
<u>768,812</u>	<u>475,925</u>	<u>482,293</u>	<u>908,490</u>	<u>547,465</u>	<u>599,248</u>
<u>\$7,332,868</u>	<u>\$ 631,580</u>	<u>\$ 441,710</u>	<u>\$1,693,939</u>	<u>\$ 37,317</u>	<u>\$2,426,669</u>

City of La Feria, Texas
CHANGES IN NET POSITION - TOTAL
LAST TEN YEARS
(accrual basis of accounting)
Fiscal year ended September 30,

Source	2005	2006	2007	2008
Expenses:				
Governmental activities ¹	\$ 4,921,782	\$ 7,183,609	\$ 5,727,184	\$ 5,074,903
Business-type activities ²	<u>324,926</u>	<u>376,032</u>	<u>416,136</u>	<u>464,093</u>
Total Expenses	<u>5,246,708</u>	<u>7,559,641</u>	<u>6,143,320</u>	<u>5,538,996</u>
Program Revenues:				
Governmental activities ¹	2,198,835	4,906,995	4,332,507	2,298,465
Business-type activities ²	<u>552,736</u>	<u>528,184</u>	<u>616,358</u>	<u>627,251</u>
Total program revenues	<u>2,751,571</u>	<u>5,435,179</u>	<u>4,948,865</u>	<u>2,925,716</u>
Net (expense) revenue	<u>(2,495,137)</u>	<u>(2,124,462)</u>	<u>(1,194,455)</u>	<u>(2,613,280)</u>
General revenues and transfers:				
Governmental activities ¹	2,075,591	1,985,950	2,107,110	2,333,109
Business-type activities ²	<u>(209,992)</u>	<u>(159,474)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>1,865,599</u>	<u>1,826,476</u>	<u>2,107,110</u>	<u>2,333,109</u>
Change in net position	<u>\$ (629,538)</u>	<u>\$ (297,986)</u>	<u>\$ 912,655</u>	<u>\$ (280,171)</u>

¹See Table Changes in Net Position - Governmental Activities

²See Table Changes in Net Position - Business-type Activities

(Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 13,549,457	\$ 10,649,810	\$ 4,778,619	\$ 5,018,155	\$ 5,189,644	\$ 7,379,153
<u>436,121</u>	<u>464,939</u>	<u>462,764</u>	<u>455,225</u>	<u>519,138</u>	<u>508,577</u>
<u>13,985,578</u>	<u>11,114,749</u>	<u>5,241,383</u>	<u>5,473,380</u>	<u>5,708,782</u>	<u>7,887,730</u>
11,593,098	7,527,260	3,124,222	2,250,232	3,159,429	6,953,267
<u>645,928</u>	<u>688,370</u>	<u>707,360</u>	<u>747,393</u>	<u>771,427</u>	<u>786,848</u>
<u>12,239,026</u>	<u>8,215,630</u>	<u>3,831,582</u>	<u>2,997,625</u>	<u>3,930,856</u>	<u>7,740,115</u>
<u>(1,746,552)</u>	<u>(2,899,119)</u>	<u>(1,409,801)</u>	<u>(2,475,755)</u>	<u>(1,777,926)</u>	<u>(147,615)</u>
2,482,424	2,865,089	3,100,206	3,513,773	3,312,492	3,556,494
<u>88,200</u>	<u>(405,472)</u>	<u>(532,213)</u>	<u>(262,003)</u>	<u>(69,349)</u>	<u>(321,208)</u>
<u>2,570,624</u>	<u>2,459,617</u>	<u>2,567,993</u>	<u>3,251,770</u>	<u>3,243,143</u>	<u>3,235,286</u>
<u>\$ 824,072</u>	<u>\$ (439,502)</u>	<u>\$ 1,158,192</u>	<u>\$ 776,015</u>	<u>\$ 1,465,217</u>	<u>\$ 3,087,671</u>

City of La Feria, Texas
GOVERNMENT-WIDE NET POSITION BY CATEGORY
LAST TEN FISCAL YEARS
(accrual basis of accounting)
Fiscal year ended September 30,

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 1,864,540	\$ 829,298	\$ 1,792,539	\$ 2,198,242
Restricted	62,664	320,768	848,680	32,443
Unrestricted	<u>2,805,458</u>	<u>2,459,983</u>	<u>1,494,154</u>	<u>893,211</u>
Subtotal governmental activities net position	<u><u>4,732,662</u></u>	<u><u>3,610,049</u></u>	<u><u>4,135,373</u></u>	<u><u>3,123,896</u></u>
Business-type activities				
Net investment in capital assets	225,926	218,444	194,069	185,049
Unrestricted	<u>59,160</u>	<u>59,319</u>	<u>361,820</u>	<u>533,998</u>
Subtotal business-type activities net position	<u><u>285,086</u></u>	<u><u>277,763</u></u>	<u><u>555,889</u></u>	<u><u>719,047</u></u>
Primary government				
Net investment in capital assets	2,090,466	1,047,742	1,986,608	2,383,291
Restricted	62,664	320,768	848,680	32,443
Unrestricted	<u>2,864,618</u>	<u>2,519,302</u>	<u>1,855,974</u>	<u>1,427,209</u>
Total primary government net position	<u><u>\$ 5,017,748</u></u>	<u><u>\$ 3,887,812</u></u>	<u><u>\$ 4,691,262</u></u>	<u><u>\$ 3,842,943</u></u>

(Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,784,054	\$ 2,534,989	\$ 4,083,323	\$ 5,168,447	\$ 6,927,935	\$ 5,889,955
14,550	1,014,677	617,579	127,137	420,047	1,809,821
<u>1,851,357</u>	<u>457,849</u>	<u>752,422</u>	<u>903,590</u>	<u>133,369</u>	<u>2,912,183</u>
<u>3,649,961</u>	<u>4,007,515</u>	<u>5,453,324</u>	<u>6,199,174</u>	<u>7,481,351</u>	<u>10,611,959</u>
263,574	244,070	224,360	188,278	365,006	334,692
<u>753,380</u>	<u>590,843</u>	<u>322,936</u>	<u>389,183</u>	<u>395,395</u>	<u>382,772</u>
<u>1,016,954</u>	<u>834,913</u>	<u>547,296</u>	<u>577,461</u>	<u>760,401</u>	<u>717,464</u>
2,047,628	2,779,059	4,307,683	5,356,725	7,292,941	6,224,647
14,550	1,014,677	617,579	127,137	420,047	1,809,821
<u>2,604,737</u>	<u>1,048,692</u>	<u>1,075,358</u>	<u>1,292,773</u>	<u>528,764</u>	<u>3,294,955</u>
<u>\$4,666,915</u>	<u>\$4,842,428</u>	<u>\$6,000,620</u>	<u>\$6,776,635</u>	<u>\$8,241,752</u>	<u>\$11,329,423</u>

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

Fiscal year ended September 30,

Source	2005	2006	2007	2008
Revenues:				
Taxes	\$ 1,560,644	\$1,645,473	\$1,718,228	\$1,876,055
Licenses and permits	45,226	4,523	31,701	45,291
Intergovernmental	1,637,713	4,295,586	2,959,869	1,759,054
Fees and charges	255,148	441,878	385,470	243,859
Fines	103,359	128,510	139,408	186,819
Special assessments	640	210	-	-
Interest income	66,065	74,458	91,762	55,906
Contributions and donations	25,453	34,607	313,722	27,400
Other	1,786,557	145,256	338,943	446,651
Total Revenues	<u>5,480,805</u>	<u>6,770,501</u>	<u>5,979,103</u>	<u>4,641,035</u>
Expenditures:				
General Government	635,632	4,580,688	3,569,327	2,600,740
Public safety	731,594	772,960	781,204	941,925
Highways and streets	225,954	215,775	207,518	225,666
Health and welfare	44,678	421,979	61,905	118,102
Culture and recreation	458,840	353,044	321,181	357,796
Debt Service				
Principal retirement	314,560	374,415	359,264	375,202
Interest and fiscal agent fees	197,239	186,222	170,692	152,375
Bond issue costs	-	-	-	75,000
Capital outlay	4,798,714	211,554	1,281,103	1,253,889
Total Expenditures	<u>7,407,211</u>	<u>7,116,637</u>	<u>6,752,194</u>	<u>6,100,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,926,406)</u>	<u>(346,136)</u>	<u>(773,091)</u>	<u>(1,459,660)</u>
Other financing sources (uses)				
Transfers in	483,133	-	536,380	477,664
Transfers (out)	(273,141)	373,535	(63,750)	(477,664)
Gain on sale of capital assets	7,876	(214,061)	14,900	-
Issuance of note payable	-	-	-	-
Issuance of Debt	149,998	-	-	3,275,000
Other non-operating revenues	231,014	-	-	-
Total other financing sources (uses)	<u>598,880</u>	<u>159,474</u>	<u>487,530</u>	<u>3,275,000</u>
Net change in fund balances	<u>\$ (1,327,526)</u>	<u>\$ (186,662)</u>	<u>\$ (285,561)</u>	<u>\$ 1,815,340</u>
Debt Service as a % of non-capital expenditures	19.6%	8.1%	9.7%	10.9%

(Continued)

2009	2010	2011	2012	2013	2014
\$ 2,011,691	\$ 1,956,457	\$2,048,549	\$2,202,142	\$ 2,144,030	\$ 2,240,997
62,055	33,914	34,657	74,018	29,419	99,100
11,089,124	6,501,245	1,304,602	2,264,491	2,651,939	6,090,144
230,805	290,901	317,498	339,798	292,777	314,067
153,148	164,375	173,534	139,423	137,582	164,192
-	-	-	-	-	-
48,241	1,133	243	6,183	2,662	658
122,618	204,200	942,985	88,488	46,663	57,502
383,576	501,778	542,560	493,561	337,117	420,452
<u>14,101,258</u>	<u>9,654,003</u>	<u>5,364,628</u>	<u>5,608,104</u>	<u>5,642,189</u>	<u>9,387,112</u>
10,783,766	7,758,697	1,639,921	6,457,372	1,453,073	3,139,210
971,757	969,899	981,067	1,120,826	1,187,241	1,127,994
185,144	250,490	271,955	286,571	300,660	239,225
66,962	69,632	72,412	48,547	61,232	440,970
495,874	554,614	448,555	541,126	469,040	639,732
396,186	437,218	453,300	4,114,434	694,142	742,375
276,510	268,320	254,262	498,334	516,101	489,951
5,274	-	-	-	-	-
<u>2,592,502</u>	<u>1,113,839</u>	<u>2,174,422</u>	<u>2,168,749</u>	<u>4,361,463</u>	<u>5,291,445</u>
<u>15,773,975</u>	<u>11,422,709</u>	<u>6,295,894</u>	<u>15,235,959</u>	<u>9,042,952</u>	<u>12,110,902</u>
<u>(1,672,717)</u>	<u>(1,768,706)</u>	<u>(931,266)</u>	<u>(9,627,855)</u>	<u>(3,400,763)</u>	<u>(2,723,790)</u>
1,379,182	1,088,077	1,347,641	4,505,256	1,567,397	1,542,333
(1,467,382)	(372,545)	(518,842)	(4,243,253)	(1,498,048)	(1,221,125)
-	-	-	-	2,000	114,500
-	-	-	-	-	495,474
-	-	-	12,975,000	699,000	-
-	-	-	-	-	-
<u>(88,200)</u>	<u>715,532</u>	<u>828,799</u>	<u>13,237,003</u>	<u>770,349</u>	<u>931,182</u>
<u>\$(1,760,917)</u>	<u>\$(1,053,174)</u>	<u>\$(102,467)</u>	<u>\$3,609,148</u>	<u>\$(2,630,414)</u>	<u>\$(1,792,608)</u>
5.1%	6.8%	17.2%	35.3%	25.9%	18.1%

City of La Feria, Texas
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
Fiscal year ended September 30,

	2005	2006	2007	2008
General Fund				
Pre GASB 54				
Reserved	\$ 25,204	\$ 34,452	\$ 33,526	\$ 38,645
Unreserved	<u>2,512,747</u>	<u>2,350,139</u>	<u>1,347,672</u>	<u>(86,152)</u>
Subtotal General Fund Pre GASB 54	<u>\$ 2,537,951</u>	<u>\$ 2,384,591</u>	<u>\$ 1,381,198</u>	<u>\$ (47,507)</u>
General Fund				
Post GASB 54				
Nonspendable fund balance:				
Inventories	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Committed fund balance:				
Home program	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal General Fund Post GASB 54	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds				
Pre GASB 54				
Reserved	\$ 37,460	\$ 67,244	\$ 48,551	\$ 32,443
Unreserved				
Special revenue funds	315,686	253,524	800,129	266,369
Capital projects funds	<u>923</u>	<u>-</u>	<u>-</u>	<u>3,225,764</u>
Subtotal all other Governmental Funds Pre GASB 54	<u>\$ 354,069</u>	<u>\$ 320,768</u>	<u>\$ 848,680</u>	<u>\$ 3,524,576</u>
All other governmental funds				
Post GASB 54				
Restricted fund balances:				
State funds grant restrictions	\$ -	\$ -	\$ -	\$ -
Retirement of long-term debt	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Capital projects	-	-	-	-
Community development programs	-	-	-	-
Committed fund balances:				
Library	-	-	-	-
Assigned fund balances:				
Other	-	-	-	-
Unassigned fund balances:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal all other Governmental Funds Post GASB 54	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

2009	2010	2011	2012	2013	2014
\$ 32,389	\$ 30,493	\$ -	\$ -	\$ -	\$ -
<u>313,109</u>	<u>156,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 345,498</u>	<u>\$ 186,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 30,399	\$ 28,035	\$ 24,530	\$ 24,793
-	-	-	124,757	124,757	-
-	-	80,000	-	-	-
<u>-</u>	<u>-</u>	<u>404,907</u>	<u>445,096</u>	<u>(198,180)</u>	<u>(1,130,173)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 515,306</u>	<u>\$ 597,888</u>	<u>\$ (48,893)</u>	<u>\$ (1,105,380)</u>
\$ 14,550	\$ 21,787	\$ -	\$ -	\$ -	\$ -
250,466	81,740	-	-	-	-
<u>1,105,638</u>	<u>987,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,370,654</u>	<u>\$ 1,090,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -
-	-	45,728	102,174	118,935	\$ 125,941
-	-	-	79,792	301,112	44,294
-	-	542,798	3,781,188	2,070,092	1,525,822
-	-	71,594	38,920	5,135	-
-	-	-	184,642	-	-
-	-	-	68	68	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,556)</u>	<u>(228,527)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,220</u>	<u>\$ 4,186,784</u>	<u>\$ 2,208,786</u>	<u>\$ 1,467,530</u>



City of La Feria, Texas
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Tax	Franchise Tax	Hotel/Motel Tax	Total
2005	\$ 900,244	\$ 399,202	\$ 234,834	\$ 26,364	\$ 1,560,644
2006	951,618	405,405	262,070	25,135	1,644,228
2007	1,010,197	432,207	251,716	24,108	1,718,228
2008	1,104,652	475,947	271,695	23,761	1,876,055
2009	1,194,546	458,202	286,201	23,348	1,962,297
2010	1,200,153	440,569	296,476	19,259	1,956,457
2011	1,245,207	464,453	321,325	17,564	2,048,549
2012	1,338,191	530,912	313,713	19,326	2,202,142
2013	1,272,871	531,277	315,995	23,887	2,144,030
2014	<u>1,312,566</u>	<u>582,717</u>	<u>328,744</u>	<u>16,970</u>	<u>2,240,997</u>
Percentage change over 10 years	<u>45.80%</u>	<u>45.97%</u>	<u>39.99%</u>	<u>-35.63%</u>	<u>43.59%</u>

City of La Feria, Texas
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN YEARS

Amounts								
Fiscal Year Ended September 30,	Real Residential Single Family	Real Residential Multi-Family	Real Vacant Lots/ Tracts	Real Acreage (Land Only)	Undeveloped Non AG	Real Farm & Ranch Improvements	Real Commercial & Industrial	Real & Tangible Personal Utilities
2005	\$ 70,970,086	\$ 2,682,285	\$ 3,993,080	\$ 1,681,999	\$ 968,611	\$ 1,680,155	\$ 17,481,437	\$ 4,873,833
2006	80,876,599	2,624,206	5,973,996	2,400,855	1,575,726	1,656,027	19,104,704	4,768,474
2007	95,180,337	4,249,581	8,655,353	4,018,098	1,738,327	2,534,911	23,505,260	4,221,260
2008	105,175,409	4,221,420	11,011,702	5,425,314	2,332,445	2,737,220	25,357,848	4,722,243
2009	106,808,517	4,297,098	10,347,817	4,562,575	1,773,141	2,599,271	26,230,312	4,392,153
2010	107,495,910	4,475,749	10,251,861	5,517,909	2,393,149	2,451,374	27,932,586	3,958,043
2011	107,996,343	4,462,444	9,798,096	6,886,872	2,326,547	2,532,297	30,420,355	3,524,353
2012	108,663,603	4,449,133	8,592,932	6,386,552	2,377,117	3,035,128	30,890,952	3,389,473
2013	110,680,705	7,380,804	8,107,818	6,606,512	2,334,722	3,004,193	31,850,683	4,199,193
2014	118,804,390	6,444,987	9,189,840	6,318,712	1,983,581	4,992,314	35,265,384	4,478,303
Percentages								
2005	57%	2%	3%	1%	1%	1%	14%	4%
2006	60%	2%	4%	2%	1%	1%	14%	4%
2007	58%	3%	5%	2%	1%	2%	14%	3%
2008	57%	2%	6%	3%	1%	1%	14%	3%
2009	57%	2%	6%	2%	1%	1%	14%	2%
2010	57%	2%	5%	3%	1%	1%	15%	2%
2011	57%	2%	5%	4%	1%	1%	16%	2%
2012	57%	2%	5%	3%	1%	2%	16%	2%
2013	57%	4%	4%	3%	1%	2%	16%	2%
2014	57%	3%	4%	3%	1%	2%	17%	2%

Source: Cameron Appraisal District

(Continued)

Amounts - Continued

	Tangible Personal, Commercial & Industrial	Tangible Personal, Mobil Homes	Real Property Inventory	Tax Exempt Property	Total Appraised Value	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Annual % Change
\$	13,364,679	\$ 3,072,557	\$ 2,671,928	\$ 8,870,132	\$ 132,310,782	\$ 8,870,132	\$ 123,440,650	0.70	6.1%
	10,480,222	3,243,740	1,205,929	11,873,719	145,784,197	11,873,719	133,910,478	0.70	8.5%
	15,915,875	3,575,618	1,242,556	13,541,989	178,379,165	13,541,989	164,837,176	0.70	23.1%
	19,028,847	3,690,761	1,459,979	13,559,181	198,722,369	13,559,181	185,163,188	0.70	12.3%
	20,705,793	3,565,978	1,349,496	13,827,856	200,460,007	13,827,856	186,632,151	0.70	0.8%
	17,324,904	3,456,503	2,047,011	16,268,610	203,573,609	16,268,610	187,304,999	0.70	0.4%
	17,777,442	2,567,694	1,488,573	18,811,649	208,592,665	18,811,649	189,781,016	0.70	1.3%
	18,630,470	2,637,206	1,897,564	19,110,597	210,060,727	19,110,597	190,950,130	0.70	0.6%
	17,271,784	2,748,466	348,867	20,150,414	214,684,161	20,150,414	194,533,747	0.71	1.9%
	16,126,425	2,706,272	398,231	19,963,807	226,672,249	19,963,807	206,708,442	0.71	6.3%

Percentages - Continued

11%	2%	2%	-	-	-	-	-	-
8%	2%	1%	-	-	-	-	-	-
10%	2%	1%	-	-	-	-	-	-
10%	2%	1%	-	-	-	-	-	-
11%	2%	1%	-	-	-	-	-	-
9%	2%	1%	-	-	-	-	-	-
9%	1%	1%	-	-	-	-	-	-
10%	1%	1%	-	-	-	-	-	-
9%	1%	0%	-	-	-	-	-	-
8%	1%	0%	-	-	-	-	-	-

City of La Feria, Texas
DIRECT, OVERLAPPING AND UNDERLYING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed taxable value)

	Direct			Overlapping	Underlying	
	City of La Feria					Total
Fiscal	General	Debt Service		Cameron	La Feria	Direct,
Year	Fund	Fund	Total	County	ISD	Overlapping
						and Underlying
2005	0.33000	0.37000	0.70000	0.35819	1.54400	2.60219
2006	0.33000	0.37000	0.70000	0.35819	1.60900	2.66719
2007	0.34180	0.35820	0.70000	0.34319	1.28500	2.32819
2008	0.35700	0.34300	0.70000	0.35319	1.34000	2.39319
2009	0.35480	0.34520	0.70000	0.36319	1.33600	2.39919
2010	0.34250	0.35750	0.70000	0.36429	1.33600	2.40029
2011	0.35770	0.34230	0.70000	0.38429	1.33600	2.42029
2012	0.33390	0.36610	0.70000	0.38429	1.30000	2.38429
2013	0.28320	0.42611	0.70931	0.38429	1.29910	2.39270
2014	0.24616	0.46743	0.71359	0.39929	1.29910	2.41198

Tax rate limit City: \$2.50

Tax due date: January 31

Discount allowed: No

Penalty and Interest: 7% beginning February 1 and continues to 18% in July. A 1% per month interest charge is assessed until taxes are paid.

Source: Cameron Appraisal District

City of La Feria, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year Ended September 30,	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy Plus Outstanding Delinquent Taxes	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total tax Levy
2005	\$ 845,870	\$ 754,375	89.2%	\$ 89,444	\$ 843,819	81.0%	\$ 196,361	23.2%
2006	897,825	823,056	91.7%	88,658	911,714	84.3%	184,039	20.5%
2007	954,322	880,956	92.3%	76,128	957,084	83.5%	191,977	20.1%
2008	1,098,261	1,005,311	91.5%	57,107	1,062,418	81.0%	213,880	19.5%
2009	1,225,216	1,118,718	91.3%	75,391	1,194,109	81.2%	245,938	20.1%
2010	1,250,289	1,128,857	90.3%	71,215	1,200,072	78.8%	273,388	21.9%
2011	1,243,364	1,134,748	91.3%	110,248	1,244,996	81.3%	287,862	23.2%
2012	1,250,265	1,155,603	92.4%	138,750	1,294,353	80.0%	367,582	29.4%
2013	1,261,963	1,169,741	92.7%	139,345	1,309,086	83.0%	315,894	25.0%
2014	1,302,018	1,219,969	93.7%	85,897	1,305,866	84.4%	245,759	18.9%

Source: City of La Feria

City of La Feria, Texas
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2014 and September 30, 2005

Name of Taxpayer	Type of Business	2014		Percentage of Total Taxable Assessed Value
		Assessed Valuation	Rank	
Innovative Block of South Texas	Building Materials Suppliers	\$ 2,208,515	1	1.0%
BS Properties	Real Estate Developers	1,799,494	2	0.8%
Camarillo, Maria S	Rental Properties	1,755,756	3	0.8%
AEP Texas Central CO	Electricity Utility	1,733,510	4	0.8%
Dukes Highway, LP	Real Estate Developers	1,718,594	5	0.8%
D&J Investmentss LTD	Real Estate Developers	1,404,636	6	0.6%
Verizon Southwest	Telephone Utility	1,323,580	7	0.6%
First National Bank	Banking Institution	1,319,811	8	0.6%
La Feria Development Investments LP	Real Estate Developers	1,185,442	9	0.5%
Hanson Pipe & Products	Pipe & Concrete Manufacturer	1,106,755	10	0.5%
Total Principal Taxpayers		\$ 15,556,093		7%
All Other Taxpayers		204,760,554		93%
Total		<u>\$ 220,316,647</u>		<u>100%</u>

Sour Cameron Appraisal District

(Continued)

Name of Taxpayer	Type of Business	2005		Percentage of Total Taxable Assessed Value
		Assessed Valuation	Rank	
AEP Texas Central CO	Electricity Utility	\$ 1,937,890	1	1.5%
GTE Southwest Incorporated	Telephone Utility	1,523,970	2	1.2%
Hertz Equipment Rental	Equipment Rental	1,384,497	3	1.0%
REE, Inc.	Restaurant Corporation	859,925	4	0.6%
Camarillo, Inez & Maria	Renatal Properties	829,659	5	0.6%
McDonalds Corp.	Fast Food Restaurant	829,176	6	0.6%
Kenwood RV & Mobile Home Plaza	RV & Mobile Home Park	798,648	7	0.6%
Mueller, Inc.	Manufacturing Company	778,475	8	0.6%
La Feria Industrial Development Crop.	4A Non-profit Corporation	693,184	9	0.5%
Mueller Supply Company, Inc.	Sheet Metal Supplier	684,849	10	0.5%
		\$ 10,320,273		8%
		\$ 121,990,509		92%
		\$ 132,310,782		100%



City of La Feria, Texas
DIRECT, OVERLAPPING AND UNDERLYING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Direct	Overlapping	Total
	City of La Feria	State of Texas	Direct, Overlapping and Underlying Rate
2005	2.00%	6.25%	8.25%
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%
2012	2.00%	6.25%	8.25%
2013	2.00%	6.25%	8.25%
2014	2.00%	6.25%	8.25%

Source: Office of the Texas Comptroller

City of La Feria, Texas
TAXABLE SALES BY CATEGORY
CALENDAR YEAR

	2005		2006		2007	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
North American Industry Classification System (NAICS)						
Construction	\$ 1,349,350	5.78%	\$ 1,632,966	6.45%	\$ 1,269,697	4.57%
Manufacturing	214,885	0.92%	1,762,768	6.96%	3,672,695	13.22%
Wholesale Trade	801,625	3.43%	270,765	1.07%	317,446	1.14%
Retail Trade	9,258,461	39.67%	9,429,814	37.24%	9,774,451	35.19%
Information	62,947	0.27%	57,863	0.23%	52,634	0.19%
Finance/Insurance	-	0.00%	262,971	1.04%	347,218	1.25%
Real Estate/Rental/Leasing	3,393,994	14.54%	3,262,535	12.88%	3,577,311	12.88%
Professional/Scientific/Technical Services	2,949	0.01%	1,944	0.01%	-	0.00%
Admin/Support/Waste Mgmt/Remediation Services	44,090	0.19%	8,934	0.04%	6,150	0.02%
Accomodation/Food Services	6,719,295	28.78%	7,432,199	29.35%	7,285,026	26.22%
Other Services (except Public Administration)	1,495,495	6.41%	1,198,577	4.73%	1,479,234	5.32%
Public Administration*	-	0.00%	-	0.00%	-	0.00%
Total	<u>\$ 23,343,091</u>	100.00%	<u>\$ 25,321,336</u>	100.00%	<u>\$ 27,781,862</u>	100.00%

	2008		2009		2010	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
North American Industry Classification System (NAICS)						
Construction	\$ 1,414,705	4.78%	\$ 1,664,728	5.67%	\$ 1,766,125	6.01%
Manufacturing	4,770,290	16.10%	3,292,952	11.22%	2,506,102	8.53%
Wholesale Trade	531,886	1.80%	813,960	2.77%	513,537	1.75%
Retail Trade	10,245,932	34.58%	11,197,171	38.15%	11,942,608	40.63%
Information	131,955	0.46%	164,511	0.56%	460,063	1.57%
Finance/Insurance	324,351	1.09%	320,221	1.09%	358,794	1.22%
Real Estate/Rental/Leasing	1,791,847	6.05%	830,428	2.83%	193,181	0.66%
Professional/Scientific/Technical Services	-	0.00%	-	0.00%	7,434	0.03%
Admin/Support/Waste Mgmt/Remediation Services	10,376	0.04%	158,221	0.54%	281,791	0.96%
Accomodation/Food Services	7,327,638	24.73%	7,339,210	25.01%	8,060,079	27.44%
Other Services (except Public Administration)	3,076,262	10.38%	3,139,638	10.70%	2,840,424	9.67%
Public Administration*	-	0.00%	429,643	1.46%	448,584	1.53%
Total	<u>\$ 29,625,242</u>	100.00%	<u>\$ 29,350,683</u>	100.00%	<u>\$ 29,378,722</u>	100.00%

Source: Office of the Texas Comptroller
 *New Category in 2009

City of La Feria, Texas
TAXABLE SALES BY CATEGORY
CALENDAR YEAR

(Continued)

	2011		2012		2013		2014**	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
North American Industry Classification System (NAICS)								
Construction	\$ 2,023,297	6.37%	\$ 2,045,062	6.04%	\$ 1,831,716	4.82%	\$ 2,226,111	6.71%
Manufacturing	2,470,410	7.77%	1,977,367	5.84%	4,335,981	11.40%	3,973,080	11.98%
Wholesale Trade	408,778	1.29%	522,377	1.54%	408,881	1.07%	736,649	2.22%
Retail Trade	13,274,689	41.76%	15,004,240	44.30%	16,860,423	44.34%	12,965,928	39.11%
Transportation/Warehousing	-	0.00%	-	0.00%	5,693	0.01%	-	0.00%
Information	461,595	1.45%	676,570	2.00%	832,814	2.19%	445,050	1.34%
Finance/Insurance	374,591	1.18%	305,881	0.90%	297,141	0.78%	-	0.00%
Real Estate/Rental/Leasing	401,342	1.26%	483,380	1.43%	426,868	1.12%	1,767,319	5.33%
Professional/Scientific/Technical Services	16,878	0.05%	61,869	0.18%	42,562	0.11%	2,233	0.01%
Admin/Support/Waste Mgmt/Remediation Services	357,044	1.12%	67,468	0.20%	608,050	1.60%	909,686	2.74%
Accommodation/Food Services	8,794,062	27.67%	9,544,238	28.18%	9,787,305	25.73%	7,658,262	23.10%
Other Services (except Public Administration)	3,040,410	9.57%	3,180,895	9.39%	2,598,241	6.83%	2,474,921	7.46%
Public Administration	161,190	0.51%	-	0.00%	-	0.00%	-	0.00%
Total	<u>\$ 31,784,286</u>	100.00%	<u>\$ 33,869,347</u>	100.00%	<u>\$ 38,035,675</u>	100.00%	<u>\$ 33,159,239</u>	100.00%

Source: Office of the Texas Comptroller

**Data available through third quarter

City of La Feria, Texas
RATIOS OF TOTAL DEBT OUTSTANDING BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental - Activities				Business Type - Activities		Percentage of Personal Income	Estimated Population	Per Capita
	Certificates of Bonds	Capital Lease	Notes Payable	Total	Notes Payable	Total			
2005	\$ 4,005,000	\$ -	\$ 175,018	\$ 4,180,018	\$ -	\$ -	4.86%	6,680	\$ 626
2006	3,675,000	-	130,603	3,805,603	-	-	4.26%	6,800	560
2007	3,333,500	-	111,339	3,444,839	-	-	3.71%	6,922	498
2008	6,255,000	-	91,137	6,346,137	77,425	77,425	6.66%	7,046	912
2009	5,880,000	-	69,951	5,949,951	37,754	37,754	5.98%	7,172	835
2010	5,465,000	-	47,734	5,512,734	-	-	5.26%	7,302	755
2011	5,035,000	-	24,434	5,059,434	-	-	4.63%	7,433	681
2012	13,920,000	-	-	13,920,000	-	-	12.91%	7,566	1,840
2013	13,614,000	-	879,621	14,493,621	-	-	12.49%	7,701	1,882
2014	12,896,000	112,329	1,001,733	14,010,062	150,383	150,383	11.56%	7,839	1,806

Sources: City of La Feria
US Census Bureau
US Bureau of Economic Analysis
Office of Texas Comptroller

City of La Feria, Texas
DIRECT AND OVERLAPPING DEBT
September 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City Direct Debt	\$ 14,010,062	100%	\$ 14,010,062
Overlapping debt			
Cameron County	87,460,000	2%	1,749,200
La Feria Independent School District	29,505,000	90%	<u>26,554,500</u>
Subtotal, overlapping debt			28,303,700
Total Direct and Overlapping Debt			<u><u>\$ 42,313,762</u></u>

Source: City of La Feria, Cameron County Auditors Office, La Feria Independent School District

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City for debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values.

Applicable percentages were estimated by determining the portion of another government unit's assessed value that is within the City's boundaries and dividing by each unit's total assessed value.

City of La Feria, Texas
DEBT MARGIN
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed Value	<u>\$ 145,784,197</u>	<u>\$ 156,170,318</u>	<u>\$ 172,794,502</u>	<u>\$ 192,205,418</u>
Economic Debt Margin				
*Debt Limit				
5% of assessed valuation	<u>\$ 7,289,210</u>	<u>\$ 7,808,516</u>	<u>\$ 8,639,725</u>	<u>\$ 9,610,271</u>
Debt applicable to limit:				
General obligation bonds	4,005,000	3,675,000	3,335,000	6,255,000
Less: Amount reserved for repayment of general obligation debt	<u>37,460</u>	<u>38,822</u>	<u>40,757</u>	<u>186</u>
Less: Amount to be paid by Component Unit**	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt applicable to limit	<u>3,967,540</u>	<u>3,636,178</u>	<u>3,294,243</u>	<u>6,254,814</u>
Legal debt margin	<u>\$ 3,321,670</u>	<u>\$ 4,172,338</u>	<u>\$ 5,345,482</u>	<u>\$ 3,355,457</u>
As a percentage of debt limit	<u>45.57%</u>	<u>53.43%</u>	<u>61.87%</u>	<u>34.92%</u>

Notes:

The City of La Feria does not have a legal debt limit by law. The maximum tax rate permitted by the constitution of the State of Texas is \$2.50 per \$100 of assessed valuation. The City charter provides no limitation within the \$2.50 tax rate for annual debt service general obligations.

*Debt Limit - by custom the practical economic debt limit of 5% of assessed valuation is utilized.

**GO Series 2011 and CO Series 2011 included amounts allocated to the Waterworks & Sewer System. An Inter-local agreement provides for the System to pay its portion of debt.

(Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ 195,990,363</u>	<u>\$ 197,862,658</u>	<u>\$ 201,595,680</u>	<u>\$ 203,564,130</u>	<u>\$ 207,821,969</u>	<u>\$ 220,316,647</u>
<u>\$ 9,799,518</u>	<u>\$ 9,893,133</u>	<u>\$ 10,079,784</u>	<u>\$ 10,178,207</u>	<u>\$ 10,391,098</u>	<u>\$ 11,015,832</u>
5,880,000	5,465,000	5,035,000	13,920,000	13,614,000	12,896,000
<u>186</u>	<u>186</u>	<u>186</u>	<u>186</u>	<u>20,739</u>	<u>123</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,851,973</u>	<u>4,581,973</u>	<u>4,296,973</u>
<u>5,879,814</u>	<u>5,464,814</u>	<u>5,034,814</u>	<u>9,067,841</u>	<u>9,011,288</u>	<u>8,598,904</u>
<u>\$ 3,919,704</u>	<u>\$ 4,428,319</u>	<u>\$ 5,044,970</u>	<u>\$ 1,110,366</u>	<u>\$ 1,379,810</u>	<u>\$ 2,416,928</u>
<u>40.00%</u>	<u>44.76%</u>	<u>50.05%</u>	<u>10.91%</u>	<u>13.28%</u>	<u>21.94%</u>



City of La Feria, Texas
ECONOMIC AND DEMOGRAPHIC STATISTICS
LAST TEN YEARS

<u>Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	6,680	\$ 89,323,458	\$ 13,372	34.5	2,842	7.0%
2006	6,800	92,807,073	13,648	34.5	2,682	6.3%
2007	6,922	96,426,549	13,930	34.5	3,130	5.9%
2008	7,046	100,187,184	14,219	34.5	3,162	7.3%
2009	7,172	100,207,221	13,972	34.5	3,307	10.1%
2010	7,302	104,736,587	14,344	34.5	3,468	11.2%
2011	7,433	109,376,418	14,715	32.6	3,579	11.8%
2012	7,566	113,948,352	15,061	32.6	3,712	10.1%
2013	7,701	122,597,032	15,920	30.6	3,588	9.1%
2014	7,839	129,413,427	16,509	33.6	3,597	7.7%

Source: U.S. Census Bureau
Texas Workforce Commission
La Feria ISD
Office of Texas Comptroller

City of La Feria, Texas
PRINCIPAL EMPLOYERS
For the fiscal years ended September 30, 2014 and 2005

2014			
Employer	Number of Employees	Rank	Percentage of Total City Employment
La Feria Independent School District	545	1	26.0%
City of La Feria, Texas	62	2	3.0%
Whataburger, Inc.	56	3	2.7%
Innovative Block of South Texas	45	4	2.1%
Cab-Cos Contractors, Inc.	44	5	2.1%
Ben E. Keith Co.	30	6	1.4%
El Centro Foods	29	7	1.4%
Precision Mold & Tool	29	8	1.4%
McDonald's Fast Food Restaurant	25	9	1.2%
Averitt Express	23	10	1.1%
Total Principal Employers	888		42.4%
Other Employers	1,208		57.6%
Total Employers	2,096		100.0%

Source:

City of La Feria, Texas

(Continued)

2005			
Employer	Number of Employees	Rank	Percentage of Total City Employment
La Feria ISD	470	1	25.6%
City of La Feria	49	2	2.7%
El Centro Foods	45	3	2.4%
Closner Construction	32	4	1.7%
McDonald's Fast Food Restaurant	27	5	1.5%
Whataburger, Inc.	26	6	1.4%
City Market	25	7	1.4%
La Feria Water District	22	8	1.2%
Hertz Rental Equipment	19	9	1.0%
Texas State Bank	12	10	0.7%
Total Principal Employers	727		39.6%
Other Employers	1,111		60.4%
Total Employers	1,838		100.0%

City of La Feria, Texas
CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Function/program</u>										
<u>Finance</u>										
Cashier	2	2	3	3	3	3	3	3	3	3
Utility Billing Clerk	1	1	1	1	1	1	1	1	1	1
Finance Director	1	1	1	1	1	1	1	1	1	1
Financial Accountant	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Finance	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
<u>Administration</u>										
City Manager	1	1	1	1	1	1	1	1	1	1
Assistant City Manager	-	-	0.5	0.5	0.5	-	-	-	-	-
City Secretary	1	1	1	1	1	1	1	1	1	1
Projects & Economic Development Coord	1	1	-	-	-	-	0.5	1	-	1
Planning Director	1	1.0	0.5	0.5	0.5	1	1	1	1	1
Public Works Director	1	1	1	1	1	1	1	1	1	1
Custodial Technician	1	1	1	1	1.5	1.5	1.5	2	1	1
Administrative Technician	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>
Total Administration	<u>8</u>	<u>8</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>7</u>	<u>8</u>
<u>Corporation Court</u>										
Court Clerk	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Municipal Court Judge	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Corporation Court	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>Police Department</u>										
Police Chief	1	1	1	1	1	1	1	1	1	1
Investigation	2	2	2	2	2	2	2	2	2	2
Police Officer	6	6	8	8.5	8.5	8.5	7.5	8	7	7
Patrol Supervisor	1	1	1	1	1	1	1	1	1	1
Warrant Officer	1	1	1	1	1	1	1	1	1	1
Sergeant Communications	1	1	1	1	1	1	1	1	1	1
Communications Officer	<u>3</u>	<u>3</u>	<u>3</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total Police Department	<u>15</u>	<u>15</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>17</u>	<u>18</u>	<u>17</u>	<u>17</u>
<u>Waste/Sanitation Department</u>										
Street Maintenance	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>
Total Waste/Sanitation Department	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>
<u>Street Department</u>										
Street Maintenance	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total Street Maintenance	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>
<u>Parks and Recreation</u>										
Parks and Recreation	<u>3</u>	<u>3</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>5</u>	<u>7</u>	<u>3</u>
Total Parks and Recreation	<u>3</u>	<u>3</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>5</u>	<u>7</u>	<u>3</u>

(Continued)

City of La Feria, Texas
CITY EMPLOYEES BY FUNCTION/PROGRAM - CONTINUED
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Function/program</u>										
<u>Animal Control</u>										
Animal Control Officer	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Animal Control	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>Shop - Maintenance</u>										
Shop Mechanic	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Shop - Maintenance	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>Library</u>										
Library Director	1	1	1	1	1	1	1	1	1	1
Library Assistant	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Library	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>Recreation Center</u>										
Program Manager	-	1	1	2	2	2	2	2	2	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Boys and Girls Club	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>4</u>
<u>Water Distribution</u>										
Utility Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Utility Maintenance	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>5</u>
Total Water Distribution	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>6</u>
<u>Water Plant</u>										
Water Plant Supervisor	1	1	1	1	1	1	1	1	1	1
Water Plant Operator	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>
Total Water Plant	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>
<u>Wastewater Plant</u>										
Water/Wastewater Plant Operator	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total Wastewater Plant	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total City Employees by Function/Program	<u>48</u>	<u>49</u>	<u>51</u>	<u>56</u>	<u>58</u>	<u>59</u>	<u>58</u>	<u>64</u>	<u>61</u>	<u>62</u>

Source: City payroll records

City of La Feria, Texas
OPERATING STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fire					
Emergency responses	176	245	156	246	274
Fires extinguished	171	204	140	249	273
Inspection	13	17	16	17	24
Refuse collection					
Refuse collected (tons per day)	13.96	13.96	14.97	15.86	16.77
Library					
Volumes in collection	29,500	31,500	32,250	32,100	32,650
Total volumes borrowed	9,765	10,426	9,960	11,963	8,655

Source: Performance Measures (City of La Feria, Texas internal report)

(Continued)

2010	2011	2012	2013	2014
236	285	212	221	232
232	375	214	221	238
12	15	17	34	23
16.26	16.07	16.31	21.23	22.86
33,800	34,500	34,600	34,800	35,100
14,032	14,657	14,535	13,778	17,645

City of La Feria, Texas
CAPITAL ASSET AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/program	2005	2006	2007	2008
Fire Station	1	1	1	1
Police Station	1	1	1	1
Libraries	1	1	1	1
Utilities				
Water System				
Water Plants	1	1	1	1
Water Lines (miles)	25	25	30	30
Service Connections	2,600	2,600	2,765	2,886
Storage Tank Capacity (gallons)	1,350,000	1,350,000	1,350,000	1,350,000
Sewer System				
Sewer Plants	1	1	1	1
Sanitary Sewer Lines (miles)	11.69	11.69	20.19	20.19
Lift Stations	5	5	11	11
Service Connections	1,604	1,604	1761	1999
Refuse Collection				
Collection Trucks	1	1	2	2
Street Sweeper	1	1	1	1
Brush Truck	3	3	3	3
Brush Chipper	1	1	1	1
Streets and Highways				
Streets (miles)				
Paved	21.2	21.2	25.2	25.2
Unpaved	0.13	0.13	0.22	0.22
Traffic Signals	355	355	355	355
Parks and Recreation				
Park Acreage Developed	27.19	27.19	28.51	28.51
Park Acreage Undeveloped	0.13	0.13	0.13	0.13
Playgrounds	3	3	4	5
Recreation Center	-	-	-	-

Source: City of La Feria

(Continued)

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
30	30	30	30	30	30
2,958	3,067	3,129	3,217	3,246	3,251
1,350,000	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
1	1	1	1	1	1
20.19	24.19	24.19	24.19	24.19	24.19
11	11	11	11	11	11
2013	2090	2110	2135	2154	2162
3	3	3	3	3	3
1	1	1	1	1	1
3	3	3	3	3	3
1	1	1	1	1	1
25.2	25.2	25.2	26	26	26
0.22	0.22	0.22	0.22	0.22	0.22
355	355	355	355	355	355
116.51	116.51	116.51	116.51	116.51	116.51
0.13	0.13	0.13	0.13	0.13	0.13
6	6	6	6	6	6
-	-	-	-	1	1



COMPLIANCE SECTION

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

To the City Honorable Mayor and
Members of the City Council
City of La Feria, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of La Feria, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of La Feria's basic financial statements, and have issued our report thereon dated April 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of La Feria, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of La Feria, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of La Feria, Texas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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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 black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 14, 2015

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of La Feria, Texas

Report on Compliance for Each Major Federal Program

We have audited City of La Feria, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of La Feria, Texas' major federal programs for the year ended September 30, 2014. City of La Feria, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of La Feria, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of La Feria, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of La Feria, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of La Feria, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

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Report on Internal Control Over Compliance

Management of City of La Feria, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of La Feria, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of La Feria, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 14, 2015

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City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	_____ yes	<u> X </u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> no
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> none reported

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ yes	<u> X </u> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.239	Home Investment Partnership Program
20.205	Highway Planning and Construction
	Safe Routes to Schools
66.458	Capitalization Grants for Clean Water
	State Revolving Funds
66.468	Capitalization Grants for Drinking Water
	State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
September 30, 2014

**Section II – Findings Relating to the Financial Statement Audit as Required to Be
Reported in Accordance with Generally Accepted Government Auditing Standards**

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
September 30, 2014

No findings were reported for the fiscal year ended September 30, 2014.

City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Fiscal year Ended September 30, 2014

No findings were reported for the fiscal year ended.

City of La Feria, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

Exhibit F-1

(01) Federal Grantor/ Pass/Through Grantor Program Title	(02) Federal CFDA Number	(A2) Pass-through Entity Identifying Number	(03) <u>Expenditures</u>
FEDERAL			
U. S. Department of Housing and Urban Development			
Passed through the General Land Office Community Development Block Grant Disaster Recovery Program	14.228	DRS210089	\$ 2,926,671
Passed through the Texas Department of Housing and Community Affairs Home Investment Partnership Program - Owner Occupied Housing Assistance	14.239	1001442	407,597
Passed through the Texas Department of Housing and Community Affairs Home Investment Partnership Program - Owner Occupied Housing Assistance	14.239	1001916	2,150
Total U.S. Department of Housing and Urban Development			<u>3,336,418</u>
U. S. Department of Agriculture			
Passed through the Office of Rural Development ARRA - Community Facilities Loans and Grants Program	10.766	-	69,715
Total U.S. Department of Agriculture			<u>69,715</u>
U.S. Department of Transportation			
Office of Federal Highway Administration Passed through the Texas Department of Transportation ARRA - Highway Planning and Construction	20.205	CSJ#0921-06-247	599,578
Total U.S. Department of Transportation			<u>599,578</u>
U.S. Department of Homeland Security			
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR 1780-005	1,072,733
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR 1791-354	441,487
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR 1791-355	454,016
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR 1931-001	3,750
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR 1931-010	50,463
Passed through the Federal Emergency Management Agency (FEMA) and the City of McAllen, Texas Assistance to Firefighters Grant Program	97.044	70-0561-0-1-999	60,734
Passed through the Texas Department of Public Safety & Cameron County Operation Stone Garden	97.067	-	25,929
Total U.S. Department of Homeland Security			<u>2,109,112</u>

See accompanying notes on accounting policies of Federal awards.

City of La Feria, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the Year Ended September 30, 2014

Federal Grantor/ Pass/Through Grantor Program Title	(01)	(02) Federal CFDA Number	(A2) Pass-through Entity Identifying Number	(03) Expenditures
U.S. Department of Justice				
Passed through the Office of Community Oriented Policing Services (COPS) ARRA - Public Safety Partnership and Community Policing Grant		16.710	G2010UMWX0303	\$ 12,375
Bureau of Justice Assistance Bullet Proof Partnership Program (BVP)		16.607	-	<u>2,462</u>
Total U.S. Department of Justice				<u>14,837</u>
U.S. Environmental Protection Agency				
Passed through the Texas Water Development Board Clean Water State Revolving Fund-Disadvantage Community Loan Forgiveness Grant Program		66.458	G110014	278,914
Passed through the Texas Water Development Board Drinking Water State Revolving Fund-Disadvantage Community Loan Forgiveness Grant Program		66.468	G110026	<u>2,973,976</u>
Total passed through the Texas Water Development Board				<u>3,252,890</u>
Total U.S. Environmental Protection Agency				<u>3,252,890</u>
Total Federal Awards Expended				<u>\$ 9,382,550</u>

City of La Feria, Texas
**NOTES ON ACCOUNTING POLICIES FOR SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS**
Year Ended September 30, 2014

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of La Feria, Texas and its component units, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2- PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3- FORGIVABLE LOANS

At September 30, 2014, the City has an outstanding forgivable loan with the Texas Water Development Board (TWDB) in the amount of \$8,381,340 under the Clean Water State Revolving Fund Program, CFDA #66.458. \$585,546 of these proceeds has been expended to date. The City also has an outstanding forgivable loan payable with the TWDB in the amount of \$7,167,700 under the Drinking Water State Revolving Fund Program, CFDA #66.468. \$3,285,247 of these proceeds have been expended to date. Expenditures for the current period are reported on the Schedule of Expenditures of Federal Awards.

City of La Feria, Texas
EXIT CONFERENCE
Year Ended September 30, 2014

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Maria S. Chavero, Finance Director
Sunny K. Philip, City Manager

No exceptions were taken to the factual contents of the items contained in this report.