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# CITY OF LA FERIA, TEXAS

115 E. Commercial Ave.  
La Feria, TX 78559  
(956) 797-2261



## Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2012

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**CITY OF LA FERIA, TEXAS**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

September 30, 2012

Prepared by:

Finance Department

City of La Feria, Texas  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For The Fiscal Year Ended September 30, 2012

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## **INTRODUCTORY SECTION**





# CITY OF LA FERIA



April 27, 2013

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, 2012 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, 2012, 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 principals 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, 2012, 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 improving along with the rest of the State. The major economic indicator for the City is the sales tax revenue which increased by 14.31% compared to last year which experienced a 5% increase in sales from the prior year. Current sales tax reports indicate a slight increase signaling increased 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 2012. Business growth is expected to continue in the next fiscal year with the addition of four new businesses which include a pharmacy, two medical offices, a transfer station, and a new housing development. The addition of these four new developments will also add new property tax values of approximately \$15,400,000 for tax year 2013.

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 for survival and bargain stores competing with each other. 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 an impact on the financial standing and community well-being of the City.

#### *Current Capital Projects*

The City was also awarded a \$598,600 grant from the Texas Department of Agriculture – Texas Capital Fund Infrastructure program for the construction of a solid waste facility. The grant will provide funding for water, sewer, road and drainage infrastructure improvements for the new facility. The cost estimates for the water and wastewater portion of this project is \$239,685 and was completed in October 2012. Construction of the facility started in March of 2013 and is expected to be completed by August of 2013. Upon completion, the facility is expected to create at least 30 jobs within 3 years.

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 in the amount of \$5.005 million to finance the City's match of the funding needed for capital projects which include the construction of an indoor recreation center, a wellness center, and an expansion of the City's library, the expansion of City hall as well as financing further capital street improvements throughout the City.

The construction of the indoor recreation center for La Feria's youth started in August 2011 and was completed in February 2013. This capital project has an estimated cost of \$2.02 million and is being funded through grants from the U.S. Department of Housing and Urban Development (HUD) and the Texas Parks and Wildlife Department (TPWD) as well as funds from the EDC and the City's recent bond issue Certificates of Obligations, Series 2011.



The construction and expansion of the City's library started in September 2012 and is expected to be completed by April 2013. The library expansion will add service to the residents of La Feria and has an estimated cost of \$1.035 million. Funding will be obtained with a combination of grants, donations, and a long-term loan. The United States Department of Agriculture (USDA) is a federal agency providing funding assistance in the form of a grant in the amount of \$464,431 and a loan in the amount of \$379,000.

The construction and expansion of the City Hall offices started in August 2012 and is expected to be completed by April 2013. The expansion of City Hall will add additional offices and space to better serve the needs of the citizens of La Feria and provide exceptional customer service.

### *Future Planning*

The City was awarded two grants totaling \$3,150,000 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 \$1,800,000. FEMA is providing a grant amount of \$1,350,000 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 \$2,400,000. 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 \$1,800,000 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 start in June 2013 and is expected to be completed by August 2014.

The City applied for and was awarded a total of \$1,050,000 in the form of a loan (\$1,015,000) and grant (\$35,000) from the USDA for assistance in funding 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 May of 2013 and is expected to be completed by July 2014.

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 is expected to start in March 2013 and is expected to be completed by July 2014.

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 2013 and is expected to be completed by May 2014.

The City was awarded a grant in the amount of \$18.4 million 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. Construction for this drainage project is expected to start in May of 2013 and is expected to be completed by June of 2014.

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, 2011. This was the ninth 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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

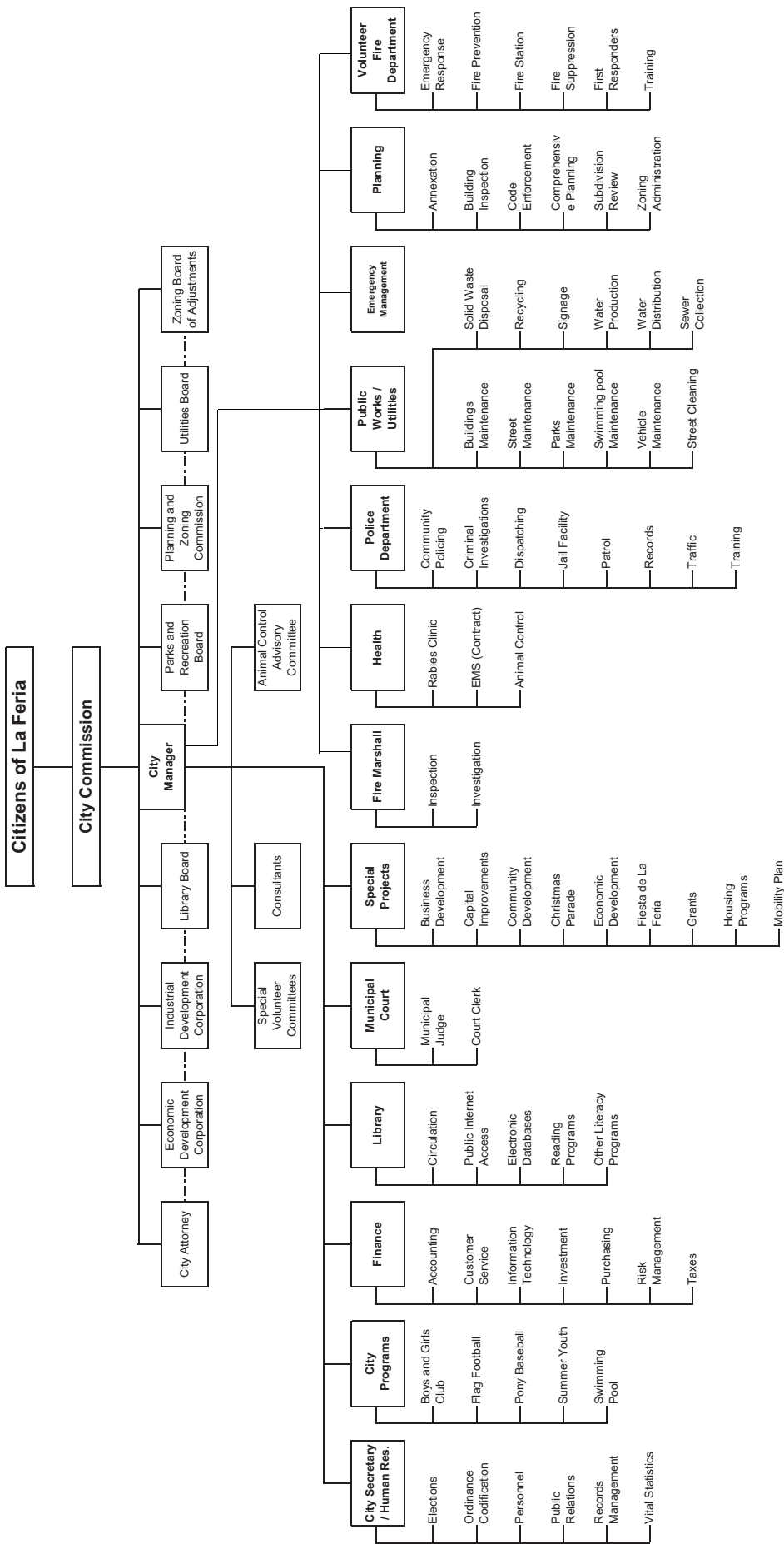


*Christopher P. Moynell*

President

*Jeffrey R. Enen*

Executive Director





City of La Feria, Texas  
**LIST OF PRINCIPAL OFFICIALS**  
As of September 30, 2012

|  |                          |
|--|--------------------------|
| Mayor  | Steve Brewer             |
| Mayor Pro-Tem/Commissioner 3                           | Lori Weaver              |
| Commissioner 1   | John Betancourt          |
| Commissioner 2   | John Hernandez           |
| Commissioner 4   | Victor Gonzalez, Jr.     |
| Commissioner 5   | Angelica P. Baldivia     |
| <br>   |                          |
| 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                   | Steve Brewer             |
| <br>   |                          |
| Industrial Development Corporation President           | Brad Shields             |
| Industrial Development Corporation Vice-President      | Ignacio A. Garcia Galvez |
| Industrial Development Corporation Secretary/Treasurer | Vacant                   |
| Industrial Development Corporation Official            | Victor Gomez             |
| Industrial Development Corporation Official            | Steven Salinas           |
| <br>   |                          |
| 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              | Lori Weaver              |
| Economic Development Corporation Official              | Angelica P. Baldiva      |
| Economic Development Corporation Official              | Ignacio A. Garcia Galvez |
| Economic Development Corporation Official              | Victor Gonzales, Jr.     |

City of La Feria, Texas  
**LIST OF PRINCIPAL OFFICIALS - CONTINUED**  
As of September 30, 2012

|                                   |                        |
|-----------------------------------|------------------------|
| Library Board President           | Betty Jo Dunlap        |
| Library Board Secretary/Treasurer | Valarie Nicholson      |
| Library Board Official            | Sheri Durham           |
| Library Board Official            | Nora A. De Los Santos  |
| Library Board Official            | Carlos Ochoa           |
| Library Board Official            | Eva Verduzco           |
| <br>                              |                        |
| City Manager/Utilities Manager    | Sunny K. Philip        |
| IT/Finance Director               | Maria S. Chavero, CGFO |
| Director of Planning              | Irene Szedlmayer       |
| 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

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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of La Feria, Texas' management. Our responsibility is to express an opinion 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 United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 City of La Feria, Texas as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2013 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's Discussion and Analysis (MD&A) and the required supplementary information schedules on pages 25 through 37 and 92 through 95 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 do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas' basic financial statements. The combining and individual budget to actual schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual budget to actual schedules and the schedule of expenditures of federal and state awards as listed in the accompanying table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas' financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
April 26, 2013



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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, 2012. 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 exceeded its liabilities at the close of the most recent fiscal year by \$6,910,696 (net assets). Of this amount, \$1,426,834 (unrestricted net assets) 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 \$30,230,567 (net assets). Of this amount, \$1,067,393 (unrestricted net assets) 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 \$4,784,672. Approximately 79 percent of this total amount, \$3,781,188 is restricted for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$445,096.
- The City's total debt increased by \$3,734,329 (26 percent) during the current fiscal year. The key factor in this increase was due to the issuance of two bond series; CO Series 2011 for \$5.005M and GO Refunding Series 2011 for \$7.97M which was used to refund three prior bonds series.

#### **Overview of the Financial Statements**

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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).

## **CITY OF LA FERIA, TEXAS**

### ***MANAGEMENT DISCUSSION AND ANALYSIS***

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 41 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 four major and eleven 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, the debt service fund, the La Feria Boys and Girls Club fund, and the certificates of obligation – series 2011 fund all 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.

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 44 of this report.

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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 48 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 52 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.

Other 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.

Required supplementary information begins on page 92 of this report.

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

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

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,910,696 at the close of the most recent fiscal year.

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

|  | <u>Governmental Activities</u> |                    | <u>Business-type Activities</u> |                   | <u>Total</u>       |                    | <u>Component Unit Activities</u> |                     |
|--|--------------------------------|--------------------|---------------------------------|-------------------|--------------------|--------------------|----------------------------------|---------------------|
|  | <u>9/30/12</u>                 | <u>9/30/11</u>     | <u>9/30/12</u>                  | <u>9/30/11</u>    | <u>9/30/12</u>     | <u>9/30/11</u>     | <u>9/30/12</u>                   | <u>9/30/11</u>      |
| Current and other assets                           | \$10,383,106                   | \$2,730,832        | \$ 393,574                      | \$ 328,891        | \$10,776,680       | \$3,059,723        | \$19,666,014                     | \$ 2,358,686        |
| Capital assets                                     | <u>10,459,664</u>              | <u>9,142,757</u>   | <u>188,278</u>                  | <u>224,360</u>    | <u>10,647,942</u>  | <u>9,367,117</u>   | <u>37,654,512</u>                | <u>36,565,507</u>   |
| Total assets                                       | 20,842,770                     | 11,873,589         | 581,852                         | 553,251           | 21,424,622         | 12,426,840         | 57,320,526                       | 38,924,193          |
| Long-term liabilities                              |                                |                    |                                 |                   |                    |                    |                                  |                     |
| outstanding  | 14,010,904                     | 5,148,483          | 4,391                           | 4,206             | 14,015,295         | 5,152,689          | 8,609,727                        | 9,156,031           |
| Other liabilities                                  | <u>498,631</u>                 | <u>1,271,782</u>   | -                               | <u>1,749</u>      | <u>498,631</u>     | <u>1,273,531</u>   | <u>18,480,232</u>                | <u>1,231,534</u>    |
| Total liabilities                                  | 14,509,535                     | 6,420,265          | 4,391                           | 5,955             | 14,513,926         | 6,426,220          | 27,089,959                       | 10,387,565          |
| Net assets   |                                |                    |                                 |                   |                    |                    |                                  |                     |
| Invested in capital assets,<br>net of related debt | 5,168,447                      | 4,083,323          | 188,278                         | 224,360           | 5,356,725          | 4,307,683          | 28,152,079                       | 26,877,175          |
| Restricted   | 127,137                        | 617,579            | -                               | -                 | 127,137            | 617,579            | 1,011,095                        | 1,296,071           |
| Unrestricted                                       | <u>1,037,651</u>               | <u>752,422</u>     | <u>389,183</u>                  | <u>322,936</u>    | <u>1,426,834</u>   | <u>1,075,358</u>   | <u>1,067,393</u>                 | <u>363,382</u>      |
|  | <u>\$ 6,333,235</u>            | <u>\$5,453,324</u> | <u>\$ 577,461</u>               | <u>\$ 547,296</u> | <u>\$6,910,696</u> | <u>\$6,000,620</u> | <u>\$30,230,567</u>              | <u>\$28,536,628</u> |

Seventy-eight percent of the City's net assets reflect 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 assets, \$127,137 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,426,834 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 assets, 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 assets increased by \$910,076 during the current fiscal year and can be attributed mostly to a 137% increase in general revenue other than taxes, such as penalties, services fees, and donations.

The discretely presented component units' net assets increased \$1,693,939 during the current fiscal year which can be attributed to several capital project activities compared to prior years.

Governmental Activities

Governmental activities increased the City's net assets by \$879,911. The key elements of this increase are described as follows:

- Increased revenues derived from grants and contributions compared to the prior year.
- Increased general revenues derived from sales taxes and other general revenue.
- Decreased expenses in the departments of the general government, health and welfare, and culture and recreation 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 Assets along with last fiscal year's numbers are presented for comparison on the next page.

**City of La Feria, Texas**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

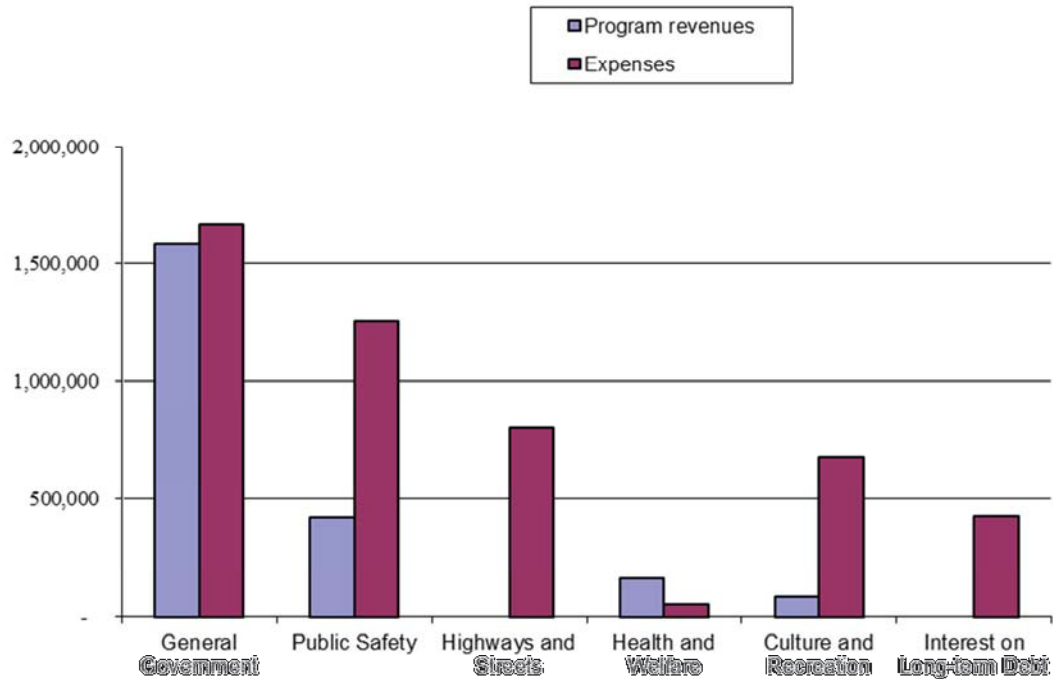
**City of La Feria's Changes in Net Assets**

|  | Governmental Activities |             | Business-type Activities |            | Total        |              | Component Unit Activities |              |
|--|-------------------------|-------------|--------------------------|------------|--------------|--------------|---------------------------|--------------|
|  | 9/30/2012               | 9/30/2011   | 9/30/2012                | 9/30/2011  | 9/30/2012    | 9/30/2011    | 9/30/2012                 | 9/30/2011    |
| <b>Revenues:</b>                                   |                         |             |                          |            |              |              |                           |              |
| Program Revenues                                   |                         |             |                          |            |              |              |                           |              |
| Charges for services                               | \$ 587,282              | \$ 882,034  | \$ 747,393               | \$ 707,360 | \$ 1,334,675 | \$ 1,589,394 | \$ 2,556,293              | \$ 2,499,458 |
| Operating grants and contributions                 | 339,900                 | 1,049,134   | -                        | -          | 339,900      | 1,049,134    | 2,031,015                 | 423,655      |
| Capital grants and contributions                   | 1,323,050               | 1,193,054   | -                        | -          | 1,323,050    | 1,193,054    | 9,950                     | 868,581      |
| General Revenues:                                  |                         |             |                          |            |              |              |                           |              |
| Property tax                                       | 1,232,089               | 1,276,207   | -                        | -          | 1,232,089    | 1,276,207    | -                         | -            |
| Other taxes  | 863,951                 | 803,342     | -                        | -          | 863,951      | 803,342      | 530,912                   | 464,454      |
| Other  | 1,155,730               | 488,444     | -                        | -          | 1,155,730    | 488,444      | 377,578                   | 17,839       |
| Transfers  | 262,003                 | 532,213     | (262,003)                | (532,213)  | -            | -            | -                         | -            |
| Total revenues                                     | 5,764,005               | 6,224,428   | 485,390                  | 175,147    | 6,249,395    | 6,399,575    | 5,505,748                 | 4,273,987    |
| <b>Expenses:</b>                                   |                         |             |                          |            |              |              |                           |              |
| General government                                 | 1,666,337               | 2,125,512   | -                        | -          | 1,666,337    | 2,125,512    | -                         | -            |
| Public safety                                      | 1,254,198               | 1,212,459   | -                        | -          | 1,254,198    | 1,212,459    | -                         | -            |
| Highways/streets                                   | 805,222                 | 336,097     | -                        | -          | 805,222      | 336,097      | -                         | -            |
| Health and welfare                                 | 52,974                  | 89,491      | -                        | -          | 52,974       | 89,491       | -                         | -            |
| Culture and recreation                             | 677,435                 | 757,048     | -                        | -          | 677,435      | 757,048      | -                         | -            |
| Interest on long-term debt                         | 427,928                 | 258,012     | -                        | -          | 427,928      | 258,012      | -                         | -            |
| Sanitation   | -                       | -           | 455,225                  | 462,764    | 455,225      | 462,764      | -                         | -            |
| Waterworks system                                  | -                       | -           | -                        | -          | -            | -            | 3,114,050                 | 3,024,940    |
| IDC  | -                       | -           | -                        | -          | -            | -            | 558,816                   | 606,962      |
| EDC  | -                       | -           | -                        | -          | -            | -            | 138,943                   | 200,375      |
| Total expenses                                     | 4,884,094               | 4,778,619   | 455,225                  | 462,764    | 5,339,319    | 5,241,383    | 3,811,809                 | 3,832,277    |
| Increase/(decrease) in net assets before transfers | 879,911                 | 1,445,809   | 30,165                   | (287,617)  | 910,076      | 1,158,192    | 1,693,939                 | 441,710      |
| Transfers  | -                       | -           | -                        | -          | -            | -            | -                         | -            |
| Increase/(decrease) in net assets                  | 879,911                 | 1,445,809   | 30,165                   | (287,617)  | 910,076      | 1,158,192    | 1,693,939                 | 441,710      |
| Net assets - beginning                             | 5,453,324               | 4,007,515   | 547,296                  | 834,913    | 6,000,620    | 4,842,428    | 28,536,628                | 28,094,918   |
| Net assets - ending                                | \$6,333,235             | \$5,453,324 | \$577,461                | \$547,296  | \$6,910,696  | \$6,000,620  | \$30,230,567              | \$28,536,628 |

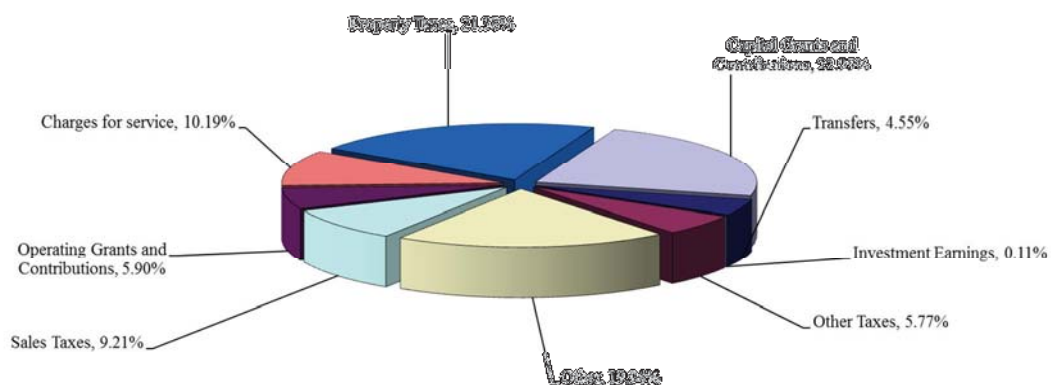
**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**

Business-Type Activities

Business-type activities consist of operating expenses of \$455,225, transfers-out totaling \$262,003 and revenues of \$747,393 resulting in an increase in net assets of \$30,165.

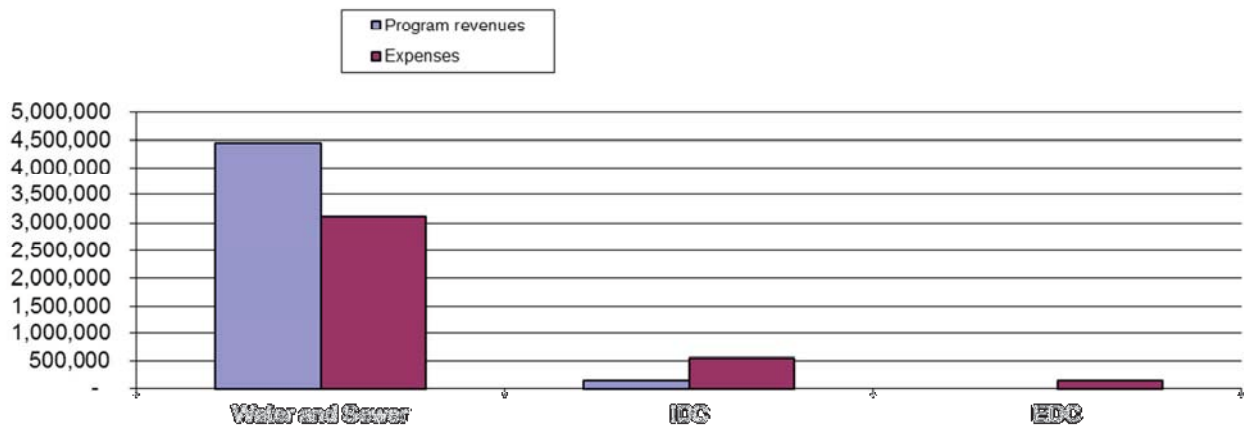
Discretely Presented Component Units

Component unit's activities increased their net assets by \$1,693,939 accounting for approximately 6 percent of the total net assets. Key elements of this increase are as follows:

- The Waterworks and Sewer System received \$2,031,015 in operating grants and contributions that were used to pay for the two solar cell projects which were completed this year along with other system improvements.

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

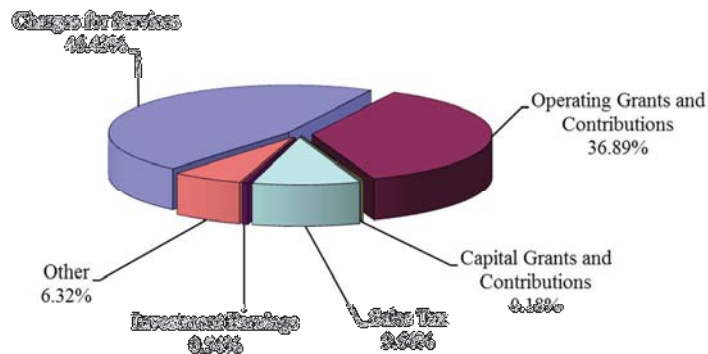
**Expenses and Program Revenues – Component Unit Activities**





**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**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.

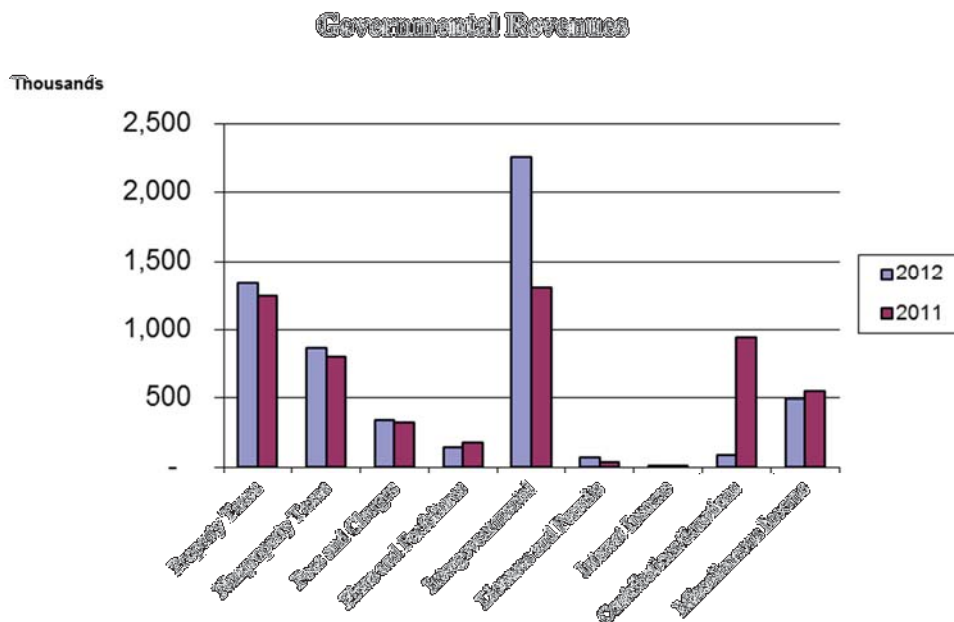
The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2012 and 2011.

| Revenues: General, Special Revenue,<br>Debt Service and Capital Projects Funds |                       |                                 |                       |                                 |  |                                      |
|--|-----------------------|---------------------------------|-----------------------|---------------------------------|--|--------------------------------------|
|  | 2012<br><u>Amount</u> | Percent of<br><u>2012 Total</u> | 2011<br><u>Amount</u> | Percent of<br><u>2011 Total</u> | Increase<br>(Decrease)<br><u>Over 2011</u> | Percent of<br>Increase<br>(Decrease) |
| Revenues   |                       |                                 |                       |                                 |  |                                      |
| Property taxes   | \$1,338,191           | 23.86%                          | \$1,245,207           | 23.21%                          | \$ 92,984                                  | 7.47%                                |
| Non-property taxes   | 863,951               | 15.41%                          | 803,342               | 14.97%                          | 60,609                                     | 7.54%                                |
| Fees and charges   | 339,798               | 6.06%                           | 317,498               | 5.92%                           | 22,300                                     | 7.02%                                |
| Fines and forfeitures  | 139,423               | 2.49%                           | 173,534               | 3.23%                           | (34,111)                                   | (19.66)%                             |
| Intergovernmental  | 2,264,491             | 40.38%                          | 1,304,602             | 24.32%                          | 959,889                                    | 73.58%                               |
| Licenses and permits   | 74,018                | 1.32%                           | 34,657                | .65%                            | 39,361                                     | 113.57%                              |
| Interest income  | 6,183                 | 0.11%                           | 243                   | .005%                           | 5,940                                      | 2,444.44%                            |
| Contributions and donations  | 88,488                | 1.58%                           | 942,985               | 17.58%                          | (854,497)                                  | (90.62)%                             |
| Miscellaneous income   | <u>493,561</u>        | <u>8.80%</u>                    | <u>542,560</u>        | <u>10.11%</u>                   | <u>(48,999)</u>                            | <u>(9.03)%</u>                       |
|  | <u>\$5,608,104</u>    | 100.00%                         | <u>\$5,364,628</u>    | 100.00%                         | <u>\$ 243,476</u>                          |                                      |

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Revenues from governmental funds increased by \$243,476 or 4.54%. Key elements of this increase shown above are as follows:

- Intergovernmental revenues increased by \$959,889 or 73.58% 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 113.57%; reflecting increases in business activity in the community.
- Decreases in revenues from contributions and donations resulted in percentage decreases from the prior year which offset the increases in other revenue sources.



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, 2012 and 2011.

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

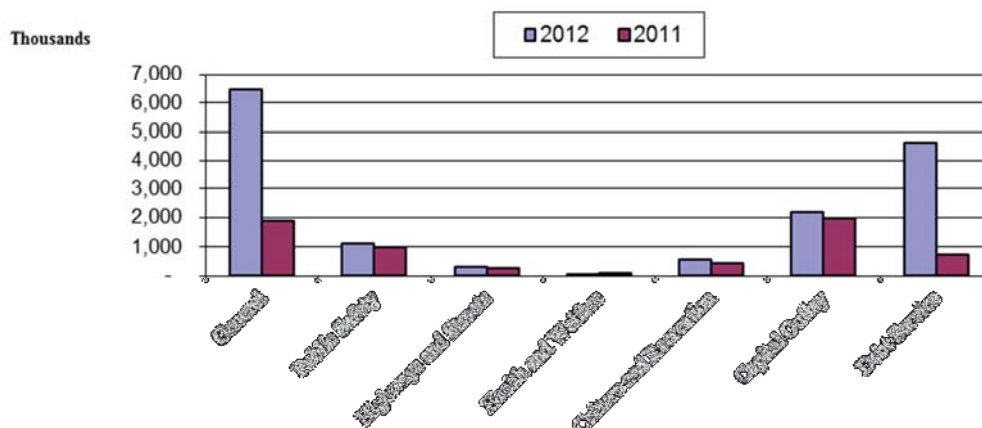
Expenses: General, Special Revenue,  
Debt Service and Capital Projects Funds

|                        | 2012<br><u>Amount</u> | Percent of<br><u>2012 Total</u> | 2011<br><u>Amount</u> | Percent of<br><u>2011 Total</u> | Increase<br>(Decrease)<br><u>Over 2011</u> | Percent of<br>Increase<br>(Decrease)<br><u>(Decrease)</u> |
|------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|--|---|
| Expenditures           |                       |                                 |                       |                                 |  |   |
| General                | \$6,457,372           | 42.38%                          | \$1,639,821           | 26.05%                          | \$ 4,817,551                               | 293.79%   |
| Public safety          | 1,120,826             | 7.36%                           | 981,067               | 15.58%                          | 139,759                                    | 14.25%  |
| Highways and streets   | 286,571               | 1.88%                           | 271,955               | 4.32%                           | 14,616                                     | 5.37%   |
| Health and welfare     | 48,547                | .32%                            | 72,412                | 1.16%                           | (23,865)                                   | (32.96)%  |
| Culture and recreation | 541,126               | 3.55%                           | 448,555               | 7.12%                           | 92,571                                     | 20.64%  |
| Capital outlay         | 2,168,749             | 14.23%                          | 2,174,522             | 34.54%                          | (5,773)                                    | (0.27)%   |
| Debt service           | <u>4,612,768</u>      | <u>30.28%</u>                   | <u>707,562</u>        | <u>11.24%</u>                   | <u>3,905,206</u>                           | <u>551.92%</u>  |
|                        | <u>\$15,235,959</u>   | 100.00%                         | <u>\$6,295,894</u>    | 100.00%                         | <u>\$ 8,940,065</u>                        |   |

Governmental activities incurred expenditures of \$15,235,959 approximately 142 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 \$4,817,551 (approximately 247% more from previous year). Most of this change was due to the costs incurred related to the GO Refunding Bond Series 2011 which included the refunding of \$4,450,000 of revenue bonds previously issued by the City's component unit, the Waterworks and Sewer System. The proceeds were transferred to the Waterworks and Sewer System Fund.
- Debt service expenditures increased by \$3,905,206 compared to last year due to the retirement of two bonds, C.O. Series 2000 (\$255,000) and C.O. Series 2008 (\$3,060,000) in addition to regular scheduled debt payments for three other bonds, C.O. Series 1997, C.O. Series 2004 and GO Refunding Series 2011.

**Governmental Expenditures**



**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**Governmental Fund Balances.** The General Fund's fund balance increased by \$82,582 in fiscal year 2011-2012 due to increases in revenue generated from business type activities and sales taxes. C.O. Series 2011 in the amount of \$5,005,000 was issued in the current year for various capital improvements throughout the City, including the expansion of City Hall, street improvements, and continued construction of a new indoor recreation center; the Certificate of Obligation Series 2011 Fund was established in the current year and had an ending fund balance of \$3,776,810. Other non-major governmental fund balances decreased by \$308,122 due to mostly capital project funds completing construction and funds balances exhausted.

**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 \$40,033 thereby accounting for approximately 6% growth in the revenues of the Enterprise Fund. The small growth in operating revenues is due to small rate increases for both the garbage and brush services.

Operating expenses in the business-type activities decreased by \$7,539 or 2 percent. The primary elements for this decrease are due to decreases in the costs of personnel services due to changes in personnel for the garbage collection department.

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

La Feria, Texas' Component Unit's activities increased operating revenues by \$805,564 thereby accounting for approximately a 21% increase in revenues. Key elements of this increase are as follows:

- Operating grants and contributions increased by 379% from the prior year due to increase activity in the Water and Sewer System for two solar cell projects which were completed during the year.

Component Units activities decreased the expenditures by a net amount of \$20,468 thereby accounting for approximately a 1% decrease in expenditures. Key elements of this decrease are as follows:

- The Economic Development Corporation decreased operating expenditures from the previous year from \$200,375 to \$138,943 due mostly a reduction in payments to the primary government for capital improvement projects.
- The Industrial Development Corporation decreased expenditures by \$48,146 mostly attributed to less activity and a reduction in interest expenses on several bank notes.
- The Waterworks and Sewer System increased operating expenditures from the previous year from \$3.02M to \$3.11M due mostly to increases in personnel and contractual services as capital projects were completed and required additional manpower.

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**General Fund Budgetary Highlights**

Differences between the original budget expenditures and the final amended budget expenditures amounted to a net increase of \$3,939,737 or 83%; the original budget for revenues and the final amended budget for revenues amounted to a net decrease of \$1,862,522 or 40% and can be briefly summarized as follows:

*Revenues*

- A decline in property tax revenue reduced this budget amount by \$121,460 or 16%.
- A decline in intergovernmental revenue reduced this budget amount by \$1,689,874 or 82% 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 \$5,283,690 or 502% due the refunding of revenue bonds for the component unit by the general government.
- The capital outlay budget decreased by \$1,351,952 or 75% due to changes in the start date of some of the capital projects which include a drainage project.

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, 2012, amounts to \$10,647,941 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment. The total increase in the City's investments in capital assets for the current fiscal year was \$1,280,824 or approximately 14 percent.

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

- Expansion of library;
- Construction of an indoor recreation center;
- Purchase of land for an additional park;
- Street improvements;
- Police equipment;
- Construction of new building under general government.

**CITY OF LA FERIA, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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

|                                       | <u>Governmental Activities</u> |                    | <u>Business-type Activities</u> |                  | <u>Total</u>        |                    |
|---------------------------------------|--------------------------------|--------------------|---------------------------------|------------------|---------------------|--------------------|
|                                       | <u>9/30/12</u>                 | <u>9/30/11</u>     | <u>9/30/12</u>                  | <u>9/30/11</u>   | <u>9/30/12</u>      | <u>9/30/11</u>     |
| Land                                  | \$ 672,657                     | \$614,055          | \$ -                            | \$ -             | \$ 672,657          | \$ 614,055         |
| Building and systems                  | 3,581,882                      | 1,936,483          | -                               | -                | 3,581,882           | 1,936,483          |
| Improvements and other than buildings | 5,585,991                      | 5,938,884          | -                               | -                | 5,585,991           | 5,938,884          |
| Machinery and equipment               | 619,134                        | 653,335            | 188,277                         | 224,360          | 807,411             | 877,695            |
|                                       | <u>\$10,459,664</u>            | <u>\$9,142,757</u> | <u>\$188,277</u>                | <u>\$224,360</u> | <u>\$10,647,941</u> | <u>\$9,367,117</u> |

Additional information on the City's capital assets can be found in Note D beginning on page 73 of this report.

**Long-Term Debt**

At year end, the City had a number of debt issues outstanding. These issues include \$13,920,000 of (limited) revenue certificates of obligation bonds, and \$3,475,000 of water and wastewater revenue bonds. The City's total long-term debt increased by \$3,734,329 during this fiscal year. The key factor in the increase was the issuance of two bonds; GO Refunding Bonds, Series 2011 for \$7,970,000 and Certificate of Obligation Series 2011 for \$5,005,000.

Additional information on the City's long-term debt begins in Note D on page 79 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 90 percent for the past year, and an improvement of 10% from prior years.
- Sales tax has increased by approximately 14% compared to last year. Last year's sales tax revenue reflected an increase of 5%. The sales tax revenue is expected to continue its upward trend and was budgeted to increase by 8% 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 2012-13 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.

**Debt Service fund:** The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

**Special revenue fund:** The La Feria Boys & Girls Club Fund was established to account for the activities specifically related to the Boys' & Girls' Club which will promote and enhance the development of boys and girls by instilling a sense of competence, usefulness, belonging and influence.

**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 ASSETS**  
September 30, 2012

*Exhibit 1*

|  | Primary Government         |                               |                     | Component Units      |
|--|----------------------------|-------------------------------|---------------------|----------------------|
|  | Governmental<br>Activities | Business - type<br>Activities | Total               | Component<br>Units   |
| <b><u>ASSETS</u></b>                             |                            |                               |                     |                      |
| Cash and cash equivalents                        | \$ 3,709,844               | \$ 320,807                    | \$ 4,030,651        | \$ 613,402           |
| Investments                                      | 75,000                     | -                             | 75,000              | -                    |
| Receivables (net of allowance for uncollectible) | 796,548                    | 72,767                        | 869,315             | 2,139,002            |
| Due from component units                         | 930,954                    | -                             | 930,954             | -                    |
| Inventories                                      | 28,035                     | -                             | 28,035              | 42,092               |
| Prepaid items                                    | 124,757                    | -                             | 124,757             |                      |
| Restricted assets:                               |                            |                               |                     |                      |
| Temporarily restricted:                          |                            |                               |                     |                      |
| Cash and cash equivalents                        | 1,891                      | -                             | 1,891               | 15,925,689           |
| Bond issue costs                                 | 134,161                    | -                             | 134,161             | 132,852              |
| Note receivable                                  | 4,581,916                  | -                             | 4,581,916           | 812,977              |
| Capital assets (net of accumulated depreciation) |                            |                               |                     |                      |
| Land   | 672,657                    | -                             | 672,657             | 3,043,226            |
| Building and system                              | 3,581,882                  | -                             | 3,581,882           | 1,413,003            |
| Improvements other than buildings                | 5,585,991                  | -                             | 5,585,991           | -                    |
| Machinery and equipment                          | 619,134                    | 188,278                       | 807,412             | 2,991,990            |
| Infrastructure                                   | -                          | -                             | -                   | 29,626,381           |
| Easements  | -                          | -                             | -                   | 62,609               |
| Certificate of convenience and necessity         | -                          | -                             | -                   | 110,808              |
| Construction in progress                         | -                          | -                             | -                   | 406,495              |
| Total Assets                                     | <u>20,842,770</u>          | <u>581,852</u>                | <u>21,424,622</u>   | <u>57,320,526</u>    |
| <b><u>LIABILITIES</u></b>                        |                            |                               |                     |                      |
| Accounts payable and other                       |                            |                               |                     |                      |
| current liabilities                              | 417,671                    | -                             | 417,671             | 1,974,009            |
| Due to primary government                        | -                          | -                             | -                   | 930,954              |
| Unearned revenue                                 | 80,960                     | -                             | 80,960              | 15,430,774           |
| Liabilities payable from restricted assets       | -                          | -                             | -                   | 144,495              |
| Noncurrent liabilities:                          |                            |                               |                     |                      |
| Due within one year                              | 708,610                    | -                             | 708,610             | 218,557              |
| Due in more than one year, net                   | <u>13,302,294</u>          | <u>4,391</u>                  | <u>13,306,685</u>   | <u>8,391,170</u>     |
| Total liabilities                                | <u>14,509,535</u>          | <u>4,391</u>                  | <u>14,513,926</u>   | <u>27,089,959</u>    |
| <b><u>NET ASSETS</u></b>                         |                            |                               |                     |                      |
| Invested in capital assets, net of               |                            |                               |                     |                      |
| related debt                                     | 5,168,447                  | 188,278                       | 5,356,725           | 28,152,079           |
| Restricted for:                                  |                            |                               |                     |                      |
| Debt service                                     | 47,345                     | -                             | 47,345              | 225,743              |
| Capital projects funds                           | -                          | -                             | -                   | 785,352              |
| Tax increment reinvestment zone                  | 79,792                     | -                             | 79,792              | -                    |
| Unrestricted:                                    | <u>1,037,651</u>           | <u>389,183</u>                | <u>1,426,834</u>    | <u>1,067,393</u>     |
| Total net assets                                 | <u>\$ 6,333,235</u>        | <u>\$ 577,461</u>             | <u>\$ 6,910,696</u> | <u>\$ 30,230,567</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, 2012

|                                    |                         | Program Revenues        |                                    |                                  |
|------------------------------------|-------------------------|-------------------------|------------------------------------|----------------------------------|
|                                    | Expenses                | Charges for Services    | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities:</b>    |                         |                         |                                    |                                  |
| General government                 | \$ 1,666,337            | \$ 207,570              | \$ 66,743                          | \$1,307,910                      |
| Public safety                      | 1,254,198               | 233,991                 | 186,895                            | -                                |
| Highways and streets               | 805,222                 | -                       | -                                  | -                                |
| Health and welfare                 | 52,974                  | 74,018                  | 72,431                             | 15,140                           |
| Culture and recreation             | 677,435                 | 71,703                  | 13,831                             | -                                |
| Interest on long term debt         | 427,928                 | -                       | -                                  | -                                |
| Total governmental activities      | <u>4,884,094</u>        | <u>587,282</u>          | <u>339,900</u>                     | <u>1,323,050</u>                 |
| <b>Business - type activities:</b> |                         |                         |                                    |                                  |
| Sanitation services                | \$ 455,225              | \$ 747,393              | \$ -                               | \$ -                             |
| Total Business-type activities     | <u>455,225</u>          | <u>747,393</u>          | <u>-</u>                           | <u>-</u>                         |
| <br>Total primary government       | <br><u>\$ 5,339,319</u> | <br><u>\$ 1,334,675</u> | <br><u>\$ 339,900</u>              | <br><u>\$1,323,050</u>           |
| <b>Component Units</b>             |                         |                         |                                    |                                  |
| Waterworks and Sewer Systems       | \$ 3,114,050            | \$2,413,022             | \$ 2,031,015                       | \$ 9,950                         |
| Industrial Development Corporation | 558,816                 | 143,271                 | -                                  | -                                |
| Economical Development Corporation | 138,943                 | -                       | -                                  | -                                |
| Total component units              | <u>\$ 3,811,809</u>     | <u>\$2,556,293</u>      | <u>\$ 2,031,015</u>                | <u>\$ 9,950</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

Other non operating revenue

Transfers:

Transfers

Total general revenues and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

| Net (Expense) Revenue and<br>Changes in Net Assets |                               |                     |                     |
|--|-------------------------------|---------------------|---------------------|
| Primary Government                                 |                               |                     | Component Units     |
| Governmental<br>Activities                         | Business - type<br>Activities | Total               | Component<br>Units  |
| \$ (84,114)  | \$ -                          | \$ (84,114)         | \$ -                |
| (833,312)  | -                             | (833,312)           | -                   |
| (805,222)  | -                             | (805,222)           | -                   |
| 108,615  | -                             | 108,615             | -                   |
| (591,901)  | -                             | (591,901)           | -                   |
| (427,928)  | -                             | (427,928)           | -                   |
| <u>(2,633,862)</u>                                 | <u>-</u>                      | <u>(2,633,862)</u>  | <u>-</u>            |
| <u>-</u>   | <u>292,168</u>                | <u>292,168</u>      | <u>-</u>            |
| <u>-</u>   | <u>292,168</u>                | <u>292,168</u>      | <u>-</u>            |
| (2,633,862)  | 292,168                       | (2,341,694)         | -                   |
| -  | -                             | -                   | 1,339,937           |
| -  | -                             | -                   | (415,545)           |
| <u>-</u>   | <u>-</u>                      | <u>-</u>            | <u>(138,943)</u>    |
| -  | -                             | -                   | 785,449             |
| 630,979  | -                             | 630,979             | -                   |
| 601,110  | -                             | 601,110             | -                   |
| 530,912  | -                             | 530,912             | 530,912             |
| 313,713  | -                             | 313,713             | -                   |
| 19,326   | -                             | 19,326              | -                   |
| 6,182  | -                             | 6,182               | 29,828              |
| 1,149,548  | -                             | 1,149,548           | 347,750             |
| <u>262,003</u>                                     | <u>(262,003)</u>              | <u>-</u>            | <u>-</u>            |
| <u>3,513,773</u>                                   | <u>(262,003)</u>              | <u>3,251,770</u>    | <u>908,490</u>      |
| 879,911  | 30,165                        | 910,076             | 1,693,939           |
| <u>5,453,324</u>                                   | <u>547,296</u>                | <u>6,000,620</u>    | <u>28,536,628</u>   |
| <u>\$ 6,333,235</u>                                | <u>\$ 577,461</u>             | <u>\$ 6,910,696</u> | <u>\$30,230,567</u> |

City of La Feria, Texas  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2012

|  | General<br>Fund   | Debt Service<br>Fund | La Feria<br>Boys and<br>Girls Club<br>Fund | Certificates of<br>Obligation<br>Series 2011<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------|--|--|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                  |                   |                      |  |  |                                |                                |
| Cash and cash equivalents                      | \$ 28,756         | \$ 45,727            | \$ 5,714                                   | \$ 3,294,631   | \$ 335,016                     | \$ 3,709,844                   |
| Investments                                    | 75,000            | -                    | -  | -  | -                              | 75,000                         |
| Receivables                                    |                   |                      |  |  |                                |                                |
| Property Taxes, net                            | 123,124           | 114,028              | -  | -  | -                              | 237,152                        |
| Nonproperty taxes                              | 46,428            | -                    | -  | -  | -                              | 46,428                         |
| Service, net                                   | 31,975            | -                    | -  | -  | -                              | 31,975                         |
| Special assessment                             | 28,601            | -                    | -  | -  | -                              | 28,601                         |
| Other  | 205,539           | -                    | 191,000                                    | 398  | 55,455                         | 452,392                        |
| Due from other funds                           | 57,486            | -                    | -  | 242,769  | -                              | 300,255                        |
| Due from component units                       | 160,900           | -                    | -  | 493,506  | -                              | 654,406                        |
| Inventories                                    | 28,035            | -                    | -  | -  | -                              | 28,035                         |
| Prepaid items                                  | 124,757           | -                    | -  | -  | -                              | 124,757                        |
| Restricted assets                              |                   |                      |  |  |                                |                                |
| Temporarily restricted                         |                   |                      |  |  |                                |                                |
| Cash and cash equivalents                      | 1,891             | -                    | -  | -  | -                              | 1,891                          |
| <b>TOTAL ASSETS</b>                            | <u>\$ 912,492</u> | <u>\$ 159,755</u>    | <u>\$ 196,714</u>                          | <u>\$ 4,031,304</u>                                  | <u>\$ 390,471</u>              | <u>\$ 5,690,736</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>           |                   |                      |  |  |                                |                                |
| Liabilities:                                   |                   |                      |  |  |                                |                                |
| Accounts payable                               | 88,503            | -                    | -  | 254,494  | 28,563                         | 371,560                        |
| Accrued liabilities                            | 39,617            | -                    | -  | -  | -                              | 39,617                         |
| Due to other funds                             | 49,433            | -                    | 193,336                                    | -  | 57,486                         | 300,255                        |
| Deferred revenues                              | 137,051           | 57,581               | -  | -  | -                              | 194,632                        |
| Total liabilities                              | <u>314,604</u>    | <u>57,581</u>        | <u>193,336</u>                             | <u>254,494</u>                                       | <u>86,049</u>                  | <u>906,064</u>                 |
| Fund balances:                                 |                   |                      |  |  |                                |                                |
| Nonspendable fund balances:                    |                   |                      |  |  |                                |                                |
| Inventories                                    | 28,035            | -                    | -  | -  | -                              | 28,035                         |
| Prepaid items                                  | 124,757           | -                    | -  | -  | -                              | 124,757                        |
| Restricted fund balances:                      |                   |                      |  |  |                                |                                |
| Retirement of long-term debt                   | -                 | 102,174              | -  | -  | -                              | 102,174                        |
| Tax increment reinvestment zone                | -                 | -                    | -  | -  | 79,792                         | 79,792                         |
| Capital projects                               | -                 | -                    | 3,378                                      | 3,776,810  | 1,000                          | 3,781,188                      |
| Community development programs                 | -                 | -                    | -  | -  | 38,920                         | 38,920                         |
| Committed:                                     |                   |                      |  |  |                                |                                |
| Library  | -                 | -                    | -  | -  | 184,642                        | 184,642                        |
| Assigned                                       | -                 | -                    | -  | -  | 68                             | 68                             |
| Unassigned                                     | 445,096           | -                    | -  | -  | -                              | 445,096                        |
| Total fund balance                             | <u>597,888</u>    | <u>102,174</u>       | <u>3,378</u>                               | <u>3,776,810</u>                                     | <u>304,422</u>                 | <u>4,784,672</u>               |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <u>\$ 912,492</u> | <u>\$ 159,755</u>    | <u>\$ 196,714</u>                          | <u>\$ 4,031,304</u>                                  | <u>\$ 390,471</u>              | <u>\$ 5,690,736</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 ASSETS**  
 September 30, 2012

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Fund balance -- total governmental funds   | \$ 4,784,672                       |
| 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.                     | 10,459,664                         |
| Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore                             | 4,695,588                          |
| 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  | (13,649,946)                       |
| Net pension obligation   | (67,294)                           |
| Compensated absences   | (23,610)                           |
| Issuance costs related to debt, is not a financial resource and, therefore, is not reported in the funds. Issuance costs are amortized over the life of the debt.              | <u>134,161</u>                     |
| Net assets of governmental activities  | <u><u>\$ 6,333,235</u></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, 2012

|  | General<br>Fund | Debt Service<br>Fund | La Feria<br>Boys and<br>Girls Club<br>Fund | Certificates of<br>Obligation<br>Series 2011<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|----------------------|--|--|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                 |                      |  |  |                                |                                |
| Taxes:   |                 |                      |  |  |                                |                                |
| Property   | \$ 660,187      | \$ 655,939           | \$ -                                       | \$ -   | \$ 22,065                      | \$ 1,338,191                   |
| Sales  | 530,912         | -                    | -  | -  | -                              | 530,912                        |
| Franchise  | 313,713         | -                    | -  | -  | -                              | 313,713                        |
| Other  | -               | -                    | -  | -  | 19,326                         | 19,326                         |
| Licenses and permits   | 74,018          | -                    | -  | -  | -                              | 74,018                         |
| Intergovernmental  | 926,737         | -                    | 1,188,500                                  | -  | 149,254                        | 2,264,491                      |
| Fees and charges   | 302,136         | -                    | -  | -  | 37,662                         | 339,798                        |
| Fines  | 139,423         | -                    | -  | -  | -                              | 139,423                        |
| Interest income  | 176             | -                    | 8  | 5,721  | 278                            | 6,183                          |
| Contributions and donations                                  | 37,532          | -                    | -  | -  | 50,956                         | 88,488                         |
| Other  | 438,363         | 48,186               | -  | -  | 7,012                          | 493,561                        |
| Total revenues   | 3,423,197       | 704,125              | 1,188,508                                  | 5,721  | 286,553                        | 5,608,104                      |
| <b>Expenditures</b>  |                 |                      |  |  |                                |                                |
| Current  |                 |                      |  |  |                                |                                |
| General government   | 6,336,407       | -                    | 2,336                                      | -  | 118,629                        | 6,457,372                      |
| Public safety  | 1,120,826       | -                    | -  | -  | -                              | 1,120,826                      |
| Highways and streets   | 286,571         | -                    | -  | -  | -                              | 286,571                        |
| Health and welfare   | 48,547          | -                    | -  | -  | -                              | 48,547                         |
| Culture and recreation                                       | 295,574         | -                    | -  | -  | 245,552                        | 541,126                        |
| Debt service   |                 | -                    |  |  |                                |                                |
| Principal retirement   | 24,434          | 4,090,000            | -  | -  | -                              | 4,114,434                      |
| Interest and fiscal agent fees                               | 1,190           | 438,883              | -  | 58,261   | -                              | 498,334                        |
| Capital outlay   | 427,624         | -                    | 1,184,741                                  | 352,150  | 204,234                        | 2,168,749                      |
| Total expenditures   | 8,541,173       | 4,528,883            | 1,187,077                                  | 410,411  | 568,415                        | 15,235,959                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | (5,117,976)     | (3,824,758)          | 1,431                                      | (404,690)  | (281,862)                      | (9,627,855)                    |
| <b>Other financing sources (uses)</b>                        |                 |                      |  |  |                                |                                |
| Transfers in   | 482,907         | 3,946,586            | -  | -  | 75,763                         | 4,505,256                      |
| Transfers (out)  | (3,252,349)     | (65,381)             | -  | (823,500)  | (102,023)                      | (4,243,253)                    |
| Proceeds from bond issuance                                  | 7,970,000       | -                    | -  | 5,005,000  | -                              | 12,975,000                     |
| Total other financing sources (uses)                         | 5,200,558       | 3,881,205            | -  | 4,181,500  | (26,260)                       | 13,237,003                     |
| Net change in fund balances                                  | 82,582          | 56,447               | 1,431                                      | 3,776,810  | (308,122)                      | 3,609,148                      |
| Fund balances, beginning                                     | 515,306         | 45,727               | 1,947                                      | -  | 612,544                        | 1,175,524                      |
| Fund balances, ending  | \$ 597,888      | \$ 102,174           | \$ 3,378                                   | \$ 3,776,810   | \$ 304,422                     | \$ 4,784,672                   |

*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, 2012

|  | Governmental<br>Activities |
|--|----------------------------|
| Net change in fund balances -- total governmental funds  | \$ 3,609,148               |
| 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 \$2,168,749 exceeded depreciation expense of (\$851,342) and capital asset disposals of (\$500) in the current period. | 1,316,907                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | (106,102)                  |
| 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.   | 2,214                      |
| 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.  | (4,069)                    |
| Bond issuance costs and similar items are amortized in the statement of activities but not in the funds. This amount represents (\$8,167) amortization, net of current period capitalized bond issuance costs totaling \$142,328 and (\$63,755) in CO Bond, Series 2008 unamortized capitalized bond costs expensed due to refunding.  | 70,406                     |
| Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  | 24,434                     |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.   | 4,090,000                  |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.  | (12,975,000)               |
| Other long-term assets are not available to pay for current period expenditures and thereof are deferred in the funds.   | <u>4,851,973</u>           |
| Change in net assets of governmental activities  | <u><u>\$ 879,911</u></u>   |

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



City of La Feria, Texas  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
September 30, 2012

|  | Business-type<br>Activities |
|--|-----------------------------|
|  | Waste<br>Disposal<br>Fund   |
| <b>ASSETS</b>  |                             |
| Current assets   |                             |
| Cash and cash equivalents                              | \$ 320,807                  |
| Service receivable, net                                | <u>72,767</u>               |
| Total current assets                                   | 393,574                     |
| Noncurrent assets:                                     |                             |
| Capital assets   |                             |
| Machinery and equipment                                | 923,992                     |
| Less accumulated depreciation                          | <u>(735,714)</u>            |
| Total capital assets (net of accumulated depreciation) | <u>188,278</u>              |
| <b>TOTAL ASSETS</b>                                    | <b><u>\$ 581,852</u></b>    |
| <b>LIABILITIES AND NET ASSETS</b>                      |                             |
| Non current liabilities                                |                             |
| Net pension obligation                                 | \$ <u>4,391</u>             |
| Total non current liabilities                          | <u>4,391</u>                |
| <br>Total liabilities                                  | <br><u>4,391</u>            |
| Net assets   |                             |
| Invested in capital assets                             | 188,278                     |
| Unrestricted   | <u>389,183</u>              |
| Total net assets                                       | <u>577,461</u>              |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                | <b><u>\$ 581,852</u></b>    |

*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 ASSETS  
 PROPRIETARY FUND**  
 For the year ended September 30, 2012

|                                 | Business-type<br>Activities        |
|---------------------------------|------------------------------------|
|                                 | <u>Waste<br/>Disposal<br/>Fund</u> |
| Operating revenues              |                                    |
| Charges for services            | \$ 747,393                         |
| Total operating revenues        | 747,393                            |
| Operating expenses              |                                    |
| Personnel services              | 69,446                             |
| Contractual services            | 202,221                            |
| Materials, supplies and repairs | 57,584                             |
| Heat, light and power           | 62,446                             |
| Depreciation                    | <u>63,528</u>                      |
| Total operating expense         | <u>455,225</u>                     |
| Income before transfers         | 292,168                            |
| Transfers out                   | (262,003)                          |
| Change in net assets            | 30,165                             |
| Net assets--beginning           | <u>547,296</u>                     |
| Total net assets, end of year   | <u>\$ 577,461</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, 2012

|  | Business-type<br>Activities |
|--|-----------------------------|
|  | Waste<br>Disposal<br>Fund   |
| Cash flows from operating activities   |                             |
| Receipts from customers and users  | \$ 969,301                  |
| Payments to suppliers  | (323,816)                   |
| Payments to employees  | <u>(69,446)</u>             |
| Net cash provided (used) by operations   | 576,039                     |
| Cash flows from (to) noncapital financing activities   |                             |
| Transfer out   | <u>(262,003)</u>            |
| Net cash provided (used) by noncapital financing activities                                  | (262,003)                   |
| Cash flows from capital and related financing activities                                     |                             |
| Capital asset purchases  | <u>(27,445)</u>             |
| Net cash used by capital and related financing activities                                    | (27,445)                    |
| Net increase (decrease) in cash and cash equivalents   | 286,591                     |
| Cash and cash equivalents, beginning of year   | <u>34,216</u>               |
| Cash and cash equivalents, end of year   | <u><u>\$ 320,807</u></u>    |
| Reconciliation of operating income to net cash provided<br>by operating activities:          |                             |
| Operating income (loss)  | \$ 292,168                  |
| Adjustments to reconcile net income from operations to net<br>cash from operating activities |                             |
| Depreciation expense   | 63,527                      |
| Effect of increases and decreases in current<br>assets and liabilities                       |                             |
| Decrease (increase) in receivables   | (7,629)                     |
| Increase (decrease) in accounts payable  | (1,749)                     |
| Increase (decrease) in net pension obligation  | 185                         |
| Increase (decrease) in interfund   | <u>229,537</u>              |
| Total adjustments  | <u>283,871</u>              |
| Net cash provided (used) by operations   | <u><u>\$ 576,039</u></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 ASSETS**  
September 30, 2012

|  | Waterworks<br>and Sewer<br>System | La Feria<br>Industrial<br>Development<br>Corporation | La Feria<br>Economic<br>Development<br>Corporation | Totals               |
|--|-----------------------------------|--|--|----------------------|
| <b>ASSETS</b>  |                                   |  |  |                      |
| <b>CURRENT ASSETS:</b>                                 |                                   |  |  |                      |
| Cash and cash equivalents                              | \$ 432,813                        | \$ -   | \$ 180,589   | \$ 613,402           |
| Receivables  |                                   |  |  |                      |
| Service  | 215,488                           | -  | -  | 215,488              |
| Other  | 1,874,299                         | 6,493  | 1,500  | 1,882,292            |
| Intergovernmental                                      | -                                 | 20,611   | 20,611   | 41,222               |
| Current portion of note receivable                     | -                                 | 78,825   | 1,384  | 80,209               |
| Inventories  | 42,092                            | -  | -  | 42,092               |
| Restricted assets:                                     |                                   |  |  |                      |
| Temporarily restricted:                                |                                   |  |  |                      |
| Cash and cash equivalents                              | 15,801,012                        | 124,677  | -  | 15,925,689           |
| Total current assets                                   | <u>18,365,704</u>                 | <u>230,606</u>                                       | <u>204,084</u>                                     | <u>18,800,394</u>    |
| NOTES RECEIVABLE                                       | -                                 | 581,850  | 150,918  | 732,768              |
| <b>CAPITAL ASSETS</b>                                  |                                   |  |  |                      |
| Depreciable  |                                   |  |  |                      |
| Buildings  | -                                 | 1,413,003  | -  | 1,413,003            |
| Water distribution system                              | 13,896,911                        | -  | -  | 13,896,911           |
| Sewer distribution system                              | 21,470,203                        | -  | -  | 21,470,203           |
| Furniture, fixture and equipment                       | 3,579,421                         | -  | -  | 3,579,421            |
| Vehicles   | 121,504                           | -  | -  | 121,504              |
|  | <u>39,068,039</u>                 | <u>1,413,003</u>                                     | <u>-</u>   | <u>40,481,042</u>    |
| Less accumulated depreciation                          | <u>(6,449,668)</u>                | <u>-</u>   | <u>-</u>   | <u>(6,449,668)</u>   |
|  | <u>32,618,371</u>                 | <u>1,413,003</u>                                     | <u>-</u>   | <u>34,031,374</u>    |
| Non depreciable  |                                   |  |  |                      |
| Land   | 338,496                           | 2,704,730  | -  | 3,043,226            |
| Easements  | 62,609                            | -  | -  | 62,609               |
| Certificate of Convenience and Necessity               | 110,808                           | -  | -  | 110,808              |
| Construction in Progress                               | 406,495                           | -  | -  | 406,495              |
|  | <u>918,408</u>                    | <u>2,704,730</u>                                     | <u>-</u>   | <u>3,623,138</u>     |
| Total capital assets (net of accumulated depreciation) | 33,536,779                        | 4,117,733  | -  | 37,654,512           |
| Bond issuance cost, net                                | 132,852                           | -  | -  | 132,852              |
| Total noncurrent assets                                | <u>33,669,631</u>                 | <u>4,117,733</u>                                     | <u>-</u>   | <u>37,787,364</u>    |
| Total assets   | <u>\$ 52,035,335</u>              | <u>\$ 4,930,189</u>                                  | <u>\$ 355,002</u>                                  | <u>\$ 57,320,526</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 ASSETS**  
September 30, 2012

|   | Waterworks<br>and Sewer<br>System | La Feria<br>Industrial<br>Development<br>Corporation | La Feria<br>Economic<br>Development<br>Corporation | Totals               |
|---|-----------------------------------|--|--|----------------------|
| <b><u>LIABILITIES</u></b>   |                                   |  |  |                      |
| Current liabilities   |                                   |  |  |                      |
| Accounts payable  | \$ 1,964,525                      | \$ -   | \$ -   | \$ 1,964,525         |
| Accrued expenses and liabilities  | 8,500                             | 984  | -  | 9,484                |
| Unearned revenues   | 15,430,774                        |  |  | 15,430,774           |
| Due to primary government   | 270,054                           | 660,900  | -  | 930,954              |
| Current portion of revenue bonds payable  | 100,000                           | 118,557  | -  | 218,557              |
| Total current liabilities   | <u>17,773,853</u>                 | <u>780,441</u>                                       | <u>-</u>   | <u>18,554,294</u>    |
| Current liabilities payable from restricted assets  |                                   |  |  |                      |
| Meter deposits  | 144,495                           | -  | -  | 144,495              |
| Total current liabilities payable<br>from restricted                                      | <u>144,495</u>                    | <u>-</u>   | <u>-</u>   | <u>144,495</u>       |
| Noncurrent liabilities  |                                   |  |  |                      |
| Net pension obligation  | 38,194                            | -  | -  | 38,194               |
| Notes payable   | 4,581,973                         | 396,003  | -  | 4,977,976            |
| Revenue bonds payable (net of<br>amortized discounts and deferred<br>amount on refunding) | 3,375,000                         | -  | -  | 3,375,000            |
| Total noncurrent liabilities  | <u>7,995,167</u>                  | <u>396,003</u>                                       | <u>-</u>   | <u>8,391,170</u>     |
| Total liabilities   | <u>25,913,515</u>                 | <u>1,176,444</u>                                     | <u>-</u>   | <u>27,089,959</u>    |
| <b><u>NET ASSETS</u></b>  |                                   |  |  |                      |
| Invested in capital assets, net of<br>related debt  | 25,209,806                        | 2,942,273  | -  | 28,152,079           |
| Restricted for debt service   | 225,743                           | -  | -  | 225,743              |
| Restricted for capital projects   | -                                 | 785,352  | -  | 785,352              |
| Unrestricted:   | 686,271                           | 26,120   | 355,002  | 1,067,393            |
| Total net assets  | <u>\$26,121,820</u>               | <u>\$ 3,753,745</u>                                  | <u>\$ 355,002</u>                                  | <u>\$ 30,230,567</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, 2012

|                                    | Program revenues    |                         |  |  |
|------------------------------------|---------------------|-------------------------|--|--|
|                                    | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions |
| <b><u>Component units</u></b>      |                     |                         |  |  |
| Waterworks and Sewer System        | \$ 3,114,050        | \$ 2,413,022            | \$ 2,031,015                             | \$ 9,950                               |
| Industrial Development Corporation | 558,816             | 143,271                 | -  | -                                      |
| Economic Development Corporation   | 138,943             | -                       | -  | -                                      |
| Total net assets                   | <u>\$ 3,811,809</u> | <u>\$ 2,556,293</u>     | <u>\$ 2,031,015</u>                      | <u>\$ 9,950</u>                        |

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Other non operating revenue

Total general revenues and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

| Component units                            |  |  |               |
|--|--|--|---------------|
| Net (Expense) revenue change in Net Assets |  |  |               |
| Waterworks<br>and Sewer<br>System          | La Feria<br>Industrial<br>Development<br>Corporation | La Feria<br>Economic<br>Development<br>Corporation | Totals        |
| \$ 1,339,937                               | \$ -   | \$ -   | \$ 1,339,937  |
| -  | (415,545)  | -  | (415,545)     |
| -  | -  | (138,943)  | (138,943)     |
| 1,339,937                                  | (415,545)  | (138,943)  | 785,449       |
| -  | 265,456  | 265,456  | 530,912       |
| 772  | 25,963   | 3,093  | 29,828        |
| -  | 347,749  | 1  | 347,750       |
| 772  | 639,168  | 268,550  | 908,490       |
| 1,340,709                                  | 223,623  | 129,607  | 1,693,939     |
| 24,781,111                                 | 3,530,122  | 225,395  | 28,536,628    |
| \$ 26,121,820                              | \$ 3,753,745   | \$ 355,002   | \$ 30,230,567 |



City of La Feria, Texas  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2012

|  | Waterworks<br>and Sewer<br>System | La Feria<br>Industrial<br>Development<br>Corporation | La Feria<br>Economic<br>Development<br>Corporation | Totals             |
|--|-----------------------------------|--|--|--------------------|
| Cash flows from operating activities                                 |                                   |  |  |                    |
| Receipts from customers and users                                    | \$ 2,407,999                      | \$ 401,575   | \$ 269,198   | \$ 3,078,772       |
| Miscellaneous revenues   | -                                 | 1,204  | -  | 1,204              |
| Payments to suppliers  | (553,238)                         | (316,681)  | (64,613)   | (934,532)          |
| Payments to employees  | (864,551)                         | -  | -  | (864,551)          |
| Net cash provided (used) by operations                               | <u>990,210</u>                    | <u>86,098</u>  | <u>204,585</u>                                     | <u>1,280,893</u>   |
| Cash flows from noncapital financing activities                      |                                   |  |  |                    |
| Operating grants (forgivable loan program)                           | <u>15,430,774</u>                 | <u>-</u>   | <u>-</u>   | <u>15,430,774</u>  |
| Net cash provided (used) by noncapital financing                     | <u>15,430,774</u>                 | <u>-</u>   | <u>-</u>   | <u>15,430,774</u>  |
| Cash flows from capital and related financing activities             |                                   |  |  |                    |
| Proceeds from intergovernmental                                      | 2,031,015                         | -  | -  | 2,031,015          |
| Proceeds from note payable, primary government                       | 4,581,973                         | -  | -  | 4,581,973          |
| Payments (to) from primary government                                | (481,235)                         | (47,623)   | (75,298)   | (604,156)          |
| Increase in meter deposits   | 8,330                             | -  | -  | 8,330              |
| Principal paid on long-term debt                                     | (75,000)                          | (605,613)  | -  | (680,613)          |
| Proceeds from bonds payable  | -                                 | -  | -  | -                  |
| Proceeds from bonds refunding  | (4,450,000)                       | -  | -  | (4,450,000)        |
| Interest paid on capital debt  | (236,809)                         | (55,826)   | -  | (292,635)          |
| Net cash provided (used) by capital and related financing activities | <u>1,378,274</u>                  | <u>(709,062)</u>                                     | <u>(75,298)</u>                                    | <u>593,914</u>     |
| Cash flows from investing activities                                 |                                   |  |  |                    |
| Gain from disposition of capital assets                              | -                                 | 734,999  | -  | 734,999            |
| Purchase/construction of capital assets                              | (2,402,354)                       | (3,599)  | -  | (2,405,953)        |
| Issuance of note receivable  | -                                 | (116,000)  | -  | (116,000)          |
| Payment on note receivable   | -                                 | 28,991   | 1,751  | 30,742             |
| Interest and dividends received                                      | <u>772</u>                        | <u>25,964</u>  | <u>3,093</u>                                       | <u>29,829</u>      |
| Net cash provided (used) by investing activities                     | <u>(2,401,582)</u>                | <u>670,355</u>                                       | <u>4,844</u>                                       | <u>(1,726,383)</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 CASH FLOWS - CONTINUED**  
For the year ended September 30, 2012

|  | Waterworks<br>and Sewer<br>System | La Feria<br>Industrial<br>Development<br>Corporation | La Feria<br>Economic<br>Development<br>Corporation | Totals              |
|--|-----------------------------------|--|--|---------------------|
| Net increase (decrease) in cash and cash equivalents   | \$ 15,397,676                     | \$ 47,391  | \$ 134,131   | \$15,579,198        |
| Cash and cash equivalents, beginning of year   | <u>836,149</u>                    | <u>77,286</u>  | <u>46,458</u>                                      | <u>959,893</u>      |
| Cash and cash equivalents, end of year   | <u>\$ 16,233,825</u>              | <u>\$ 124,677</u>                                    | <u>\$ 180,589</u>                                  | <u>\$16,539,091</u> |
| Reconciliation of operating income to net cash provided<br>by operating activities:          |                                   |  |  |                     |
| Operating income (loss)  | \$ (220,718)                      | \$ 46,101  | \$ 201,811   | \$ 27,194           |
| Adjustments to reconcile net income from operations to net<br>cash from operating activities |                                   |  |  |                     |
| Depreciation expense   | 948,039                           | 52,964   | -  | 1,001,003           |
| (Increase) decrease in receivables   | (1,706,964)                       | (7,152)  | 3,742  | (1,710,374)         |
| (Increase) decrease in inventories   | 4,942                             | -  | -  | 4,942               |
| Increase (decrease) in accounts payable  | 1,956,982                         | (2,003)  | (968)  | 1,954,011           |
| Increase (decrease) in accrued expenses<br>and liabilities                                   | 5,593                             | (5,016)  | -  | 577                 |
| Increase (decrease) in due to primary government   | -                                 | -  | -  | -                   |
| Miscellaneous revenues   | -                                 | 1,204  | -  | 1,204               |
| Increase (decrease) in net pension obligation  | <u>2,336</u>                      | <u>-</u>   | <u>-</u>   | <u>2,336</u>        |
| Total adjustments  | <u>1,210,928</u>                  | <u>39,997</u>  | <u>2,774</u>                                       | <u>1,253,699</u>    |
| Net cash provided by operating activities  | <u>\$ 990,210</u>                 | <u>\$ 86,098</u>                                     | <u>\$ 204,585</u>                                  | <u>\$ 1,280,893</u> |
| <i>Supplemental cash flow information:</i>   |                                   |  |  |                     |
| <i>Noncash investing and financing activities:</i>   |                                   |  |  |                     |
| <i>Capital assets contributed from Capital Projects Fund</i>                                 | <u>\$ 9,950</u>                   | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 9,950</u>     |



## **NOTES TO FINANCIAL STATEMENTS**

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**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, 2012

**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 assets and the statement of changes in net assets) 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, 2012

**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 revenues to be available if they are collected within 60 days the 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.

Property 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 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.

The La Feria Boys' & Girls' Club Fund, a Special Revenue Fund, accounts for the activities specifically related to the Boys' & Girls' Club which promotes and enhances the development of boys and girls by instilling a sense of competence, usefulness, belonging and influence.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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 System enterprise fund and of the waste disposal fund are charges to customers for sales and services. The 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.

*4. Fund Balances Policies*

The City has adopted GASB Statement No. 54 which redefined how fund balances of the governmental funds are presented in the financial statements. 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.



City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

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 Assets 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, 2012

**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, 2012, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$4,107,542. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank.

The City's cash deposits at September 30, 2012 are maintained at Compass Bank and totaled \$4,107,542 and \$533,563 at September 30, 2012 and 2011, respectively.

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 \$6,772,174 and occurred during the month of June 2012.

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, 2012

**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 21, 2012 | 91          |
| Certificate of Deposit | 0.13%       | \$ 5,911      | October 12, 2012  | 30 *        |

\* Included in cash and cash equivalents

*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 investments at year-end were the above-mentioned certificates 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.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

***d. Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) basis. The purchase method is used to account for inventories. Inventories of governmental funds are recorded as expenditures 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.

***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  |

In order to comply with the requirements set forth to produce a GASB-34 financial report, capital assets that have not been previously accounted for were researched and given a value. Since the City did not own the property before it was annexed, the depreciation began on the date in which the property was annexed. Value for the streets were determined by obtaining the estimated price in today's dollars and adjusting that price for inflation.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

***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                 |

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, 2012 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 \$25,824, this year's liability due within a year is \$23,610. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

***i. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

***j. Comparative Data/Reclassifications***

Comparative total data for the prior year have been presented in the government-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations of the funds. Certain information for the prior year has been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2012.

***k. Estimates***

The preparation of financial statements in conformity with accounting principals 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.

**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.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

- 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.

**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<br><u>Fund</u> | Debt<br>Service<br><u>Fund</u> | <u>Total</u>      |
|--------------------------------------|------------------------|--------------------------------|-------------------|
| Gross property taxes receivable      | \$170,063              | \$156,439                      | \$ 326,502        |
| Less allowance for doubtful accounts | <u>(46,939)</u>        | <u>(42,411)</u>                | <u>(89,350)</u>   |
| Net property taxes receivable        | <u>\$123,124</u>       | <u>\$114,028</u>               | <u>\$ 237,152</u> |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

**2. Service Receivable**

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services. At September 30, 2012, the City reflected service receivables of the following:

|                            |                  |
|----------------------------|------------------|
| Primary Government         |                  |
| Waste disposal services    | \$ 72,767        |
| Component Units Activities |                  |
| Water services             | 119,968          |
| Sewer services             | <u>95,520</u>    |
|                            | 215,488          |
| Other                      | <u>74,300</u>    |
|                            | <u>\$289,788</u> |

**3. Governmental Activities**

Receivables for governmental activities at September 30, 2012, consisted of the following:

|                                   | General           | Debt<br>Service   | La Feria<br>Boys &<br>Girls Club<br>Fund | Certificate<br>of<br>Obligation<br>Series 2011 | Nonmajor         | Total             |
|-----------------------------------|-------------------|-------------------|--|--|------------------|-------------------|
| Receivables:                      |                   |                   |  |  |                  |                   |
| Property Taxes                    | \$ 170,063        | \$ 156,439        | \$ -                                     | \$ -   | \$ -             | \$ 326,502        |
| Other taxes                       | 46,428            | -                 | -  | -  | -                | 46,428            |
| Accounts                          | 31,975            | -                 | -  | -  | -                | 31,975            |
| Special Assessments               | 28,601            | -                 | -  | -  | -                | 28,601            |
| Intergovernmental                 | <u>205,539</u>    | <u>-</u>          | <u>191,000</u>                           | <u>398</u>                                     | <u>55,455</u>    | <u>452,392</u>    |
| Gross receivables                 | 482,606           | 156,439           | 191,000                                  | 398  | 55,455           | 885,898           |
| Less allowance for uncollectibles | <u>(46,939)</u>   | <u>(42,411)</u>   | <u>-</u>                                 | <u>-</u>                                       | <u>-</u>         | <u>(89,350)</u>   |
| Net total receivables             | <u>\$ 435,667</u> | <u>\$ 114,028</u> | <u>\$ 191,000</u>                        | <u>\$ 398</u>                                  | <u>\$ 55,455</u> | <u>\$ 796,548</u> |



City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

**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, 2012, the balances in these funds are as indicated as follows:

**Governmental Funds**

General Fund

|  |                 |
|--|-----------------|
| Cash – seized by police department for future capital improvements | \$ <u>1,891</u> |
|--|-----------------|

**Component Units**

Enterprise Funds

|  |                   |
|--|-------------------|
| LFIDC Revolving Loan Fund – business loans | \$ 124,677        |
| Debt Service Reserve                       | 225,743           |
| Meter deposits                             | <u>144,495</u>    |
|  | \$ <u>494,915</u> |

**C. Net Assets**

Governmental activities net assets are composed of three categories: Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted.

|  | <u>2012</u>        | <u>2011</u>        |
|--|--------------------|--------------------|
| Long-term assets                                       |                    |                    |
| Capital assets, net of accumulated depreciation        | \$10,459,664       | \$9,142,757        |
| Less related liabilities (bonds and notes payable)     | (9,068,027)        | (5,059,434)        |
| Restricted investments (unexpended bond proceeds)      | <u>3,776,810</u>   | <u>-</u>           |
| Invested in capital assets net of related debt         | 5,168,447          | 4,083,323          |
| <i>Restricted Net Assets consist of the following:</i> |                    |                    |
| Debt service   | 47,345             | 74,681             |
| State and Federal Programs                             | -                  | 100                |
| Tax Increment Reinvestment Zone                        | 79,792             |                    |
| Capital projects                                       | -                  | 544,745            |
| Unrestricted net assets                                | <u>1,037,651</u>   | <u>750,475</u>     |
| Total net assets                                       | <u>\$6,333,235</u> | <u>\$5,453,324</u> |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**D. Capital Assets**

Capital assets activity for the year ended September 30, 2012 was as follows:

**Primary Government**

|  | Beginning Balance<br><u>October 1, 2011</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Transfers</u> | Ending Balance<br><u>September 30, 2012</u> |
|--|---|---------------------|------------------|------------------|---|
| <b>Governmental Activities</b>               |   |                     |                  |                  |   |
| Capital assets, not being depreciated        |   |                     |                  |                  |   |
| Land   | \$ 614,055                                  | \$ 59,102           | \$ (500)         | \$ -             | \$ 672,657                                  |
| Total capital assets, not being depreciated  | 614,055                                     | 59,102              | (500)            | -                | 672,657                                     |
| Capital assets, being depreciated            |   |                     |                  |                  |   |
| Buildings and systems                        | 3,116,326                                   | 1,719,005           | -                | -                | 4,835,331                                   |
| Improvements other than buildings            | 13,242,170                                  | 222,969             | -                | -                | 13,465,139                                  |
| Machinery and equipment                      | <u>2,815,968</u>                            | <u>167,673</u>      | <u>-</u>         | <u>-</u>         | <u>2,983,641</u>                            |
| Total capital assets, being depreciated      | 19,174,464                                  | 2,109,647           | -                | -                | 21,284,111                                  |
| Less accumulated depreciation for            |   |                     |                  |                  |   |
| Buildings and systems                        | (1,179,843)                                 | (73,606)            | -                | -                | (1,253,449)                                 |
| Improvements other than buildings            | (7,303,286)                                 | (575,862)           | -                | -                | (7,879,148)                                 |
| Machinery and equipment                      | <u>(2,162,633)</u>                          | <u>(201,874)</u>    | <u>-</u>         | <u>-</u>         | <u>(2,364,507)</u>                          |
| Total accumulated depreciation               | <u>(10,645,762)</u>                         | <u>(851,342)</u>    | <u>-</u>         | <u>-</u>         | <u>(11,497,104)</u>                         |
| Total capital assets, being depreciated, net | <u>8,528,702</u>                            | <u>1,258,305</u>    | <u>-</u>         | <u>-</u>         | <u>9,787,007</u>                            |
| Governmental activities capital assets, net  | <u>\$ 9,142,757</u>                         | <u>\$ 1,317,407</u> | <u>(500)</u>     | <u>\$ -</u>      | <u>\$ 10,459,664</u>                        |
| <b>Business-type Activities</b>              |   |                     |                  |                  |   |
| Capital assets, being depreciated            |   |                     |                  |                  |   |
| Machinery and equipment                      | \$ 896,547                                  | \$ 27,445           | \$ -             | \$ -             | \$ 923,992                                  |
| Total capital assets, being depreciated      | 896,547                                     | 27,445              | -                | -                | 923,992                                     |
| Less accumulated depreciation for            |   |                     |                  |                  |   |
| Machinery and equipment                      | <u>(672,187)</u>                            | <u>(63,528)</u>     | <u>-</u>         | <u>-</u>         | <u>(735,715)</u>                            |
| Total accumulated depreciation               | <u>(672,187)</u>                            | <u>(63,528)</u>     | <u>-</u>         | <u>-</u>         | <u>(735,715)</u>                            |
| Total capital assets being depreciated, net  | <u>224,360</u>                              | <u>(36,083)</u>     | <u>-</u>         | <u>-</u>         | <u>188,277</u>                              |
| Business-type activities capital assets, net | <u>\$ 224,360</u>                           | <u>\$ (36,083)</u>  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 188,277</u>                           |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**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     | \$ 58,583      |
| Public safety          | 133,372        |
| Highways and streets   | 518,651        |
| Health and welfare     | 4,427          |
| Culture and recreation | <u>136,309</u> |

|   |                  |
|---|------------------|
| Total depreciation expenses – governmental activities | <u>\$851,342</u> |
|---|------------------|

**Business-type activities**

|            |                  |
|------------|------------------|
| Sanitation | <u>\$ 63,528</u> |
|------------|------------------|

|  |                  |
|--|------------------|
| Total depreciation expenses – business-type activities | <u>\$ 63,528</u> |
|--|------------------|

***Discretely Presented Component Units***

|  | Beginning Balance<br><u>October 1, 2011</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Transfers</u> | Ending Balance<br><u>September 30, 2012</u> |
|--|---|---------------------|------------------|------------------|---|
| <b>Waterworks and Sewer System</b>                         |   |                     |                  |                  |   |
| Capital assets, not being depreciated                      |   |                     |                  |                  |   |
| Land   | \$ 338,496                                  | \$ -                | \$ -             | \$ -             | \$ 338,496                                  |
| Easement   | -   | 62,609              | -                | -                | 62,609                                      |
| CCN  | 110,808                                     | -                   | -                | -                | 110,808                                     |
| Construction in progress                                   | <u>764,979</u>                              | <u>129,456</u>      | <u>-</u>         | <u>(487,940)</u> | <u>406,495</u>                              |
| Total capital assets, not being depreciated                | 1,214,283                                   | 192,065             | -                | (487,940)        | 918,408                                     |
| Capital assets, being depreciated                          |   |                     |                  |                  |   |
| Machinery and equipment                                    | 1,031,573                                   | 2,181,413           | -                | 487,940          | 3,700,926                                   |
| Infrastructure   | <u>35,328,287</u>                           | <u>38,826</u>       | <u>-</u>         | <u>-</u>         | <u>35,367,113</u>                           |
| Total capital assets, being depreciated                    | 36,359,860                                  | 2,220,239           | -                | 487,940          | 39,068,039                                  |
| Less accumulated depreciation:                             |   |                     |                  |                  |   |
| Machinery  | (656,391)                                   | (52,545)            | -                | -                | (708,936)                                   |
| Infrastructure   | <u>(4,907,798)</u>                          | <u>(832,934)</u>    | <u>-</u>         | <u>-</u>         | <u>(5,740,732)</u>                          |
| Total accumulated depreciation                             | <u>(5,564,189)</u>                          | <u>(885,479)</u>    | <u>-</u>         | <u>-</u>         | <u>(6,449,668)</u>                          |
| Total capital assets, being depreciated, net               | <u>30,795,671</u>                           | <u>1,334,760</u>    | <u>-</u>         | <u>487,940</u>   | <u>32,618,371</u>                           |
| Waterworks and Sewer System activities capital assets, net | <u>\$32,009,954</u>                         | <u>\$ 1,526,825</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$33,536,779</u>                         |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

|  | <u>Beginning Balance</u><br><u>October 1, 2011</u> | <u>Additions</u>   | <u>Deletions</u>    | <u>Transfers</u> | <u>Ending Balance</u><br><u>September 30, 2012</u> |
|--|--|--------------------|---------------------|------------------|--|
| <b>Industrial Development Corporation</b>                            |  |                    |                     |                  |  |
| Capital assets not being depreciated                                 |  |                    |                     |                  |  |
| Land   | \$3,061,433  | \$ 3,599           | \$ (360,302)        | \$ -             | \$2,704,730  |
| Total capital assets not being depreciated                           | 3,061,433  | 3,599              | (360,302)           | -                | 2,704,730  |
| Capital assets being depreciated                                     |  |                    |                     |                  |  |
| Buildings  | 1,722,053  | -                  | (45,204)            | -                | 1,676,849  |
| Machinery and equipment  | <u>24,184</u>                                      | <u>-</u>           | <u>-</u>            | <u>-</u>         | <u>24,184</u>                                      |
| Total capital assets being depreciated                               | <u>1,746,237</u>                                   | <u>-</u>           | <u>(45,204)</u>     | <u>-</u>         | <u>1,701,033</u>                                   |
| Less accumulated depreciation for                                    |  |                    |                     |                  |  |
| Building   | (227,933)  | (52,964)           | 17,051              | -                | (263,846)  |
| Machinery and equipment  | <u>(24,184)</u>                                    | <u>-</u>           | <u>-</u>            | <u>-</u>         | <u>(24,184)</u>                                    |
| Total accumulated depreciation                                       | <u>(252,117)</u>                                   | <u>(52,964)</u>    | <u>17,051</u>       | <u>-</u>         | <u>(288,030)</u>                                   |
| Total capital assets being depreciated, net                          | <u>1,494,120</u>                                   | <u>(52,964)</u>    | <u>(28,153)</u>     | <u>-</u>         | <u>1,413,003</u>                                   |
| Industrial Development Corporation<br>activities capital assets, net | <u>\$4,555,553</u>                                 | <u>\$ (49,365)</u> | <u>\$ (388,455)</u> | <u>\$ -</u>      | <u>\$4,117,733</u>                                 |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

**Construction Commitments**

At September 30, 2012, the City was a party to the following contracts:

**Waterworks and Sewer System:**

| <b>Projects</b>        | <b>Estimated<br/>Projected<br/>Costs</b> | <b>Expended<br/>to Date</b> | <b>Completed<br/>to Date</b> | <b>Construction<br/>in Progress</b> | <b>Estimated<br/>Amount<br/>Remaining</b> |
|------------------------|--|-----------------------------|------------------------------|-------------------------------------|---|
| Allied Waste Project   | \$ 239,685                               | \$ 231,815                  | \$ -                         | \$ 231,815                          | \$ 7,870                                  |
| CIP Sewer Improvements | 8,381,340                                | 59,032                      | -                            | 59,032                              | 8,322,308                                 |
| CIP Water Improvements | 7,167,700                                | 115,648                     | -                            | 115,648                             | 7,052,052                                 |
| <b>Total Projects</b>  | <b>\$15,788,725</b>                      | <b>\$ 406,495</b>           | <b>\$ -</b>                  | <b>\$ 406,495</b>                   | <b>\$15,382,230</b>                       |

The City was also awarded a \$598,600 grant from the Texas Department of Agriculture – Texas Capital Fund Infrastructure program for the construction of a solid waste facility. The grant will provide funding for water, sewer, road and drainage infrastructure improvements for the new facility which is expected to provide at least 30 jobs within the next 3 years. The cost estimates for the water and wastewater portion of this project is \$239,685 and was completed in October 2012.

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 is expected to start in March 2013 and is expected to be completed by July 2014.

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 is expected to start in April 2013 and is expected to be completed by May 2014.

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, 2012 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, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

**Bailey H. Dunlap Memorial Library Fund:**

|   | <b>Estimated<br/>Projected<br/>Costs</b> | <b>Expended<br/>to Date</b> | <b>Estimated<br/>Amount<br/>Remaining</b> |
|---|--|-----------------------------|---|
| <b>Construction Project - Library Expansion</b> | <b>\$ 1,245,762</b>                      | <b>\$ 2,435</b>             | <b>\$1,243,327</b>                        |

The library expansion project started in September 2012 and is expected to be completed in April 2013. The library expansion will add service to the residents of La Feria and has an estimated cost of \$1.245M. Funding was obtained from a combination of grants, donations, and a long term loan. The United States Department of Agriculture (USDA) is a federal agency providing funding assistance in the form of a grant in the amount of \$464,431 and a loan in the amount of \$379,000.

**Boys and Girls Club Fund:**

|   | <b>Estimated<br/>Projected<br/>Costs</b> | <b>Expended to<br/>Date</b> | <b>Estimated<br/>Amount<br/>Remaining</b> |
|---|--|-----------------------------|---|
| <b>Construction Project - Recreation Center</b> | <b>\$ 2,023,101</b>                      | <b>\$1,571,495</b>          | <b>\$ 451,606</b>                         |

The construction of the indoor recreation center for La Feria's youth started in August 2011 and is expected to be completed in early 2013. This project is being funded through grants from various agencies. The U.S. Department of Housing and Urban Development (HUD) provided \$285,000, the Texas Parks and Wildlife Department (TPWD) provided \$750,000 and Texas A&M University-Kingsville is providing a grant of \$155,000. Local funds from the EDC and the City's recent bond issue Certificates of Obligations, Series 2011 are also being used to fund this project.

**Certificate of Obligation Series 2011 Fund:**

|   | <b>Estimated<br/>Projected<br/>Costs</b> | <b>Expended to<br/>Date</b> | <b>Estimated<br/>Amount<br/>Remaining</b> |
|---|--|-----------------------------|---|
| <b>Construction Project - City Hall Expansion</b> | <b>\$ 491,830</b>                        | <b>\$ 66,500</b>            | <b>\$ 425,330</b>                         |

The City Commission approved the expansion of the City Hall offices utilizing funds from the Certificates of Obligation Series 2011 issued in December 2011. Construction of the expansion is expected to be completed in May 2013.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS – Continued**

**E. Interfund Receivables, Payables, and Transfers**

The following is a summary of the composition of inter-fund balances at September 30, 2012:

| <u>Receivable Fund</u>   | <u>Payable Fund</u> |  |                                  |                  |
|--------------------------|---------------------|--|----------------------------------|------------------|
|                          | <u>General Fund</u> | La Feria Boys<br>and Girls Club<br><u>Fund</u> | Non-major<br><u>Governmental</u> | <u>Total</u>     |
| General Fund             | \$ -                | \$ -   | \$ 57,486                        | \$ 57,486        |
| C.O. Bonds - Series 2011 | <u>49,433</u>       | <u>193,336</u>                                 | <u>-</u>                         | <u>242,769</u>   |
|                          | <u>\$49,433</u>     | <u>\$ 193,336</u>                              | <u>\$57,486</u>                  | <u>\$300,255</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, 2012, are as follows:

| <u>Transfer Out</u>      | <u>Transfer In</u>  |                     |                                  |                    |
|--------------------------|---------------------|---------------------|----------------------------------|--------------------|
|                          | <u>General Fund</u> | <u>Debt Service</u> | Non-major<br><u>Governmental</u> | <u>Total</u>       |
| General Fund             | \$ -                | \$ 3,946,586        | \$ 75,763                        | \$4,022,349        |
| Debt Service Fund        | 65,381              |                     |                                  | 65,381             |
| COs, Series 2011         | 153,500             | -                   | -                                | 153,500            |
| Non-major governmental   | <u>2,023</u>        | <u>-</u>            | <u>-</u>                         | <u>2,023</u>       |
|                          | 220,904             | 3,946,586           | 75,763                           | 4,243,253          |
| Business-type Activities | <u>262,003</u>      | <u>-</u>            | <u>-</u>                         | <u>262,003</u>     |
|                          | <u>\$ 482,907</u>   | <u>\$ 3,946,586</u> | <u>\$ 75,763</u>                 | <u>\$4,505,256</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, 2012

**NOTE D – LONG-TERM DEBT**

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

Long-term notes payable at September 30, 2012 consist of the following:

**City of La Feria**

Note payable to *Schertz Bank & Trust* dated April 2, 2002, original principal amount of \$149,998, payable for seven years at \$25,624.24 annually (including interest). The note was secured by a Pierce Fire Truck and payable from the general fund revenues and matured on February 15, 2012. A final payment of \$24,434 was paid on February 2, 2012.

**Enterprise Fund**

The Enterprise fund did not have any long-term debt during the current fiscal year.

**Discretely Presented Component Units**

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

At year-end, the IDC had six 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<br>Loan | Rate  | Loan Date        | Balance September 30, |                    | Current<br>Term<br>Portion | Long-<br>Term<br>Portion |
|-------------------------------|------------------|-------|------------------|-----------------------|--------------------|----------------------------|--------------------------|
|                               |                  |       |                  | 2012                  | 2011               |                            |                          |
| Land – 19.52 acres            | \$ 99,000        | 4.50% | January 2005     | \$ 48,995             | \$ 58,044          | \$ 9,446                   | \$ 39,549                |
| Grain Elevator Property       | 272,000          | 6.00% | April 2005       | -                     | 203,757            | -                          | -                        |
| Access Point #1               | 220,000          | 4.50% | April 2005       | 66,037                | 91,618             | 26,723                     | 39,314                   |
| Public Works Warehouse & Land | 340,000          | 6.50% | July 2007 & 2008 | 196,160               | 226,415            | 29,255                     | 166,905                  |
| FM 506 & Dodd Lane            | 153,000          | 6.25% | July 2008        | 100,189               | 112,241            | 14,868                     | 85,321                   |
| LF Lions Villa                | 643,919          | 6.38% | January 2007     | 103,179               | 428,098            | 38,265                     | 64,914                   |
|                               |                  |       |                  | <u>\$514,560</u>      | <u>\$1,120,173</u> | <u>\$118,557</u>           | <u>\$396,003</u>         |



City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE D – LONG-TERM DEBT – Continued**

**2. *Certificates of Obligation Bonds***

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

- Proceeds of the Series 1997 bonds were used for the construction of street improvements, sidewalks, and drainage, city hall and library improvements, and the payment of related professional services.
- Proceeds from the Series 1998 were used to purchase various pieces of equipment, vehicles and a computer system.
- Proceeds from the Series 2000 were used for constructing permanent public improvements, for other public purposes including street, sidewalk, drainage, park and utility system improvements and the construction of a community facility.
- Proceeds from the Series 2002 were used to purchase equipment and vehicles for the City.
- 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 infrastructure, street improvements, expansion to city hall and for the construction of an indoor recreation facility.

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.

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE D – LONG-TERM DEBT – Continued**

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.

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

| Year Ending<br>September 30, | Due to Primary Government -<br>GO Refunding Series 2011 |                     |                    | Due to Primary Government -<br>CO Series 2011 |                  |                     | Total<br>Requirements |
|------------------------------|---|---------------------|--------------------|---|------------------|---------------------|-----------------------|
|                              | Principal   | Interest            | Total              | Principal                                     | Interest         | Total               |                       |
| 2013                         | \$ 270,000  | \$ 143,820          | \$ 413,820         | \$ -  | \$ 26,130        | \$ 26,130           | \$ 439,950            |
| 2014                         | 285,000   | 134,640             | 419,640            | -   | 26,130           | 26,130              | 445,770               |
| 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               |
| 2017-2021                    | 1,520,000   | 419,390             | 1,939,390          | 145,000                                       | 122,460          | 267,460             | 2,206,850             |
| 2022-2026                    | 1,355,000   | 156,060             | 1,511,060          | 210,000                                       | 86,580           | 296,580             | 1,807,640             |
| 2027-2031                    | 195,000   | 6,630               | 201,630            | 260,000                                       | 41,730           | 301,730             | 503,360               |
| 2032                         | -   | -                   | -                  | 55,000  | 2,145            | 57,145              | 57,145                |
|                              | <u>\$4,230,000</u>                                      | <u>\$ 1,100,240</u> | <u>\$5,330,240</u> | <u>\$670,000</u>                              | <u>\$357,435</u> | <u>\$ 1,027,435</u> | <u>\$ 6,357,675</u>   |

Certificates of obligation bonds currently outstanding as of September 30, 2012 are as follows:

| <u>Purpose</u>   | <u>Interest Rates</u> | <u>Amount</u>       |
|--|-----------------------|---------------------|
| <i>Certificates of obligation bonds</i><br>Governmental activities | 3.40 – 7.00%          | <u>\$13,920,000</u> |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE D – LONG-TERM DEBT – Continued**

**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, 2012 was \$3,475,000. 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>\$3,475,000</u> |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE D – LONG-TERM DEBT – Continued**

**4. Changes in Long-Term Debt**

During the year ended September 30, 2012, the following changes occurred:

|   | Beginning<br>Balance<br><u>10/1/2011</u> | <u>Increase</u>      | <u>Decrease</u>    | Ending<br>Balance<br><u>9/30/2012</u> | <u>Due Within<br/>One Year</u> |
|---|--|----------------------|--------------------|---------------------------------------|--------------------------------|
| <b>Governmental Activities</b>  |  |                      |                    |                                       |                                |
| <i>Certificate of Obligation Bonds</i>  |  |                      |                    |                                       |                                |
| Tax and Waterworks and Sewer System<br>Limited Pledge Revenue Certificates<br>of Obligation - Series 1997 | \$ 105,000                               | \$ -                 | \$ 105,000         | \$ -                                  | \$ -                           |
| Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation -<br>Series 2000                 | 255,000                                  | -                    | 255,000            | -                                     | -                              |
| Texas Tax and Limited Pledge Revenue<br>Certificate of Obligation - Series 2004                           | 1,615,000                                | -                    | 170,000            | 1,445,000                             | 170,000                        |
| Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation –<br>Series 2008                 | 3,060,000                                | -                    | 3,060,000          | -                                     | -                              |
| Combination Tax and Limited Pledge<br>Revenue Certificates of Obligation –<br>Series 2011                 | -  | 5,005,000            | -                  | 5,005,000                             | 35,000                         |
| General Obligation Refunding Bonds-<br>Series 2011  | <u>-</u>                                 | <u>7,970,000</u>     | <u>500,000</u>     | <u>7,470,000</u>                      | <u>480,000</u>                 |
|   | 5,035,000                                | 12,975,000           | 4,090,000          | 13,920,000                            | 685,000                        |
| Notes Payable   | 24,434                                   | -                    | 24,434             | -                                     | -                              |
| Net Pension Obligation  | 63,225                                   | 4,069                | -                  | 67,294                                | -                              |
| Compensated Absences  | <u>25,824</u>                            | <u>79,993</u>        | <u>82,207</u>      | <u>23,610</u>                         | <u>23,610</u>                  |
| Total Governmental Activities   | 5,148,483                                | 13,059,062           | 4,196,641          | 14,010,904                            | 708,610                        |
| <b>Business-type Activities</b>   |  |                      |                    |                                       |                                |
| Notes Payable   | -  | -                    | -                  | -                                     | -                              |
| Net Pension Obligation  | <u>4,206</u>                             | <u>185</u>           | <u>-</u>           | <u>4,391</u>                          | <u>-</u>                       |
| Total Business-type Activities  | 4,206                                    | 185                  | -                  | 4,391                                 | -                              |
| <b>Component Units Activities</b>   |  |                      |                    |                                       |                                |
| Revenue Bonds   |  |                      |                    |                                       |                                |
| Water and Sewer Infrastructure<br>Revenue Bonds   | 8,000,000                                | -                    | 4,525,000          | 3,475,000                             | 100,000                        |
| Notes Payable   | 1,120,173                                | -                    | 605,613            | 514,560                               | 118,557                        |
| Net Pension Obligation  | <u>35,858</u>                            | <u>2,336</u>         | <u>-</u>           | <u>38,194</u>                         | <u>-</u>                       |
| Total Component Units Activities  | <u>9,156,031</u>                         | <u>2,336</u>         | <u>5,130,613</u>   | <u>4,027,754</u>                      | <u>218,557</u>                 |
| Total Government-Wide Long-Term<br>Obligations  | <u>\$14,308,720</u>                      | <u>\$ 13,061,583</u> | <u>\$9,327,254</u> | <u>\$18,043,049</u>                   | <u>\$ 927,167</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, 2012

**NOTE D – LONG-TERM DEBT – Continued**

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

| Year Ending<br>September 30, | Governmental Activities        |                                |                     | Component Units Activities |                    |                    |                     | Total<br>Requirements |
|------------------------------|--------------------------------|--------------------------------|---------------------|----------------------------|--------------------|--------------------|---------------------|-----------------------|
|                              | Primary Government             |                                |                     |                            |                    |                    |                     |                       |
|                              | General<br>Obligation<br>Bonds | General<br>Obligation<br>Bonds |                     | Revenue<br>Bonds           | Revenue<br>Bonds   |                    |                     |                       |
|                              | Principal                      | Interest                       | Total               | Principal                  | Interest           | Total              |                     |                       |
| 2013                         | \$ 685,000                     | \$ 500,923                     | \$ 1,185,923        | \$ 100,000                 | \$ 125,743         | \$ 225,743         | \$ 1,411,666        |                       |
| 2014                         | 710,000                        | 476,253                        | 1,186,253           | 165,000                    | 122,389            | 287,389            | 1,473,642           |                       |
| 2015                         | 745,000                        | 450,520                        | 1,195,520           | 165,000                    | 116,926            | 281,926            | 1,477,446           |                       |
| 2016                         | 770,000                        | 423,345                        | 1,193,345           | 175,000                    | 111,448            | 286,448            | 1,479,793           |                       |
| 2017                         | 790,000                        | 395,023                        | 1,185,023           | 185,000                    | 105,436            | 290,436            | 1,475,459           |                       |
| 2018-2022                    | 4,145,000                      | 1,525,428                      | 5,670,428           | 1,035,000                  | 422,703            | 1,457,703          | 7,128,131           |                       |
| 2023-2027                    | 3,856,973                      | 499,960                        | 4,356,933           | 1,200,000                  | 203,971            | 1,403,971          | 5,760,904           |                       |
| 2028-2032                    | <u>2,218,027</u>               | <u>133,745</u>                 | <u>2,351,772</u>    | <u>450,000</u>             | <u>10,783</u>      | <u>460,783</u>     | <u>2,812,555</u>    |                       |
|                              | <u>\$13,920,000</u>            | <u>\$4,405,197</u>             | <u>\$18,325,197</u> | <u>\$3,475,000</u>         | <u>\$1,219,399</u> | <u>\$4,694,399</u> | <u>\$23,019,596</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 \$400,000,000 (as of September 30, 2012, 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 \$10,000,000 to \$100,000,000 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, 2012

**NOTE F – DEFERRED/UNEARNED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

|  | <u>Unavailable</u> | <u>Unearned</u>  | <u>Total</u>     |
|--|--------------------|------------------|------------------|
| Governmental Funds                                     |                    |                  |                  |
| Delinquent property taxes receivable                   | \$113,672          | \$ -             | \$113,672        |
| Other  | <u>-</u>           | <u>80,960</u>    | <u>80,960</u>    |
| Total deferred/unearned revenue for governmental funds | <u>\$113,672</u>   | <u>\$ 80,960</u> | <u>\$194,632</u> |

**NOTE G – COMMITMENTS AND CONTINGENCIES**

**1. *Litigation***

At September 30, 2012, the City was a defendant in various litigation as to which the ultimate resolution and possibility of any unfavorable outcome is not yet determinable. At the present time, the City does not anticipate any material losses as a result of other lawsuits.

**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.

**NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS**

**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, 2012

**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](http://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 2011</u>     | <u>Plan Year 2012</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<br>(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<br/>Government</u> | <u>Component<br/>Unit</u> |
|---|-------------------------------|---------------------------|
| Annual Required Contribution (ARC)                | \$ 124,199                    | \$ 65,363                 |
| Interest on net pension obligation                | 4,720                         | 2,510                     |
| Adjustment to the ARC                             | <u>(4,058)</u>                | <u>(2,158)</u>            |
| Annual Pension Cost (APC)                         | 124,861                       | 65,715                    |
| Contributions made                                | <u>(120,607)</u>              | <u>(63,379)</u>           |
| Increase (decrease) in net pension obligation     | 4,254                         | 2,336                     |
| Net pension obligation/(asset), beginning of year | <u>67,431</u>                 | <u>35,858</u>             |
| Net pension obligation/(asset), end of year       | <u>\$ 71,685</u>              | <u>\$ 38,194</u>          |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued**

**PRIMARY GOVERNMENT  
THREE YEAR TREND INFORMATION**

---

| Fiscal Year<br>Ending | Annual<br>Pension Cost<br>(APC) | Actual<br>Contribution<br>Made | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation/(Asset) |
|-----------------------|---------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| 2010                  | 123,965                         | 98,419                         | 79.39%                              | 44,955                            |
| 2011                  | 129,993                         | 107,517                        | 82.71%                              | 67,431                            |
| 2012                  | 124,861                         | 120,607                        | 96.59%                              | 71,685                            |

**COMPONENT UNIT  
THREE YEAR TREND INFORMATION**

---

| Fiscal Year<br>Ending | Annual<br>Pension Cost<br>(APC) | Actual<br>Contribution<br>Made | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation/(Asset) |
|-----------------------|---------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| 2010                  | 67,508                          | 53,583                         | 79.37%                              | 23,646                            |
| 2011                  | 70,690                          | 58,478                         | 82.72%                              | 35,858                            |
| 2012                  | 65,715                          | 63,379                         | 96.45%                              | 38,194                            |



City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued**

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

| <u>Valuation Date</u>         | <u>12/31/2009</u>        | <u>12/31/2010</u>         | <u>12/31/2011</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  |
| Remaining Amortization Period | 28.2 years; open period  | 27.2 years; closed period | 26.1 years; closed period |
| Asset Valuation Method        | Amortized Cost           | Amortized Cost            | Amortized Cost            |

**Actuarial Assumptions:**

|                             |                           |                           |                           |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| Investment rate of return*  | 7.5%                      | 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, 2011, the most recent actuarial valuation date, is as follows:

**PRIMARY GOVERNMENT**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u><br>(1) | <u>Actuarial Accrued Liability (AAL)</u><br>(2) | <u>Funded Ratio</u><br>(3) | <u>Unfunded AAL (UAAL)</u><br>(4) | <u>Covered Payroll</u><br>(5) | <u>UAAL as a Percentage of Covered Payroll</u><br>(6) |
|---------------------------------|---|---|----------------------------|-----------------------------------|-------------------------------|---|
|                                 |   |   | (1)/(2)                    | (2)-(1)                           |                               | (4)/(5)   |
| 12/31/2011                      | <u>\$1,971,369</u>                      | <u>\$2,874,632</u>                              | 68.6%                      | <u>\$903,263</u>                  | <u>\$1,226,220</u>            | 73.7%   |

**COMPONENT UNIT**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u><br>(1) | <u>Actuarial Accrued Liability (AAL)</u><br>(2) | <u>Funded Ratio</u><br>(3) | <u>Unfunded AAL (UAAL)</u><br>(4) | <u>Covered Payroll</u><br>(5) | <u>UAAL as a Percentage of Covered Payroll</u><br>(6) |
|---------------------------------|---|---|----------------------------|-----------------------------------|-------------------------------|---|
|                                 |   |   | (1)/(2)                    | (2)-(1)                           |                               | (4)/(5)   |
| 12/31/2011                      | <u>\$1,061,506</u>                      | <u>\$1,547,879</u>                              | 68.6%                      | <u>\$486,373</u>                  | <u>\$660,272</u>              | 73.7%   |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**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 2012, 2011, and 2010 were \$3,570, \$3,755, and \$3,459, respectively, which equaled the required contributions each year.

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

| Plan/<br>Calendar<br>Year | Annual<br>Required<br>Contribution<br>(Rate) | Actual<br>Contribution<br>Made<br>(Rate) | Percentage<br>of ARC<br>Contributed |
|---------------------------|--|--|-------------------------------------|
| 2010                      | 0.05%  | 0.05%                                    | 100.0%                              |
| 2011                      | 0.04%  | 0.04%                                    | 100.0%                              |
| 2012                      | 0.05%  | 0.05%                                    | 100.0%                              |

City of La Feria, Texas  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
September 30, 2012

**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 1<sup>st</sup>, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1<sup>st</sup> 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. As of September 30, 2012, the TIRZ fund balance was at \$79,792.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Excess of<br>Assets<br>Over /<br>(Unfunded)<br>AAL<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Excess /<br>Unfunded<br>AAL as<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|---|---|---|--------------------------|---------------------------|--|
| 12/31/2002                     | 775,838                                     | 1,180,571   | (404,733)   | 65.7%                    | 1,115,273                 | 36.3%  |
| 12/31/2003                     | 921,244                                     | 1,671,939   | (750,695)   | 55.1%                    | 1,185,749                 | 63.3%  |
| 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%  |

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, 2012

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | Variance with<br>Final Budget - |
|--|-------------------------|-------------------|-------------------|---------------------------------|
|  | <u>Original</u>         | <u>Final</u>      | <u>Amounts</u>    | <u>Positive/<br/>(Negative)</u> |
| <b>REVENUES</b>  |                         |                   |                   |                                 |
| Taxes:   |                         |                   |                   |                                 |
| Property   | \$ 758,460              | \$ 637,000        | \$ 660,187        | \$ 23,187                       |
| Sales  | 463,500                 | 487,292           | 530,912           | 43,620                          |
| Franchise  | 304,213                 | 280,359           | 313,713           | 33,354                          |
| Licenses and permits   | 46,519                  | 63,013            | 74,018            | 11,005                          |
| Intergovernmental  | 2,070,093               | 380,219           | 926,737           | 546,518                         |
| Fees and charges   | 316,426                 | 308,355           | 302,136           | (6,219)                         |
| Fines  | 174,900                 | 148,669           | 139,423           | (9,246)                         |
| Interest income  | 48                      | 100               | 176               | 76                              |
| Contributions and donations                                  | 6,079                   | 36,385            | 37,532            | 1,147                           |
| Other  | <u>475,231</u>          | <u>411,555</u>    | <u>438,363</u>    | <u>26,808</u>                   |
| Total revenues   | 4,615,469               | 2,752,947         | 3,423,197         | 670,250                         |
| <b>EXPENDITURES</b>  |                         |                   |                   |                                 |
| Current:   |                         |                   |                   |                                 |
| General government:  |                         |                   |                   |                                 |
| General government:  | 1,052,717               | 6,336,407         | 6,336,407         | -                               |
| Public safety  | 1,195,551               | 1,190,491         | 1,120,826         | 69,665                          |
| Highways and streets   | 301,103                 | 330,058           | 286,571           | 43,487                          |
| Health and welfare   | 48,063                  | 55,703            | 48,547            | 7,156                           |
| Culture and recreation                                       | 330,488                 | 306,953           | 295,574           | 11,379                          |
| Debt service:  |                         |                   |                   |                                 |
| Principal  | 24,435                  | 24,434            | 24,434            | -                               |
| Interest   | -                       | -                 | 1,190             | (1,190)                         |
| Capital outlay   | <u>1,800,000</u>        | <u>448,048</u>    | <u>427,624</u>    | <u>20,424</u>                   |
| Total expenditures   | <u>4,752,357</u>        | <u>8,692,094</u>  | <u>8,541,173</u>  | <u>150,921</u>                  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (136,888)               | (5,939,147)       | (5,117,976)       | 821,171                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                   |                   |                                 |
| Transfers in   | 279,897                 | 1,076,826         | 482,907           | (593,919)                       |
| Transfers (out)  | (286,462)               | (3,252,349)       | (3,252,349)       | -                               |
| Bond/loan proceeds   | <u>-</u>                | <u>7,970,000</u>  | <u>7,970,000</u>  | <u>-</u>                        |
| Total other financing sources and uses                       | <u>(6,565)</u>          | <u>5,794,477</u>  | <u>5,200,558</u>  | <u>(593,919)</u>                |
| Net change in fund balance                                   | (143,453)               | (144,670)         | 82,582            | 227,252                         |
| Fund balances - beginning                                    | <u>515,306</u>          | <u>515,306</u>    | <u>515,306</u>    | <u>-</u>                        |
| Fund balance - ending  | <u>\$ 371,853</u>       | <u>\$ 370,636</u> | <u>\$ 597,888</u> | <u>\$ 227,252</u>               |

City of La Feria, Texas  
**LA FERIA BOYS AND GIRLS CLUB FUND**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**33CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the year ended September 30, 2012

|  | Budget       |              | Actual       | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|--------------|--------------|--------------|--|
|  | Original     | Final        |              |  |
| Revenues   |              |              |              |  |
| Intergovernmental  | \$ 1,035,000 | \$ 1,188,500 | \$ 1,188,500 | \$ -   |
| Interest income  | -            | -            | 8            | 8  |
| Total revenues   | 1,035,000    | 1,188,500    | 1,188,508    | 8  |
| Expenditures   |              |              |              |  |
| Current:   |              |              |              |  |
| General government   | -            | 4,231        | 2,336        | 1,895  |
| Capital outlay   | 1,035,000    | 1,188,500    | 1,184,741    | 3,759  |
| Total expenditures   | 1,035,000    | 1,192,731    | 1,187,077    | 5,654  |
| Excess (deficiency) of revenues<br>over (under) expenditures | -            | (4,231)      | 1,431        | 5,662  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |              |              |              |  |
| Transfers in   | -            | 4,231        | -            | (4,231)  |
|  | -            | 4,231        | -            | (4,231)  |
| Net change in fund balance                                   | -            | -            | 1,431        | 1,431  |
| Fund balance, beginning                                      | 1,947        | 1,947        | 1,947        | -  |
| Fund balance, ending   | \$ 1,947     | \$ 1,947     | \$ 3,378     | \$ 1,431   |

City of La Feria, Texas  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended September 30, 2012

**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.

**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 (BHDM) Library Fund was established to account for the donations, grants, and other funding 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 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 Water and Wastewater Plant Fund was established to account for the construction of a wastewater plant and the expansion of the current water plant with the use of grants and loans.

**Capital projects fund:** The Certificates of Obligation - Series 2008 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

**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, 2012

|  | Special Revenue Funds                         |                          |   |                       |   |
|--|---|--------------------------|---|-----------------------|---|
|  | Tax<br>Increment<br>Reinvestment<br>Zone Fund | Texas<br>Capital<br>Fund | Bailey H. Dunlap<br>Memorial<br>Library<br>Fund | Home<br>Grant<br>Fund | Community<br>Development<br>Block Grant<br>Fund |
| <b>ASSETS</b>                                  |   |                          |   |                       |   |
| Cash and cash equivalents                      | \$ 78,680                                     | \$ 201                   | \$ 184,642                                      | \$ 100                | \$ 31,385                                       |
| Other receivables                              | <u>1,112</u>                                  | <u>54,263</u>            | <u>-</u>  | <u>-</u>              | <u>-</u>  |
| Total assets                                   | <u>\$ 79,792</u>                              | <u>\$ 54,464</u>         | <u>\$ 184,642</u>                               | <u>\$ 100</u>         | <u>\$ 31,385</u>                                |
| <b>LIABILITIES AND FUND BALANCES</b>           |   |                          |   |                       |   |
| Liabilities                                    |   |                          |   |                       |   |
| Accounts payable                               | -   | 28,563                   | -   | -                     | -   |
| Due to other funds                             | <u>-</u>                                      | <u>25,901</u>            | <u>-</u>  | <u>-</u>              | <u>31,385</u>                                   |
| Total liabilities                              | -   | 54,464                   | -   | -                     | 31,385  |
| Fund balances:                                 |   |                          |   |                       |   |
| Restricted fund balances:                      |   |                          |   | -                     |   |
| Tax increment reinvestment zone                | 79,792  | -                        | -   | -                     | -   |
| Capital projects                               | -   | -                        | -   | -                     | -   |
| Community development programs                 | -   | -                        | -   | 100                   | -   |
| Committed                                      |   |                          |   | -                     |   |
| Library  | -   | -                        | 184,642   | -                     | -   |
| Assigned                                       | <u>-</u>                                      | <u>-</u>                 | <u>-</u>  | <u>-</u>              | <u>-</u>  |
| Total fund balances                            | <u>79,792</u>                                 | <u>-</u>                 | <u>184,642</u>                                  | <u>100</u>            | <u>-</u>  |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 79,792</u>                              | <u>\$ 54,464</u>         | <u>\$ 184,642</u>                               | <u>\$ 100</u>         | <u>\$ 31,385</u>                                |

| Special Revenue Funds - Continued          |                                  |                   | Capital Projects Funds                 |                                  |                                   |                                   |                 | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|-------------------|--|----------------------------------|-----------------------------------|-----------------------------------|-----------------|--|
| La Feria<br>Baseball /<br>Football<br>Fund | Promotion<br>of La Feria<br>Fund | Total             | Water /<br>Wastewater<br>Plant<br>Fund | C.O. Bond<br>Series 2008<br>Fund | C.O. Bond<br>Series 2012A<br>Fund | C.O. Bond<br>Series 2012B<br>Fund | Total           |  |
| \$ 68                                      | \$ 38,820                        | \$ 333,896        | \$ -                                   | \$ -                             | \$ 1,060                          | \$ 60                             | \$ 1,120        | \$ 335,016                                 |
| -  | -                                | 55,375            | -                                      | -                                | 40                                | 40                                | 80              | 55,455                                     |
| <u>\$ 68</u>                               | <u>\$ 38,820</u>                 | <u>\$ 389,271</u> | <u>\$ -</u>                            | <u>\$ -</u>                      | <u>\$ 1,100</u>                   | <u>\$ 100</u>                     | <u>\$ 1,200</u> | <u>\$ 390,471</u>                          |
| -  | -                                | \$ 28,563         | -                                      | -                                | -                                 | -                                 | \$ -            | \$ 28,563                                  |
| -  | -                                | 57,286            | -                                      | -                                | 100                               | 100                               | 200             | 57,486                                     |
| -  | -                                | 85,849            | -                                      | -                                | 100                               | 100                               | 200             | 86,049                                     |
| -  | -                                | 79,792            | -                                      | -                                | -                                 | -                                 | -               | 79,792                                     |
| -  | -                                | -                 | -                                      | -                                | 1,000                             | -                                 | 1,000           | 1,000                                      |
| -  | 38,820                           | 38,920            | -                                      | -                                | -                                 | -                                 | -               | 38,920                                     |
| -  | -                                | 184,642           | -                                      | -                                | -                                 | -                                 | -               | 184,642                                    |
| 68   | -                                | 68                | -                                      | -                                | -                                 | -                                 | -               | 68   |
| <u>68</u>                                  | <u>38,820</u>                    | <u>303,422</u>    | <u>-</u>                               | <u>-</u>                         | <u>1,000</u>                      | <u>-</u>                          | <u>1,000</u>    | <u>304,422</u>                             |
| <u>\$ 68</u>                               | <u>\$ 38,820</u>                 | <u>\$ 389,271</u> | <u>\$ -</u>                            | <u>\$ -</u>                      | <u>\$ 1,100</u>                   | <u>\$ 100</u>                     | <u>\$ 1,200</u> | <u>\$ 390,471</u>                          |

**NON MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**

For the year ended September 30, 2012

|  | Special Revenue Funds                         |                          |   |                       |   |
|--|---|--------------------------|---|-----------------------|---|
|  | Tax<br>Increment<br>Reinvestment<br>Zone Fund | Texas<br>Capital<br>Fund | Bailey H. Dunlap<br>Memorial<br>Library<br>Fund | Home<br>Grant<br>Fund | Community<br>Development<br>Block Grant<br>Fund |
| Revenues   |   |                          |   |                       |   |
| Property taxes   | \$ 22,065                                     | \$ -                     | \$ -  | \$ -                  | \$ -  |
| Hotel / Motel tax  | -   | -                        | -   | -                     | -   |
| Intergovernmental  | -   | 75,525                   | 1,298   | 72,431                | -   |
| Fees and charges   | -   | -                        | -   | -                     | -   |
| Interest income  | -   | -                        | 272   | -                     | -   |
| Contributions and donations                                  | -   | -                        | 6,976   | -                     | -   |
| Other  | 6,067   | -                        | 465   | -                     | -   |
| Total revenues   | 28,132  | 75,525                   | 9,011   | 72,431                | -   |
| Expenditures   |   |                          |   |                       |   |
| Current  |   |                          |   |                       |   |
| General Government   | -   | 24,750                   | 6,011   | 4,996                 | -   |
| Culture and recreation                                       | -   | -                        | 103,658   | 78,554                | -   |
| Capital outlay   | -   | 52,420                   | 2,435   | -                     | -   |
| Total expenditures   | -   | 77,170                   | 112,104   | 83,550                | -   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 28,132  | (1,645)                  | (103,093)                                       | (11,119)              | -   |
| Other financing sources (uses)                               |   |                          |   |                       |   |
| Transfers in   | -   | 1,645                    | 48,000  | 11,119                | -   |
| Transfers out  | (2,023)                                       | -                        | -   | -                     | -   |
| Total other financing sources (uses)                         | (2,023)                                       | 1,645                    | 48,000  | 11,119                | -   |
| Net change in fund balances                                  | 26,109  | -                        | (55,093)  | -                     | -   |
| Fund balances, beginning                                     | 53,683  | -                        | 239,735   | 100                   | -   |
| Fund balance, ending   | \$ 79,792                                     | \$ -                     | \$ 184,642                                      | \$ 100                | \$ -  |

| Special Revenue Funds - Continued          |                                  |            | Capital Projects Funds                 |                                  |                                   |                                   |           | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|------------|--|----------------------------------|-----------------------------------|-----------------------------------|-----------|--|
| La Feria<br>Baseball /<br>Football<br>Fund | Promotion<br>of La Feria<br>Fund | Total      | Water /<br>Wastewater<br>Plant<br>Fund | C.O. Bond<br>Series 2008<br>Fund | C.O. Bond<br>Series 2012A<br>Fund | C.O. Bond<br>Series 2012B<br>Fund | Total     |  |
| \$ -                                       | \$ -                             | \$ 22,065  | \$ -                                   | \$ -                             | \$ -                              | \$ -                              | \$ -      | \$ 22,065                                  |
| -  | 19,326                           | 19,326     | -                                      | -                                | -                                 | -                                 | -         | 19,326                                     |
| -  | -                                | 149,254    | -                                      | -                                | -                                 | -                                 | -         | 149,254                                    |
| 35,995                                     | 1,667                            | 37,662     | -                                      | -                                | -                                 | -                                 | -         | 37,662                                     |
| -  | 6                                | 278        | -                                      | -                                | -                                 | -                                 | -         | 278  |
| 13,014                                     | 30,966                           | 50,956     | -                                      | -                                | -                                 | -                                 | -         | 50,956                                     |
| 400  | -                                | 6,932      | -                                      | -                                | 40                                | 40                                | 80        | 7,012                                      |
| 49,409                                     | 51,965                           | 286,473    | -                                      | -                                | 40                                | 40                                | 80        | 286,553                                    |
| -  | 82,792                           | 118,549    | -                                      | -                                | 40                                | 40                                | 80        | 118,629                                    |
| 63,340                                     | -                                | 245,552    | -                                      | -                                | -                                 | -                                 | -         | 245,552                                    |
| -  | -                                | 54,855     | -                                      | 149,379                          | -                                 | -                                 | 149,379   | 204,234                                    |
| 63,340                                     | 82,792                           | 418,956    | -                                      | 149,379                          | 40                                | 40                                | 149,459   | 568,415                                    |
| (13,931)                                   | (30,827)                         | (132,483)  | -                                      | (149,379)                        | -                                 | -                                 | (149,379) | (281,862)                                  |
| 13,999                                     | -                                | 74,763     | -                                      | -                                | 1,000                             | -                                 | 1,000     | 75,763                                     |
| -  | -                                | (2,023)    | (100,000)                              | -                                | -                                 | -                                 | (100,000) | (102,023)                                  |
| 13,999                                     | -                                | 72,740     | (100,000)                              | -                                | 1,000                             | -                                 | (99,000)  | (26,260)                                   |
| 68   | (30,827)                         | (59,743)   | (100,000)                              | (149,379)                        | 1,000                             | -                                 | (248,379) | (308,122)                                  |
| -  | 69,647                           | 363,165    | 100,000                                | 149,379                          | -                                 | -                                 | 249,379   | 612,544                                    |
| \$ 68                                      | \$ 38,820                        | \$ 303,422 | \$ -                                   | \$ -                             | \$ 1,000                          | \$ -                              | \$ 1,000  | \$ 304,422                                 |

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, 2012

|  | <u>Budget</u>    |                  | <u>Actual</u>    | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|------------------|------------------|------------------|--|
|  | <u>Original</u>  | <u>Final</u>     |                  | <u>(Negative)</u>  |
| Revenues   |                  |                  |                  |  |
| Property taxes   | \$ 22,870        | \$ 22,065        | \$ 22,065        | \$ -   |
| Other  | <u>6,278</u>     | <u>6,067</u>     | <u>6,067</u>     | <u>-</u>   |
| Total revenues   | 29,148           | 28,132           | 28,132           | -  |
| Expenditures   | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 29,148           | 28,132           | 28,132           | -  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |                  |                  |  |
| Transfers (out)  | <u>-</u>         | <u>(2,023)</u>   | <u>(2,023)</u>   | <u>-</u>   |
| Total other financing sources and uses                       | <u>-</u>         | <u>(2,023)</u>   | <u>(2,023)</u>   | <u>-</u>   |
| Net change in fund balance                                   | 29,148           | 26,109           | 26,109           | -  |
| Fund balance, beginning                                      | <u>53,683</u>    | <u>53,683</u>    | <u>53,683</u>    | <u>-</u>   |
| Fund balance, ending   | <u>\$ 82,831</u> | <u>\$ 79,792</u> | <u>\$ 79,792</u> | <u>\$ -</u>  |

City of La Feria, Texas  
**TEXAS CAPITAL FUND**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the year ended September 30, 2012

|  | <u>Budget</u>   |                | <u>Actual</u> | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|-----------------|----------------|---------------|--|
|  | <u>Original</u> | <u>Final</u>   |               | <u>(Negative)</u>  |
| Revenues   |                 |                |               |  |
| Intergovernmental fund                                       | \$ 598,600      | \$ 110,360     | \$ 75,525     | \$ (34,835)  |
| Expenditures   |                 |                |               |  |
| Current:   |                 |                |               |  |
| General government   | 50,000          | 32,595         | 24,750        | 7,845  |
| Capital outlay   | <u>548,600</u>  | <u>77,765</u>  | <u>52,420</u> | <u>25,345</u>  |
| Total expenditures   | <u>598,600</u>  | <u>110,360</u> | <u>77,170</u> | <u>33,190</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | -               | -              | (1,645)       | (1,645)  |
| Other financing sources (uses)                               |                 |                |               |  |
| Transfers in   | <u>-</u>        | <u>-</u>       | <u>1,645</u>  | <u>1,645</u>   |
| Net change in fund balance                                   | -               | -              | -             | -  |
| Fund balance, beginning                                      | <u>-</u>        | <u>-</u>       | <u>-</u>      | <u>-</u>   |
| Fund balance, ending   | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ -</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, 2012

|  | Budget           |                   | Actual            | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|------------------|-------------------|-------------------|--|
|  | Original         | Final             |                   | (Negative)   |
| Revenues   |                  |                   |                   |  |
| Intergovernmental  | \$ 15,000        | \$ 1,418          | \$ 1,298          | \$ (120)   |
| Fines  | 20               | -                 | -                 | -  |
| Interest income  | 129              | 300               | 272               | (28)   |
| Other  | 3,000            | 466               | 465               | (1)  |
| Contributions and donations                                  | <u>478,876</u>   | <u>6,976</u>      | <u>6,976</u>      | <u>-</u>   |
| Total revenues   | 497,025          | 9,160             | 9,011             | (149)  |
| Expenditures   |                  |                   |                   |  |
| Current:   |                  |                   |                   |  |
| General Government   | 4,500            | 6,205             | 6,011             | 194  |
| Culture and recreation                                       | 108,170          | 110,369           | 103,658           | 6,711  |
| Capital outlay   | <u>1,057,420</u> | <u>12,435</u>     | <u>2,435</u>      | <u>10,000</u>  |
| Total Expenditures   | <u>1,170,090</u> | <u>129,009</u>    | <u>112,104</u>    | <u>16,905</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (673,065)        | (119,849)         | (103,093)         | (16,756)   |
| Other financing sources (uses)                               |                  |                   |                   |  |
| Transfers in   | <u>439,315</u>   | <u>48,000</u>     | <u>48,000</u>     | <u>-</u>   |
| Net change in fund balance                                   | (233,750)        | (71,849)          | (55,093)          | 16,756   |
| Fund balance, beginning                                      | <u>239,735</u>   | <u>239,735</u>    | <u>239,735</u>    | <u>-</u>   |
| Fund balance, ending   | <u>\$ 5,985</u>  | <u>\$ 167,886</u> | <u>\$ 184,642</u> | <u>\$ 16,756</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, 2012

|  | <u>Budget</u>   |               | <u>Actual</u> | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|-----------------|---------------|---------------|--|
|  | <u>Original</u> | <u>Final</u>  |               | <u>(Negative)</u>  |
| Revenues   |                 |               |               |  |
| Intergovernmental  | \$ 378,850      | \$ 86,351     | \$ 72,431     | \$ (13,920)  |
| Expenditures   |                 |               |               |  |
| Current  |                 |               |               |  |
| General government   | 15,000          | 18,905        | 4,996         | 13,909   |
| Culture and recreation                                       | <u>410,725</u>  | <u>78,554</u> | <u>78,554</u> | <u>-</u>   |
| Total expenditures   | <u>425,725</u>  | <u>97,459</u> | <u>83,550</u> | <u>13,909</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (46,875)        | (11,108)      | (11,119)      | (11)   |
| Other financing sources (uses)                               |                 |               |               |  |
| Transfers in   | <u>46,875</u>   | <u>11,108</u> | <u>11,119</u> | <u>11</u>  |
| Net change in fund balance                                   | -               | -             | -             | -  |
| Fund balance, beginning                                      | <u>100</u>      | <u>100</u>    | <u>100</u>    | <u>-</u>   |
| Fund balance, ending   | <u>\$ 100</u>   | <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ -</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, 2012

|  | Budget            |               |               | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|-------------------|---------------|---------------|--|
|  | <u>Original</u>   | <u>Final</u>  | <u>Actual</u> | <u>(Negative)</u>  |
| Revenues   |                   |               |               |  |
| Fees   | \$ 45,326         | \$ 34,199     | \$ 35,995     | \$ 1,796   |
| Contributions and donations                                  | 14,479            | 13,014        | 13,014        | -  |
| Other  | <u>1,650</u>      | <u>400</u>    | <u>400</u>    | <u>-</u>   |
| Total revenues   | 61,455            | 47,613        | 49,409        | 1,796  |
| Expenditures   |                   |               |               |  |
| Current:   |                   |               |               |  |
| Culture and recreation                                       | <u>78,104</u>     | <u>64,100</u> | <u>63,340</u> | <u>760</u>   |
| Total expenditures   | <u>78,104</u>     | <u>64,100</u> | <u>63,340</u> | <u>760</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (16,649)          | (16,487)      | (13,931)      | 2,556  |
| Other financing sources (uses)                               |                   |               |               |  |
| Transfers in   | <u>15,000</u>     | <u>16,487</u> | <u>13,999</u> | <u>(2,488)</u>   |
| Net change in fund balance                                   | (1,649)           | -             | 68            | 68   |
| Fund balance, beginning                                      | <u>-</u>          | <u>-</u>      | <u>-</u>      | <u>-</u>   |
| Fund balance, ending   | <u>\$ (1,649)</u> | <u>\$ -</u>   | <u>\$ 68</u>  | <u>\$ 68</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, 2012

|  | <u>Budget</u>    |                  | <u>Actual</u>    | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|------------------|------------------|------------------|--|
|  | <u>Original</u>  | <u>Final</u>     |                  | <u>(Negative)</u>  |
| Revenues   |                  |                  |                  |  |
| Hotel / Motel tax  | \$ 18,000        | \$ 19,259        | \$ 19,326        | \$ 67  |
| Fees and charges   | -                | 2,668            | 1,667            | (1,001)  |
| Interest income  | 25               | 84               | 6                | (78)   |
| Other  | <u>38,430</u>    | <u>25,815</u>    | <u>30,966</u>    | <u>5,151</u>   |
| Total revenues   | 56,455           | 47,826           | 51,965           | 4,139  |
| Expenditures   |                  |                  |                  |  |
| General government   | <u>66,596</u>    | <u>60,937</u>    | <u>82,792</u>    | <u>(21,855)</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (10,141)         | (13,111)         | (30,827)         | (17,716)   |
| Fund balance, beginning                                      | <u>69,647</u>    | <u>69,647</u>    | <u>69,647</u>    | <u>-</u>   |
| Fund balance, ending   | <u>\$ 59,506</u> | <u>\$ 56,536</u> | <u>\$ 38,820</u> | <u>\$ (17,716)</u>   |

City of La Feria, Texas  
**WATER AND WASTEWATER PLANT FUND**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the year ended September 30, 2012

|  | Budget            |             | Actual      | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|-------------------|-------------|-------------|--|
|  | Original          | Final       |             |  |
| Revenues   |                   |             |             |  |
| Intergovernmental fund                                       | \$ -              | \$ -        | \$ -        | \$ -   |
| Expenditures   |                   |             |             |  |
| Current:   |                   |             |             |  |
| General government   | -                 | -           | -           | -  |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                 | -           | -           | -  |
| Other financing sources (uses)                               |                   |             |             |  |
| Transfers in   | -                 | -           | -           | -  |
| Transfers out  | -                 | (100,000)   | (100,000)   | -  |
| Total other financing sources (uses)                         | -                 | (100,000)   | (100,000)   | -  |
| Net change in fund balances                                  | -                 | (100,000)   | (100,000)   | -  |
| Fund balance, beginning                                      | 100,000           | 100,000     | 100,000     | -  |
| Fund balance, ending   | <u>\$ 100,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  |

City of La Feria, Texas  
**CERTIFICATES OF OBLIGATION - SERIES 2008**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the year ended September 30, 2012

|  | Budget       |           | Actual    | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|--------------|-----------|-----------|--|
|  | Original     | Final     |           |  |
| Revenues   |              |           |           |  |
| Interest income  | \$ -         | \$ -      | \$ -      | \$ -   |
| Expenditures   |              |           |           |  |
| Current:   |              |           |           |  |
| General government   | -            | -         | -         | -  |
| Debt service   |              |           |           |  |
| Interest and fiscal agent fees                               | -            | -         | -         | -  |
| Capital outlay   | 378,155      | 149,379   | 149,379   | -  |
| Total expenditures   | 378,155      | 149,379   | 149,379   | -  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |              |           |           |  |
| Transfers in   | -            | -         | -         | -  |
| Transfers (out)  | -            | -         | -         | -  |
| Total other financing sources and uses                       | -            | -         | -         | -  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (378,155)    | (149,379) | (149,379) | -  |
| Fund balance, beginning                                      | 149,379      | 149,379   | 149,379   | -  |
| Fund balance, ending   | \$ (228,776) | \$ -      | \$ -      | \$ -   |

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, 2012

|  | Budget      |              | Actual       | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|-------------|--------------|--------------|--|
|  | Original    | Final        |              |  |
| Revenues   |             |              |              |  |
| Interest income  | \$ -        | \$ 5,717     | \$ 5,721     | \$ 4   |
| Expenditures   |             |              |              |  |
| Debt service   |             |              |              |  |
| Interest and fiscal agent fees                               | -           | 58,261       | 58,261       | -  |
| Capital outlay   | 4,195,571   | 498,397      | 352,150      | 146,247  |
| Total expenditures   | 4,195,571   | 556,658      | 410,411      | 146,247  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (4,195,571) | (550,941)    | (404,690)    | 146,251  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |             |              |              |  |
| Transfers (out)  | -           | (823,500)    | (823,500)    | -  |
| Bond/loan proceeds   | 4,195,571   | 5,005,000    | 5,005,000    | -  |
| Total other financing sources and uses                       | 4,195,571   | 4,181,500    | 4,181,500    | -  |
| Net change in fund balance                                   | -           | 3,630,559    | 3,776,810    | 146,251  |
| Fund balance, beginning                                      | -           | -            | -            | -  |
| Fund balance, ending   | \$ -        | \$ 3,630,559 | \$ 3,776,810 | \$ 146,251   |

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, 2012

|  | <u>Budget</u>    |                  | <u>Actual</u>     | Variance with<br>Final Budget -<br>Positive/<br>(Negative) |
|--|------------------|------------------|-------------------|--|
|  | <u>Original</u>  | <u>Final</u>     |                   |  |
| Revenues   |                  |                  |                   |  |
| Taxes  |                  |                  |                   |  |
| Property   | \$ 524,154       | \$ 549,696       | \$ 655,939        | \$ 106,243   |
| Other  | <u>19,000</u>    | <u>16,881</u>    | <u>48,186</u>     | <u>31,305</u>  |
| Total revenues   | 543,154          | 566,577          | 704,125           | 137,548  |
| Expenditures   |                  |                  |                   |  |
| Debt service   |                  |                  |                   |  |
| Principal  | 415,000          | 415,000          | 4,090,000         | (3,675,000)  |
| Interest   | <u>273,473</u>   | <u>273,516</u>   | <u>438,883</u>    | <u>(165,367)</u>   |
| Total expenditures   | <u>688,473</u>   | <u>688,516</u>   | <u>4,528,883</u>  | <u>(3,840,367)</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (145,319)        | (121,939)        | (3,824,758)       | (3,702,819)  |
| Other financing sources (uses)                               |                  |                  |                   |  |
| Transfers in   | 164,619          | 164,619          | 3,946,586         | 3,781,967  |
| Transfers out  | <u>-</u>         | <u>(42,680)</u>  | <u>(65,381)</u>   | <u>(22,701)</u>  |
| Total other financing sources (uses)                         | 164,619          | 121,939          | 3,881,205         | 3,759,266  |
| Net change in fund balance                                   | 19,300           | -                | 56,447            | 56,447   |
| Fund balance, beginning                                      | <u>45,727</u>    | <u>45,727</u>    | <u>45,727</u>     | <u>-</u>   |
| Fund balance, ending   | <u>\$ 65,027</u> | <u>\$ 45,727</u> | <u>\$ 102,174</u> | <u>\$ 56,447</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, 2012

|   | <u>2012</u>              | <u>2011</u>              |
|---|--------------------------|--------------------------|
| Governmental funds capital assets:                          |                          |                          |
| Land  | \$ 672,657               | \$ 614,055               |
| Buildings   | 4,835,331                | 3,116,326                |
| Improvements other than buildings                           | 13,465,139               | 13,242,170               |
| Machinery and equipment                                     | <u>2,983,641</u>         | <u>2,815,968</u>         |
| <br>Total governmental funds capital assets                 | <br><u>\$ 21,956,768</u> | <br><u>\$ 19,788,519</u> |
| Investments in governmental funds capital assets by source: |                          |                          |
| General fund  | \$ 21,363,626            | \$ 19,197,812            |
| Special revenue fund  | <u>593,142</u>           | <u>590,707</u>           |
|   | <u>\$ 21,956,768</u>     | <u>\$ 19,788,519</u>     |

City of La Feria, Texas  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
September 30, 2012

| <u>Function and Activity</u>               | <u>Land</u>       | <u>Buildings</u>    | <u>Improvements<br/>Other than<br/>Buildings</u> | <u>Machinery and<br/>Equipment</u> | <u>Total</u>         |
|--|-------------------|---------------------|--|------------------------------------|----------------------|
| General government:                        |                   |                     |  |                                    |                      |
| City hall                                  | \$ 324,125        | \$ 1,132,169        | \$ -   | \$ 78,153                          | \$ 1,534,447         |
| Municipal court                            | -                 | 136,683             | -  | 2,475                              | 139,158              |
| Management information                     | -                 | -                   | -  | 192,922                            | 192,922              |
| Administration                             | -                 | 291,306             | -  | 338,467                            | 629,773              |
| Shop                                       | -                 | 42,667              | -  | 53,314                             | 95,981               |
| Total general government                   | <u>324,125</u>    | <u>1,602,825</u>    | <u>-</u>   | <u>665,331</u>                     | <u>2,592,281</u>     |
| Public safety:                             |                   |                     |  |                                    |                      |
| Police                                     | -                 | 293,477             | -  | 661,300                            | 954,777              |
| Fire                                       | -                 | 319,667             | -  | 905,199                            | 1,224,866            |
| Total public safety                        | <u>-</u>          | <u>613,144</u>      | <u>-</u>   | <u>1,566,499</u>                   | <u>2,179,643</u>     |
| Highways and street:                       |                   |                     |  |                                    |                      |
| Engineering                                | -                 | -                   | 177,134  | 57,499                             | 234,633              |
| Streets and alleys                         | -                 | -                   | 9,157,482  | 618,923                            | 9,776,405            |
| Total highways and street                  | <u>-</u>          | <u>-</u>            | <u>9,334,616</u>                                 | <u>676,422</u>                     | <u>10,011,038</u>    |
| Health and welfare                         | <u>96,207</u>     | <u>139,715</u>      | <u>-</u>   | <u>-</u>                           | <u>235,922</u>       |
| Culture and recreation:                    |                   |                     |  |                                    |                      |
| Library                                    | -                 | 593,142             | -  | -                                  | 593,142              |
| Parks                                      | 252,325           | -                   | 4,130,523  | 75,389                             | 4,458,237            |
| Recreation center                          | -                 | 1,886,505           | -  | -                                  | 1,886,505            |
| Total culture and recreation               | <u>252,325</u>    | <u>2,479,647</u>    | <u>4,130,523</u>                                 | <u>75,389</u>                      | <u>6,937,884</u>     |
| Total governmental funds<br>capital assets | <u>\$ 672,657</u> | <u>\$ 4,835,331</u> | <u>\$ 13,465,139</u>                             | <u>\$ 2,983,641</u>                | <u>\$ 21,956,768</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, 2012

| <u>Function and Activity</u>            | <u>2011</u>          | <u>Additions</u>    | <u>Deletions</u> | <u>2012</u>          |
|---|----------------------|---------------------|------------------|----------------------|
| General government:                     |                      |                     |                  |                      |
| City hall                               | \$ 1,371,798         | \$ 162,649          | \$ -             | \$ 1,534,447         |
| Municipal court                         | 139,158              | -                   | -                | 139,158              |
| Management information                  | 188,023              | 4,899               | -                | 192,922              |
| Administration                          | 582,850              | 46,923              | -                | 629,773              |
| Shop                                    | 95,981               | -                   | -                | 95,981               |
| Total general government                | <u>2,377,810</u>     | <u>214,471</u>      | <u>-</u>         | <u>2,592,281</u>     |
| Public safety:                          |                      |                     |                  |                      |
| Police                                  | 914,011              | 40,766              | -                | 954,777              |
| Fire                                    | <u>1,139,545</u>     | <u>85,321</u>       | <u>-</u>         | <u>1,224,866</u>     |
| Total public safety                     | <u>2,053,556</u>     | <u>126,087</u>      | <u>-</u>         | <u>2,179,643</u>     |
| Highways and street:                    |                      |                     |                  |                      |
| Engineering                             | 88,009               | 146,624             | -                | 234,633              |
| Streets and alleys                      | <u>9,700,060</u>     | <u>76,345</u>       | <u>-</u>         | <u>9,776,405</u>     |
| Total highways and street               | <u>9,788,069</u>     | <u>222,969</u>      | <u>-</u>         | <u>10,011,038</u>    |
| Health and welfare                      | <u>213,377</u>       | <u>23,045</u>       | <u>(500)</u>     | <u>235,922</u>       |
| Culture and recreation:                 |                      |                     |                  |                      |
| Library                                 | 590,707              | 2,435               | -                | 593,142              |
| Parks                                   | 4,455,777            | 2,460               | -                | 4,458,237            |
| Recreation center                       | <u>309,223</u>       | <u>1,577,282</u>    | <u>-</u>         | <u>1,886,505</u>     |
| Total culture and recreation            | <u>5,355,707</u>     | <u>1,582,177</u>    | <u>-</u>         | <u>6,937,884</u>     |
| Total governmental funds capital assets | <u>\$ 19,788,519</u> | <u>\$ 2,168,749</u> | <u>\$ (500)</u>  | <u>\$ 21,956,768</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**

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*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 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 tables is derived from the annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2003, therefore tables presenting government-wide information includes only nine years of data.

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

| Source                                      | 2004                | 2005                | 2006                | 2007               |
|---|---------------------|---------------------|---------------------|--------------------|
| <b>Expenses:</b>                            |                     |                     |                     |                    |
| General government                          | \$ 708,219          | \$ 2,367,305        | \$ 5,051,946        | \$ 3,731,393       |
| Public safety                               | 694,547             | 806,872             | 850,806             | 979,906            |
| Highways and streets                        | 605,086             | 614,992             | 235,211             | 263,404            |
| Health and welfare                          | 47,021              | 48,996              | 467,811             | 74,324             |
| Culture and recreation                      | 397,886             | 571,818             | 391,613             | 507,466            |
| Interest on long-term debt                  | 158,091             | 511,799             | 186,222             | 170,692            |
| <b>Total Expenses</b>                       | <u>2,610,850</u>    | <u>4,921,782</u>    | <u>7,183,609</u>    | <u>5,727,185</u>   |
| <b>Program Revenues:</b>                    |                     |                     |                     |                    |
| Charges for services:                       |                     |                     |                     |                    |
| General government                          | 339,087             | 302,436             | 351,611             | 361,596            |
| Public safety                               | 179,809             | 103,359             | 101,183             | 125,362            |
| Highways and streets                        | 3,483               | 640                 | 210                 | 775                |
| Health and welfare                          | 32,353              | 45,226              | 28,255              | 31,701             |
| Culture and recreation                      | 125,242             | 127,574             | 77,042              | 66,851             |
| Operating Grants and Contributions          | 575,094             | 36,532              | 730,914             | 980,798            |
| Capital Grants and Contributions            | 34,316              | 1,583,068           | 3,599,279           | 2,765,424          |
| <b>Total Program Revenues</b>               | <u>1,289,384</u>    | <u>2,198,835</u>    | <u>4,888,494</u>    | <u>4,332,507</u>   |
| <b>Net (Expense) Revenue</b>                | <u>(1,321,466)</u>  | <u>(2,722,947)</u>  | <u>(2,295,115)</u>  | <u>(1,394,678)</u> |
| General revenues and transfers:             |                     |                     |                     |                    |
| Taxes:                                      |                     |                     |                     |                    |
| Property                                    | 723,720             | 900,244             | 914,589             | 1,029,681          |
| Sales                                       | 355,536             | 399,202             | 405,405             | 432,207            |
| Franchise                                   | 207,619             | 234,834             | 262,070             | 251,716            |
| Hotel motel taxes                           | 26,515              | 26,364              | 25,135              | 24,108             |
| Gain on sale of capital assets              | 162,800             | 7,876               | -                   | 14,900             |
| Unrestricted investment earnings            | 39,278              | 66,065              | 74,299              | 91,761             |
| Miscellaneous                               | -                   | 231,014             | 163,479             | 262,737            |
| Transfers to/(from) primary government      | (397,632)           | 209,992             | 159,474             | -                  |
| <b>Total general revenues and transfers</b> | <u>1,117,836</u>    | <u>2,075,591</u>    | <u>2,004,451</u>    | <u>2,107,110</u>   |
| <b>Change in Net Assets</b>                 | <u>\$ (203,630)</u> | <u>\$ (647,356)</u> | <u>\$ (290,664)</u> | <u>\$ 712,432</u>  |

(Continued)

| <u>2008</u>         | <u>2009</u>        | <u>2010</u>         | <u>2011</u>         | <u>2012</u>        |
|---------------------|--------------------|---------------------|---------------------|--------------------|
| \$ 2,997,272        | \$ 11,441,826      | \$ 8,388,672        | \$ 2,125,512        | \$ 1,666,337       |
| 1,105,053           | 1,029,596          | 1,045,841           | 1,212,459           | 1,254,198          |
| 262,740             | 196,164            | 270,103             | 336,097             | 805,222            |
| 140,347             | 70,948             | 75,084              | 89,491              | 52,974             |
| 417,116             | 525,389            | 598,040             | 757,048             | 677,435            |
| <u>152,375</u>      | <u>285,534</u>     | <u>272,070</u>      | <u>258,012</u>      | <u>427,928</u>     |
| <u>5,074,903</u>    | <u>13,549,457</u>  | <u>10,649,810</u>   | <u>4,778,619</u>    | <u>4,884,094</u>   |
| 260,653             | 226,590            | 549,628             | 561,215             | 207,570            |
| 133,182             | 108,477            | 162,722             | 198,684             | 233,991            |
| 525                 | -                  | -                   | 125                 | -                  |
| 45,291              | 62,055             | 33,914              | 34,657              | 74,018             |
| 72,361              | 82,545             | 83,917              | 87,353              | 71,703             |
| 502,170             | 454,866            | 491,957             | 1,049,134           | 339,900            |
| <u>1,284,283</u>    | <u>10,658,565</u>  | <u>6,205,122</u>    | <u>1,193,054</u>    | <u>1,323,050</u>   |
| <u>2,298,465</u>    | <u>11,593,098</u>  | <u>7,527,260</u>    | <u>3,124,222</u>    | <u>2,250,232</u>   |
| <u>(2,776,438)</u>  | <u>(1,956,359)</u> | <u>(3,122,550)</u>  | <u>(1,654,397)</u>  | <u>(2,633,862)</u> |
| 1,095,191           | 1,306,404          | 1,222,966           | 1,276,207           | 1,232,089          |
| 475,947             | 458,202            | 440,569             | 464,453             | 530,912            |
| 271,695             | 286,201            | 296,476             | 321,325             | 313,713            |
| 23,761              | 23,348             | 19,259              | 17,564              | 19,326             |
| -                   | -                  | -                   | -                   | -                  |
| -                   | 48,243             | 1,133               | 243                 | 6,182              |
| 56,218              | 448,226            | 479,214             | 488,201             | 1,149,548          |
| <u>410,297</u>      | <u>(88,200)</u>    | <u>405,472</u>      | <u>532,213</u>      | <u>262,003</u>     |
| <u>2,333,109</u>    | <u>2,482,424</u>   | <u>2,865,089</u>    | <u>3,100,206</u>    | <u>3,513,773</u>   |
| <u>\$ (443,329)</u> | <u>\$ 526,065</u>  | <u>\$ (257,461)</u> | <u>\$ 1,445,809</u> | <u>\$ 879,911</u>  |



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

| Source                               | 2004              | 2005              | 2006              | 2007              | 2008              |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses:                            |                   |                   |                   |                   |                   |
| Sanitation services                  | <u>\$ 315,693</u> | <u>\$ 324,926</u> | <u>\$ 376,032</u> | <u>\$ 416,136</u> | <u>\$ 464,093</u> |
| Total Expenses                       | <u>315,693</u>    | <u>324,926</u>    | <u>376,032</u>    | <u>416,136</u>    | <u>464,093</u>    |
| Program Revenues:                    |                   |                   |                   |                   |                   |
| Charges for services:                |                   |                   |                   |                   |                   |
| Sanitation services                  | 485,896           | 522,674           | 528,184           | 572,608           | 627,251           |
| Capital Grants and Contributions     | <u>25,000</u>     | <u>30,062</u>     | <u>-</u>          | <u>43,750</u>     | <u>-</u>          |
| Total program revenues               | <u>510,896</u>    | <u>552,736</u>    | <u>528,184</u>    | <u>616,358</u>    | <u>627,251</u>    |
| Net (expense) revenue                | <u>195,203</u>    | <u>227,810</u>    | <u>152,152</u>    | <u>200,222</u>    | <u>163,158</u>    |
| General revenues and transfers:      |                   |                   |                   |                   |                   |
| Transfers                            | <u>(59,606)</u>   | <u>(209,992)</u>  | <u>159,474</u>    | <u>-</u>          | <u>-</u>          |
| Total general revenues and transfers | <u>(59,606)</u>   | <u>(209,992)</u>  | <u>159,474</u>    | <u>-</u>          | <u>-</u>          |
| Change in net assets                 | <u>\$ 135,597</u> | <u>\$ 17,818</u>  | <u>\$ 311,626</u> | <u>\$ 200,222</u> | <u>\$ 163,158</u> |

(Continued)

| <u>2009</u>       | <u>2010</u>         | <u>2011</u>         | <u>2012</u>       |
|-------------------|---------------------|---------------------|-------------------|
| <u>\$ 436,121</u> | <u>\$ 464,939</u>   | <u>\$ 462,764</u>   | <u>\$ 455,225</u> |
| <u>436,121</u>    | <u>464,939</u>      | <u>462,764</u>      | <u>455,225</u>    |
| 645,828           | 688,370             | 707,360             | 747,393           |
| <u>-</u>          | <u>-</u>            | <u>-</u>            | <u>-</u>          |
| <u>645,828</u>    | <u>688,370</u>      | <u>707,360</u>      | <u>747,393</u>    |
| <u>209,707</u>    | <u>223,431</u>      | <u>244,596</u>      | <u>292,168</u>    |
| <u>88,200</u>     | <u>(405,472)</u>    | <u>(532,213)</u>    | <u>(262,003)</u>  |
| <u>88,200</u>     | <u>(405,472)</u>    | <u>(532,213)</u>    | <u>(262,003)</u>  |
| <u>\$ 297,907</u> | <u>\$ (182,041)</u> | <u>\$ (287,617)</u> | <u>\$ 30,165</u>  |

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

| Source                               | 2004              | 2005                | 2006                | 2007                |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|
| Expenses:                            |                   |                     |                     |                     |
| Waterworks and Sewer System          | \$ 1,101,723      | \$ 1,388,770        | \$ 2,474,350        | \$ 1,773,744        |
| Industrial Development Corporation   | 123,959           | 217,925             | 792,165             | 688,556             |
| Economic Development Corporation     | 20,713            | 187,429             | 47,524              | 361,908             |
| Total Expenses                       | <u>1,246,395</u>  | <u>1,794,124</u>    | <u>3,314,039</u>    | <u>2,824,208</u>    |
| Program Revenues:                    |                   |                     |                     |                     |
| Charges for services:                |                   |                     |                     |                     |
| Waterworks and Sewer System          | 1,246,542         | 1,367,017           | 1,477,871           | 1,399,591           |
| Industrial Development Corporation   | 72,730            | 67,061              | -                   | -                   |
| Economic Development Corporation     | 227               | -                   | -                   | -                   |
| Operating Grants and Contributions   | -                 | 367,906             | 590,837             | 478,976             |
| Capital Grants and Contributions     | -                 | 1,728,494           | 4,133,560           | 2,982,453           |
| Total program revenues               | <u>1,319,499</u>  | <u>3,530,478</u>    | <u>6,202,268</u>    | <u>4,861,020</u>    |
| Net (expense) revenue                | <u>73,104</u>     | <u>1,736,354</u>    | <u>2,888,229</u>    | <u>2,036,812</u>    |
| General revenues and transfers:      |                   |                     |                     |                     |
| Taxes:                               |                   |                     |                     |                     |
| Sales                                | 347,064           | 399,200             | 405,676             | 432,206             |
| Unrestricted investment earnings     | 14,823            | 176,084             | 268,078             | 332,940             |
| Gain on sale of capital assets       | 38,978            | 8,168               | 865,421             | 317,011             |
| Other non operating revenue          | 457,238           | 1,000,000           | 112,956             | 158,450             |
| Total general revenues and transfers | <u>858,103</u>    | <u>1,583,452</u>    | <u>1,652,131</u>    | <u>1,240,607</u>    |
| Change in net assets                 | <u>\$ 931,207</u> | <u>\$ 3,319,806</u> | <u>\$ 4,540,360</u> | <u>\$ 3,277,419</u> |

(Continued)

| <u>2008</u>         | <u>2009</u>         | <u>2010</u>       | <u>2011</u>       | <u>2012</u>         |
|---------------------|---------------------|-------------------|-------------------|---------------------|
| \$ 1,963,145        | \$ 4,796,075        | \$ 7,895,575      | \$ 3,024,940      | \$ 3,114,050        |
| 598,107             | 720,820             | 993,270           | 606,962           | 558,816             |
| <u>337,509</u>      | <u>146,924</u>      | <u>240,408</u>    | <u>200,375</u>    | <u>138,943</u>      |
| <u>2,898,761</u>    | <u>5,663,819</u>    | <u>9,129,253</u>  | <u>3,832,277</u>  | <u>3,811,809</u>    |
|                     |                     |                   |                   |                     |
| 1,579,026           | 1,747,385           | 1,994,491         | 2,308,698         | 2,413,022           |
| 142,509             | 160,066             | 525,322           | 190,760           | 143,271             |
| -                   | -                   | -                 | -                 | -                   |
| 848,145             | 518,567             | 792,900           | 423,655           | 2,031,015           |
| <u>1,228,761</u>    | <u>9,801,857</u>    | <u>5,972,195</u>  | <u>868,581</u>    | <u>9,950</u>        |
| <u>3,798,441</u>    | <u>12,227,875</u>   | <u>9,284,908</u>  | <u>3,791,694</u>  | <u>4,597,258</u>    |
|                     |                     |                   |                   |                     |
| <u>899,680</u>      | <u>6,564,056</u>    | <u>155,655</u>    | <u>(40,583)</u>   | <u>785,449</u>      |
|                     |                     |                   |                   |                     |
| 475,948             | 458,202             | 440,570           | 464,454           | 530,912             |
| 155,306             | 51,312              | 28,196            | 4,305             | 29,828              |
| 81,866              | 216,516             | -                 | -                 | -                   |
| <u>26,557</u>       | <u>42,782</u>       | <u>7,159</u>      | <u>13,534</u>     | <u>347,750</u>      |
| <u>739,677</u>      | <u>768,812</u>      | <u>475,925</u>    | <u>482,293</u>    | <u>908,490</u>      |
|                     |                     |                   |                   |                     |
| <u>\$ 1,639,357</u> | <u>\$ 7,332,868</u> | <u>\$ 631,580</u> | <u>\$ 441,710</u> | <u>\$ 1,693,939</u> |

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

| Source                                | 2004               | 2005                | 2006                | 2007               |
|---------------------------------------|--------------------|---------------------|---------------------|--------------------|
| Expenses:                             |                    |                     |                     |                    |
| Governmental activities <sup>1</sup>  | \$ 2,610,850       | \$ 4,921,782        | \$ 7,183,609        | \$ 5,727,184       |
| Business-type activities <sup>2</sup> | <u>315,693</u>     | <u>324,926</u>      | <u>376,032</u>      | <u>416,136</u>     |
| Total Expenses                        | <u>2,926,543</u>   | <u>5,246,708</u>    | <u>7,559,641</u>    | <u>6,143,320</u>   |
| Program Revenues:                     |                    |                     |                     |                    |
| Governmental activities <sup>1</sup>  | 1,289,384          | 2,198,835           | 4,906,995           | 4,332,507          |
| Business-type activities <sup>2</sup> | <u>510,896</u>     | <u>552,736</u>      | <u>528,184</u>      | <u>616,358</u>     |
| Total program revenues                | <u>1,800,280</u>   | <u>2,751,571</u>    | <u>5,435,179</u>    | <u>4,948,865</u>   |
| Net (expense) revenue                 | <u>(1,126,263)</u> | <u>(2,495,137)</u>  | <u>(2,124,462)</u>  | <u>(1,194,455)</u> |
| General revenues and transfers:       |                    |                     |                     |                    |
| Governmental activities <sup>1</sup>  | 1,117,836          | 2,075,591           | 1,985,950           | 2,107,110          |
| Business-type activities <sup>2</sup> | <u>(59,606)</u>    | <u>(209,992)</u>    | <u>(159,474)</u>    | <u>-</u>           |
| Total general revenues and transfers  | <u>1,058,230</u>   | <u>1,865,599</u>    | <u>1,826,476</u>    | <u>2,107,110</u>   |
| Change in net assets                  | <u>\$ (68,033)</u> | <u>\$ (629,538)</u> | <u>\$ (297,986)</u> | <u>\$ 912,655</u>  |

<sup>1</sup>See Table Changes in Net Assets - Governmental Activities

<sup>2</sup>See Table Changes in Net Assets - Business-type Activities

(Continued)

| <u>2008</u>         | <u>2009</u>        | <u>2010</u>         | <u>2011</u>         | <u>2012</u>        |
|---------------------|--------------------|---------------------|---------------------|--------------------|
| \$ 5,074,903        | \$ 13,549,457      | \$ 10,649,810       | \$ 4,778,619        | \$ 4,884,094       |
| <u>464,093</u>      | <u>436,121</u>     | <u>464,939</u>      | <u>462,764</u>      | <u>455,225</u>     |
| <u>5,538,996</u>    | <u>13,985,578</u>  | <u>11,114,749</u>   | <u>5,241,383</u>    | <u>5,339,319</u>   |
| 2,298,465           | 11,593,098         | 7,527,260           | 3,124,222           | 2,250,232          |
| <u>627,251</u>      | <u>645,928</u>     | <u>688,370</u>      | <u>707,360</u>      | <u>747,393</u>     |
| <u>2,925,716</u>    | <u>12,239,026</u>  | <u>8,215,630</u>    | <u>3,831,582</u>    | <u>2,997,625</u>   |
| <u>(2,613,280)</u>  | <u>(1,746,552)</u> | <u>(2,899,119)</u>  | <u>(1,409,801)</u>  | <u>(2,341,694)</u> |
| 2,333,109           | 2,482,424          | 2,865,089           | 3,100,206           | 3,513,773          |
| <u>-</u>            | <u>88,200</u>      | <u>(405,472)</u>    | <u>(532,213)</u>    | <u>(262,003)</u>   |
| <u>2,333,109</u>    | <u>2,570,624</u>   | <u>2,459,617</u>    | <u>2,567,993</u>    | <u>3,251,770</u>   |
| <u>\$ (280,171)</u> | <u>\$ 824,072</u>  | <u>\$ (439,502)</u> | <u>\$ 1,158,192</u> | <u>\$ 910,076</u>  |

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

|   | 2004                       | 2005                       | 2006                       | 2007                       |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Governmental activities</b>                      |                            |                            |                            |                            |
| Invested in capital assets, net of related debt     | \$ 3,684,418               | \$ 1,864,540               | \$ 829,298                 | \$ 1,792,539               |
| Restricted  | 49,285                     | 62,664                     | 320,768                    | 848,680                    |
| Unrestricted  | <u>1,646,317</u>           | <u>2,805,458</u>           | <u>2,459,983</u>           | <u>1,494,154</u>           |
| <b>Subtotal governmental activities net assets</b>  | <u><u>5,380,020</u></u>    | <u><u>4,732,662</u></u>    | <u><u>3,610,049</u></u>    | <u><u>4,135,373</u></u>    |
| <b>Business-type activities</b>                     |                            |                            |                            |                            |
| Invested in capital assets, net of related debt     | 131,671                    | 225,926                    | 218,444                    | 194,069                    |
| Unrestricted  | <u>135,597</u>             | <u>59,160</u>              | <u>59,319</u>              | <u>361,820</u>             |
| <b>Subtotal business-type activities net assets</b> | <u><u>267,268</u></u>      | <u><u>285,086</u></u>      | <u><u>277,763</u></u>      | <u><u>555,889</u></u>      |
| <b>Primary government</b>                           |                            |                            |                            |                            |
| Invested in capital assets, net of related debt     | 3,816,089                  | 2,090,466                  | 1,047,742                  | 1,986,608                  |
| Restricted  | 49,285                     | 62,664                     | 320,768                    | 848,680                    |
| Unrestricted  | <u>1,781,914</u>           | <u>2,864,618</u>           | <u>2,519,302</u>           | <u>1,855,974</u>           |
| <b>Total primary government net assets</b>          | <u><u>\$ 5,647,288</u></u> | <u><u>\$ 5,017,748</u></u> | <u><u>\$ 3,887,812</u></u> | <u><u>\$ 4,691,262</u></u> |

(Continued)

| <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,198,242        | \$ 1,784,054        | \$ 2,534,989        | \$ 4,083,323        | \$ 5,168,447        |
| 32,443              | 14,550              | 1,014,677           | 617,579             | 127,137             |
| <u>893,211</u>      | <u>1,851,357</u>    | <u>457,849</u>      | <u>752,422</u>      | <u>1,037,651</u>    |
| <br>                |                     |                     |                     |                     |
| <u>3,123,896</u>    | <u>3,649,961</u>    | <u>4,007,515</u>    | <u>5,453,324</u>    | <u>6,333,235</u>    |
| <br>                |                     |                     |                     |                     |
| 185,049             | 263,574             | 244,070             | 224,360             | 188,278             |
| <u>533,998</u>      | <u>753,380</u>      | <u>590,843</u>      | <u>322,936</u>      | <u>389,183</u>      |
| <br>                |                     |                     |                     |                     |
| <u>719,047</u>      | <u>1,016,954</u>    | <u>834,913</u>      | <u>547,296</u>      | <u>577,461</u>      |
| <br>                |                     |                     |                     |                     |
| 2,383,291           | 2,047,628           | 2,779,059           | 4,307,683           | 5,356,725           |
| 32,443              | 14,550              | 1,014,677           | 617,579             | 127,137             |
| <u>1,427,209</u>    | <u>2,604,737</u>    | <u>1,048,692</u>    | <u>1,075,358</u>    | <u>1,426,834</u>    |
| <br>                |                     |                     |                     |                     |
| <u>\$ 3,842,943</u> | <u>\$ 4,666,915</u> | <u>\$ 4,842,428</u> | <u>\$ 6,000,620</u> | <u>\$ 6,910,696</u> |



# CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

Fiscal year ended September 30,

| Source   | 2003                | 2004                | 2005                  | 2006                |
|--|---------------------|---------------------|-----------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |                       |                     |
| Taxes  | \$ 1,364,689        | \$ 1,390,746        | \$ 1,560,644          | \$ 1,645,473        |
| Licenses and permits   | 44,096              | 32,353              | 45,226                | 4,523               |
| Intergovernmental  | 218,273             | 575,094             | 1,637,713             | 4,295,586           |
| Fees and charges   | 209,951             | 250,483             | 255,148               | 441,878             |
| Fines  | 134,795             | 179,809             | 103,359               | 128,510             |
| Special assessments  | 6,747               | 3,483               | 640                   | 210                 |
| Interest income  | 42,576              | 39,277              | 66,065                | 74,458              |
| Contributions and donations                                      | 89,072              | 34,316              | 25,453                | 34,607              |
| Other  | 109,318             | 213,845             | 1,786,557             | 145,256             |
| Total Revenues   | <u>2,219,517</u>    | <u>2,719,406</u>    | <u>5,480,805</u>      | <u>6,770,501</u>    |
| <b>Expenditures:</b>   |                     |                     |                       |                     |
| General Government   | 570,155             | 851,549             | 635,632               | 4,580,688           |
| Public safety  | 561,802             | 634,049             | 731,594               | 772,960             |
| Highways and streets   | 202,287             | 214,238             | 225,954               | 215,775             |
| Health and welfare   | 42,581              | 42,704              | 44,678                | 421,979             |
| Culture and recreation   | 261,358             | 287,539             | 458,840               | 353,044             |
| Debt Service   |                     |                     |                       |                     |
| Principal retirement   | 273,204             | 284,364             | 314,560               | 374,415             |
| Interest and fiscal agent fees                                   | 127,888             | 107,832             | 197,239               | 186,222             |
| Bond issue costs   | -                   | -                   | -                     | -                   |
| Capital outlay   | <u>586,374</u>      | <u>113,827</u>      | <u>4,798,714</u>      | <u>211,554</u>      |
| Total Expenditures   | <u>2,625,649</u>    | <u>2,536,102</u>    | <u>7,407,211</u>      | <u>7,116,637</u>    |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <u>(406,132)</u>    | <u>183,304</u>      | <u>(1,926,406)</u>    | <u>(346,136)</u>    |
| Other financing sources (uses)                                   |                     |                     |                       |                     |
| Transfers in   | 305,454             | 485,634             | 483,133               | -                   |
| Transfers (out)  | (145,950)           | (883,266)           | (273,141)             | 373,535             |
| Gain on sale of capital assets                                   | 1,600               | 177,800             | 7,876                 | (214,061)           |
| Issuance of Debt   | -                   | 2,560,077           | 149,998               | -                   |
| Other non-operating revenues                                     | -                   | -                   | 231,014               | -                   |
| Total other financing sources (uses)                             | <u>161,104</u>      | <u>2,340,245</u>    | <u>598,880</u>        | <u>159,474</u>      |
| <b>Net change in fund balances</b>                               | <u>\$ (245,028)</u> | <u>\$ 2,523,549</u> | <u>\$ (1,327,526)</u> | <u>\$ (186,662)</u> |
| <b>Debt Service as a % of non-capital expenditures</b>           | 19.7%               | 16.2%               | 19.6%                 | 8.1%                |

(Continued)

| 2007                | 2008                | 2009                  | 2010                  | 2011                | 2012                |
|---------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|
| \$ 1,718,228        | \$ 1,876,055        | \$ 2,011,691          | \$ 1,956,457          | \$ 2,048,549        | \$ 2,202,142        |
| 31,701              | 45,291              | 62,055                | 33,914                | 34,657              | 74,018              |
| 2,959,869           | 1,759,054           | 11,089,124            | 6,501,245             | 1,304,602           | 2,264,491           |
| 385,470             | 243,859             | 230,805               | 290,901               | 317,498             | 339,798             |
| 139,408             | 186,819             | 153,148               | 164,375               | 173,534             | 139,423             |
| -                   | -                   | -                     | -                     | -                   | -                   |
| 91,762              | 55,906              | 48,241                | 1,133                 | 243                 | 6,183               |
| 313,722             | 27,400              | 122,618               | 204,200               | 942,985             | 88,488              |
| 338,943             | 446,651             | 383,576               | 501,778               | 542,560             | 493,561             |
| <u>5,979,103</u>    | <u>4,641,035</u>    | <u>14,101,258</u>     | <u>9,654,003</u>      | <u>5,364,628</u>    | <u>5,608,104</u>    |
| 3,569,327           | 2,600,740           | 10,783,766            | 7,758,697             | 1,639,921           | 6,457,372           |
| 781,204             | 941,925             | 971,757               | 969,899               | 981,067             | 1,120,826           |
| 207,518             | 225,666             | 185,144               | 250,490               | 271,955             | 286,571             |
| 61,905              | 118,102             | 66,962                | 69,632                | 72,412              | 48,547              |
| 321,181             | 357,796             | 495,874               | 554,614               | 448,555             | 541,126             |
| 359,264             | 375,202             | 396,186               | 437,218               | 453,300             | 4,114,434           |
| 170,692             | 152,375             | 276,510               | 268,320               | 254,262             | 498,334             |
| -                   | 75,000              | 5,274                 | -                     | -                   | -                   |
| <u>1,281,103</u>    | <u>1,253,889</u>    | <u>2,592,502</u>      | <u>1,113,839</u>      | <u>2,174,422</u>    | <u>2,168,749</u>    |
| <u>6,752,194</u>    | <u>6,100,695</u>    | <u>15,773,975</u>     | <u>11,422,709</u>     | <u>6,295,894</u>    | <u>15,235,959</u>   |
| <u>(773,091)</u>    | <u>(1,459,660)</u>  | <u>(1,672,717)</u>    | <u>(1,768,706)</u>    | <u>(931,266)</u>    | <u>(9,627,855)</u>  |
| 536,380             | 477,664             | 1,379,182             | 1,088,077             | 1,347,641           | 4,505,256           |
| (63,750)            | (477,664)           | (1,467,382)           | (372,545)             | (518,842)           | (4,243,253)         |
| 14,900              | -                   | -                     | -                     | -                   | -                   |
| -                   | 3,275,000           | -                     | -                     | -                   | 12,975,000          |
| -                   | -                   | -                     | -                     | -                   | -                   |
| <u>487,530</u>      | <u>3,275,000</u>    | <u>(88,200)</u>       | <u>715,532</u>        | <u>828,799</u>      | <u>13,237,003</u>   |
| <u>\$ (285,561)</u> | <u>\$ 1,815,340</u> | <u>\$ (1,760,917)</u> | <u>\$ (1,053,174)</u> | <u>\$ (102,467)</u> | <u>\$ 3,609,148</u> |
| 9.7%                | 10.9%               | 5.1%                  | 6.8%                  | 17.2%               | 35.3%               |

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

|   | <u>2003</u>         | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>General Fund</b>                       |                     |                     |                     |                     |
| Pre GASB 54                               |                     |                     |                     |                     |
| Reserved                                  | \$ 16,464           | \$ 18,294           | \$ 25,204           | \$ 34,452           |
| Unreserved                                | <u>1,307,920</u>    | <u>3,883,332</u>    | <u>2,512,747</u>    | <u>2,350,139</u>    |
| <b>Subtotal General Fund Pre GASB 54</b>  | <u>\$ 1,324,384</u> | <u>\$ 3,901,626</u> | <u>\$ 2,537,951</u> | <u>\$ 2,384,591</u> |
| <b>General Fund</b>                       |                     |                     |                     |                     |
| Post GASB 54                              |                     |                     |                     |                     |
| Nonspendable fund balance:                |                     |                     |                     |                     |
| Inventories                               | \$ -                | \$ -                | \$ -                | \$ -                |
| Prepaid items                             | -                   | -                   | -                   | -                   |
| Committed fund balance:                   |                     |                     |                     |                     |
| Home program                              | -                   | -                   | -                   | -                   |
| Unassigned                                | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| <b>Subtotal General Fund Post GASB 54</b> | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| <b>All other governmental funds</b>       |                     |                     |                     |                     |
| Pre GASB 54                               |                     |                     |                     |                     |
| Reserved                                  | \$ 54,814           | \$ 30,991           | \$ 37,460           | \$ 67,244           |
| Unreserved                                |                     |                     |                     |                     |
| Special revenue funds                     | 233,443             | 286,023             | 315,686             | 253,524             |
| Capital projects funds                    | <u>83,356</u>       | <u>906</u>          | <u>923</u>          | <u>-</u>            |
| <b>Subtotal all other Pre GASB 54</b>     | <u>\$ 371,613</u>   | <u>\$ 317,920</u>   | <u>\$ 354,069</u>   | <u>\$ 320,768</u>   |
| <b>Governmental Funds Pre GASB 54</b>     | <u>\$ 371,613</u>   | <u>\$ 317,920</u>   | <u>\$ 354,069</u>   | <u>\$ 320,768</u>   |
| <b>All other governmental funds</b>       |                     |                     |                     |                     |
| 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>            |
| <b>Subtotal all other Post GASB 54</b>    | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| <b>Governmental Funds Post GASB 54</b>    | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |

(Continued)

| <u>2007</u>         | <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>       | <u>2012</u>         |
|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| \$ 33,526           | \$ 38,645           | \$ 32,389           | \$ 30,493           | \$ -              | \$ -                |
| <u>1,347,672</u>    | <u>(86,152)</u>     | <u>313,109</u>      | <u>156,506</u>      | <u>-</u>          | <u>-</u>            |
| <u>\$ 1,381,198</u> | <u>\$ (47,507)</u>  | <u>\$ 345,498</u>   | <u>\$ 186,999</u>   | <u>\$ -</u>       | <u>\$ -</u>         |
|                     |                     |                     |                     |                   |                     |
| \$ -                | \$ -                | \$ -                | \$ -                | \$ 30,399         | \$ 28,035           |
| -                   | -                   | -                   | -                   | -                 | 124,757             |
| -                   | -                   | -                   | -                   | 80,000            | -                   |
| <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>404,907</u>    | <u>445,096</u>      |
| <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 515,306</u> | <u>\$ 597,888</u>   |
|                     |                     |                     |                     |                   |                     |
| \$ 48,551           | \$ 32,443           | \$ 14,550           | \$ 21,787           | \$ -              | \$ -                |
| 800,129             | 266,369             | 250,466             | 81,740              | -                 | -                   |
| <u>-</u>            | <u>3,225,764</u>    | <u>1,105,638</u>    | <u>987,468</u>      | <u>-</u>          | <u>-</u>            |
| <u>\$ 848,680</u>   | <u>\$ 3,524,576</u> | <u>\$ 1,370,654</u> | <u>\$ 1,090,995</u> | <u>\$ -</u>       | <u>\$ -</u>         |
|                     |                     |                     |                     |                   |                     |
| \$ -                | \$ -                | \$ -                | \$ -                | \$ 100            | \$ -                |
| -                   | -                   | -                   | -                   | 45,728            | 102,174             |
| -                   | -                   | -                   | -                   | -                 | 79,792              |
| -                   | -                   | -                   | -                   | 542,798           | 3,781,188           |
| -                   | -                   | -                   | -                   | 71,594            | 38,920              |
| -                   | -                   | -                   | -                   | -                 | 184,642             |
| -                   | -                   | -                   | -                   | -                 | 68                  |
| <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>-</u>            |
| <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 660,220</u> | <u>\$ 4,186,784</u> |



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

| <b>Fiscal<br/>Year</b>             | <b>Property<br/>Taxes</b> | <b>Sales<br/>Tax</b> | <b>Franchise<br/>Tax</b> | <b>Hotel/Motel<br/>Tax</b> | <b>Total</b>     |
|------------------------------------|---------------------------|----------------------|--------------------------|----------------------------|------------------|
| 2003                               | 773,096                   | 349,873              | 214,889                  | 26,831                     | 1,364,689        |
| 2004                               | 801,077                   | 355,536              | 207,619                  | 26,515                     | 1,390,747        |
| 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                               | <u>1,338,191</u>          | <u>530,912</u>       | <u>313,713</u>           | <u>19,326</u>              | <u>2,202,142</u> |
| Percentage change<br>over 10 years | <u>73.10%</u>             | <u>51.74%</u>        | <u>45.99%</u>            | <u>-27.97%</u>             | <u>61.37%</u>    |

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

| Amounts                                  |   |                                     |                                |                                |                       |                                      |                                    |   |
|--|---|-------------------------------------|--------------------------------|--------------------------------|-----------------------|--------------------------------------|------------------------------------|---|
| Fiscal<br>Year<br>Ended<br>September 30, | Real<br>Residential<br>Single<br>Family | Real<br>Residential<br>Multi-Family | Real<br>Vacant Lots/<br>Tracts | Real<br>Acreage<br>(Land Only) | Undeveloped<br>Non AG | Real<br>Farm & Ranch<br>Improvements | Real<br>Commercial<br>& Industrial | Real &<br>Tangible<br>Personal<br>Utilities |
| 2003                                     | 64,492,154                              | 2,225,400                           | 3,908,710                      | 1,237,147                      | 438,059               | 795,505                              | 16,793,917                         | 4,760,231                                   |
| 2004                                     | 66,551,474                              | 2,161,303                           | 3,887,727                      | 1,363,375                      | 925,626               | 1,003,364                            | 17,131,161                         | 5,444,177                                   |
| 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                                   |
| Percentages                              |   |                                     |                                |                                |                       |                                      |                                    |   |
| 2003                                     | 59%                                     | 2%                                  | 4%                             | 1%                             | 0%                    | 1%                                   | 15%                                | 4%  |
| 2004                                     | 57%                                     | 2%                                  | 3%                             | 1%                             | 1%                    | 1%                                   | 15%                                | 5%  |
| 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%  |

Source: Cameron Appraisal District

(Continued)

Amounts - Continued

| Tangible<br>Personal,<br>Commercial<br>& Industrial | Tangible<br>Personal,<br>Mobil<br>Homes | Real<br>Property<br>Inventory | Tax Exempt<br>Property | Total<br>Appraised<br>Value | Less<br>Tax Exempt<br>Property | Total<br>Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax Rate | Annual<br>%<br>Change |
|---|---|-------------------------------|------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|-----------------------|
| 11,004,930  | 2,794,777                               | 626,081                       | 7,972,337              | 117,049,248                 | 7,972,337                      | 109,076,911                           | 0.70                        | 10.9%                 |
| 14,405,935  | 2,874,035                               | 639,407                       | 8,460,602              | 124,848,186                 | 8,460,602                      | 116,387,584                           | 0.70                        | 6.7%                  |
| 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%                  |

Percentages - Continued

|     |    |    |   |   |   |   |   |   |
|-----|----|----|---|---|---|---|---|---|
| 10% | 3% | 1% | - | - | - | - | - | - |
| 12% | 2% | 1% | - | - | - | - | - | - |
| 11% | 2% | 2% | - | - | - | - | - | - |
| 8%  | 2% | 1% | - | - | - | - | - | - |
| 10% | 2% | 1% | - | - | - | - | - | - |
| 10% | 2% | 1% | - | - | - | - | - | - |
| 11% | 2% | 1% | - | - | - | - | - | - |
| 9%  | 2% | 1% | - | - | - | - | - | - |
| 9%  | 1% | 1% | - | - | - | - | - | - |
| 10% | 1% | 1% | - | - | - | - | - | - |



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

| Fiscal<br>Year | Direct           |                      |         | Overlapping       | Underlying      | Total<br>Direct,<br>Overlapping<br>and Underlying |
|----------------|------------------|----------------------|---------|-------------------|-----------------|---|
|                | City of La Feria |                      |         | Cameron<br>County | La Feria<br>ISD |   |
|                | General<br>Fund  | Debt Service<br>Fund | Total   |                   |                 |   |
| 2003           | 0.34620          | 0.35380              | 0.70000 | 0.34054           | 1.54200         | 2.58254   |
| 2004           | 0.36130          | 0.33870              | 0.70000 | 0.35819           | 1.54400         | 2.60219   |
| 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   |

*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<br>Year<br>Ended<br>September 30, | Total Tax<br>Levy | Current Tax<br>Collections | Percent of<br>Current<br>Taxes<br>Collected | Delinquent<br>Tax<br>Collections | Total Tax<br>Collections | Ratio of Total<br>Tax Collections<br>to Total Tax<br>Levy Plus<br>Outstanding<br>Delinquent<br>Taxes | Outstanding<br>Delinquent<br>Taxes | Ratio of<br>Delinquent<br>Taxes to<br>Total tax<br>Levy |
|--|-------------------|----------------------------|---|----------------------------------|--------------------------|--|------------------------------------|---|
| 2003                                     | 745,993           | 675,122                    | 90.5%                                       | 61,642                           | 736,764                  | 80.8%  | 166,102                            | 22.3%   |
| 2004                                     | 772,083           | 719,762                    | 93.2%                                       | 45,651                           | 765,413                  | 79.2%  | 194,127                            | 25.1%   |
| 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                | 77.6%  | 361,790                            | 29.1%   |
| 2012                                     | 1,250,265         | 1,155,603                  | 92.4%                                       | 138,750                          | 1,294,353                | 82.6%  | 315,894                            | 25.3%   |

Source: City of La Feria

City of La Feria, Texas  
**PRINCIPAL PROPERTY TAXPAYERS**  
September 30, 2012 and September 30, 2003

| Name of Taxpayer                    | Type of Business                   | 2012                  |      | Percentage<br>of Total<br>Taxable<br>Assessed<br>Value |
|-------------------------------------|------------------------------------|-----------------------|------|--|
|                                     |                                    | Assessed<br>Valuation | Rank |  |
| Innovative Block of South Texas     | Building Materials Suppliers       | \$ 2,802,494          | 1    | 1.4%   |
| La Feria BP Properties, LTD         | Rental Properties                  | 1,760,075             | 2    | 0.9%   |
| Camarillo, Maria S                  | Rental Properties                  | 1,525,784             | 3    | 0.7%   |
| First National Bank                 | Banking Institution                | 1,327,860             | 4    | 0.7%   |
| Hertz Equipment Rental Corporation  | Equipment Rental                   | 1,097,215             | 5    | 0.5%   |
| Hertz Equipment Rental Corp         | Equipment Rental                   | 1,618,643             | 6    | 0.8%   |
| La Feria Development Investments LP | Real Estate Developers             | 1,162,391             | 7    | 0.6%   |
| Verizon Southwest                   | Telephone Utility                  | 1,060,630             | 8    | 0.5%   |
| AEP Texas Central CO                | Electricity Utility                | 1,132,540             | 9    | 0.6%   |
| Averitt Express, Inc                | Transportation & Logistics Company | 992,070               | 10   | 0.5%   |
| Total Principal Taxpayers           |                                    | \$ 14,479,702         |      | 7%   |
| All Other Taxpayers                 |                                    | 189,084,428           |      | 93%  |
| Total                               |                                    | <u>\$ 203,564,130</u> |      | <u>100%</u>  |

**Sour** Cameron Appraisal District

(Continued)

| Name of Taxpayer                     | Type of Business          | 2003                  |      |  |
|--------------------------------------|---------------------------|-----------------------|------|--|
|                                      |                           | Assessed<br>Valuation | Rank | Percentage<br>of Total<br>Taxable<br>Assessed<br>Value |
| Hertz Equipment Rental               | Equipment Rental          | \$ 3,110,629          | 1    | 2.6%   |
| Verizon Southwest, Inc               | Telephone Utility         | 1,809,120             | 2    | 1.5%   |
| Central Power & Light                | Electric Utility          | 1,474,020             | 3    | 1.2%   |
| Kenwood RV & Mobile Home Plaza       | RV & Mobile Home Park     | 793,447               | 4    | 0.7%   |
| REE, Inc.                            | Restaurant Corporation    | 773,149               | 5    | 0.6%   |
| Cameron Retirement Services, Lt.     | Retirement Services       | 769,811               | 6    | 0.6%   |
| System Capital Real Property Co.     | Fast Food Restaurant      | 646,829               | 7    | 0.5%   |
| La Feria Industrial Development Corp | 4A Non-profit Corporation | 637,344               | 8    | 0.5%   |
| True North Enterprises, LP           | Manufacturing Company     | 608,090               | 9    | 0.5%   |
| W. T. Liston Co.                     | Concrete Construction     | 593,096               | 10   | 0.5%   |
|                                      |                           | \$ 11,215,535         |      | 9%   |
|                                      |                           | \$ 110,235,936        |      | 91%  |
|                                      |                           | \$ 121,451,471        |      | 100%   |



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

| Fiscal<br>Year | Direct              | Overlapping       | Total                                      |
|----------------|---------------------|-------------------|--|
|                | City of<br>La Feria | State of<br>Texas | Direct, Overlapping<br>and Underlying Rate |
| 2003           | 2.00%               | 6.25%             | 8.25%                                      |
| 2004           | 2.00%               | 6.25%             | 8.25%                                      |
| 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%                                      |

Source: Office of the Texas Comptroller

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

|   | 2003                 |            | 2004                 |            | 2005                 |            |
|---|----------------------|------------|----------------------|------------|----------------------|------------|
|   | Amount               | Percentage | Amount               | Percentage | Amount               | Percentage |
| North American Industry Classification System (NAICS) |                      |            |                      |            |                      |            |
| Construction  | \$ 428,672           | 2.12%      | \$ 4,722,153         | 22.41%     | \$ 1,349,350         | 5.78%      |
| Manufacturing   | 1,135,300            | 5.62%      | 146,349              | 0.69%      | 214,885              | 0.92%      |
| Wholesale Trade                                       | 1,088,554            | 5.38%      | 1,099,006            | 5.22%      | 801,625              | 3.43%      |
| Retail Trade  | 7,080,634            | 35.02%     | 8,242,884            | 39.11%     | 9,258,461            | 39.67%     |
| Information   | 61,415               | 0.30%      | 63,014               | 0.30%      | 62,947               | 0.27%      |
| Finance/Insurance                                     | -                    | 0.00%      | -                    | 0.00%      | -                    | 0.00%      |
| Real Estate/Rental/Leasing                            | 4,031,247            | 19.94%     | 57,323               | 0.27%      | 3,393,994            | 14.54%     |
| Professional/Scientific/Technical Services            | 37,866               | 0.19%      | -                    | 0.00%      | 2,949                | 0.01%      |
| Admin/Support/Waste Mgmt/Remediation Services         | 136,773              | 0.68%      | 146,971              | 0.70%      | 44,090               | 0.19%      |
| Accommodation/Food Services                           | 4,815,894            | 23.82%     | 5,697,048            | 27.04%     | 6,719,295            | 28.78%     |
| Other Services (except Public Administration)         | 1,385,893            | 6.86%      | 897,734              | 4.26%      | 1,495,495            | 6.41%      |
| Other*  | 13,549               | 0.07%      | -                    | 0.00%      | -                    | 0.00%      |
| Total   | <u>\$ 20,215,797</u> | 100.00%    | <u>\$ 21,072,482</u> | 100.00%    | <u>\$ 23,343,091</u> | 100.00%    |

|   | 2006                 |            | 2007                 |            | 2008                 |            |
|---|----------------------|------------|----------------------|------------|----------------------|------------|
|   | Amount               | Percentage | Amount               | Percentage | Amount               | Percentage |
| North American Industry Classification System (NAICS) |                      |            |                      |            |                      |            |
| Construction  | \$ 1,632,966         | 6.45%      | \$ 1,269,697         | 4.57%      | \$ 1,414,705         | 4.78%      |
| Manufacturing   | 1,762,768            | 6.96%      | 3,672,695            | 13.22%     | 4,770,290            | 16.10%     |
| Wholesale Trade                                       | 270,765              | 1.07%      | 317,446              | 1.14%      | 531,886              | 1.80%      |
| Retail Trade  | 9,429,814            | 37.24%     | 9,774,451            | 35.19%     | 10,245,932           | 34.58%     |
| Information   | 57,863               | 0.23%      | 52,634               | 0.19%      | 131,955              | 0.45%      |
| Finance/Insurance                                     | 262,971              | 1.04%      | 347,218              | 1.25%      | 324,351              | 1.09%      |
| Real Estate/Rental/Leasing                            | 3,262,535            | 12.88%     | 3,577,311            | 12.88%     | 1,791,847            | 6.05%      |
| Professional/Scientific/Technical Services            | 1,944                | 0.01%      | -                    | 0.00%      | -                    | 0.00%      |
| Admin/Support/Waste Mgmt/Remediation Services         | 8,934                | 0.04%      | 6,150                | 0.02%      | 10,376               | 0.04%      |
| Accommodation/Food Services                           | 7,432,199            | 29.35%     | 7,285,026            | 26.22%     | 7,327,638            | 24.73%     |
| Other Services (except Public Administration)         | 1,198,577            | 4.73%      | 1,479,234            | 5.32%      | 3,076,262            | 10.38%     |
| Total   | <u>\$ 25,321,336</u> | 100.00%    | <u>\$ 27,781,862</u> | 100.00%    | <u>\$ 29,625,242</u> | 100.00%    |

**Source:** Office of the Texas Comptroller  
\*Other classification not used after 2003

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

(Continued)

|   | 2009                 |            | 2010                 |            | 2011                 |            | 2012**               |            |
|---|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|
|   | Amount               | Percentage | Amount               | Percentage | Amount               | Percentage | Amount               | Percentage |
| North American Industry Classification System (NAICS) |                      |            |                      |            |                      |            |                      |            |
| Construction  | \$ 1,664,728         | 5.67%      | \$ 1,766,125         | 6.01%      | \$ 2,023,297         | 6.37%      | \$ 1,546,576         | 6.19%      |
| Manufacturing   | 3,292,952            | 11.22%     | 2,506,102            | 8.53%      | 2,470,410            | 7.77%      | 1,492,646            | 5.97%      |
| Wholesale Trade                                       | 813,960              | 2.77%      | 513,537              | 1.75%      | 408,778              | 1.29%      | 376,090              | 1.50%      |
| Retail Trade  | 11,197,171           | 38.15%     | 11,942,608           | 40.64%     | 13,274,689           | 41.76%     | 11,075,177           | 44.29%     |
| Information   | 164,511              | 0.56%      | 460,063              | 1.57%      | 461,595              | 1.45%      | 433,846              | 1.74%      |
| Finance/Insurance                                     | 320,221              | 1.09%      | 358,794              | 1.22%      | 374,591              | 1.18%      | 305,881              | 1.22%      |
| Real Estate/Rental/Leasing                            | 830,428              | 2.83%      | 193,181              | 0.66%      | 401,342              | 1.26%      | -                    | 0.00%      |
| Professional/Scientific/Technical Services            | -                    | 0.000%     | 7,434                | 0.03%      | 16,878               | 0.05%      | 59,414               | 0.24%      |
| Admin/Support/Waste Mgmt/Remediation Services         | 158,221              | 0.54%      | 281,791              | 0.96%      | 357,044              | 1.12%      | 62,082               | 0.25%      |
| Accommodation/Food Services                           | 7,339,210            | 25.01%     | 8,060,079            | 27.43%     | 8,794,062            | 27.67%     | 7,170,357            | 28.68%     |
| Other Services (except Public Administration)         | 3,139,638            | 10.70%     | 2,840,424            | 9.67%      | 3,040,410            | 9.57%      | 2,480,415            | 9.92%      |
| Public Administration*                                | 429,643              | 1.46%      | 448,584              | 1.53%      | 161,190              | 0.51%      | -                    | 0.00%      |
| Total   | <u>\$ 29,350,683</u> | 100.00%    | <u>\$ 29,378,722</u> | 100.00%    | <u>\$ 31,784,286</u> | 100.00%    | <u>\$ 25,002,484</u> | 100.00%    |

**Source:** Office of the Texas Comptroller  
 \*New Category in 2009  
 \*\*Data available through third quarter



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

| Fiscal<br>Year | Governmental - Activities     |                  |              | Business Type - Activities |        | Percentage of<br>Personal Income | Estimated<br>Population | Per<br>Capita |
|----------------|-------------------------------|------------------|--------------|----------------------------|--------|----------------------------------|-------------------------|---------------|
|                | Certificates<br>of Obligation | Notes<br>Payable | Total        | Notes<br>Payable           | Total  |                                  |                         |               |
|                | Bonds                         |                  |              |                            |        |                                  |                         |               |
| 2003           | \$ 2,025,000                  | \$ 28,004        | \$ 2,053,004 | \$ -                       | \$ -   | 2.58%                            | 6,448                   | \$ 318        |
| 2004           | 4,275,000                     | -                | 4,275,000    | -                          | -      | 5.17%                            | 6,563                   | 651           |
| 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         |

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, 2012

| <u>Governmental Unit</u>                 | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|--|--|
| City Direct Debt                         | 13,920,000                  | 100%   | 13,920,000   |
| <b>Overlapping debt</b>                  |                             |  |  |
| Cameron County                           | 79,190,000                  | 2%   | 1,583,800  |
| La Feria Independent School District     | 32,465,000                  | 90%  | <u>29,218,500</u>                                      |
| Subtotal, overlapping debt               |                             |  | 30,802,300   |
| <b>Total Direct and Overlapping Debt</b> |                             |  | <u><u>44,722,300</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>2003</u>           | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Assessed Value</b>  | <u>\$ 121,451,471</u> | <u>\$ 132,310,782</u> | <u>\$ 145,784,197</u> | <u>\$ 156,170,318</u> |
| <b>Economic Debt Margin</b>  |                       |                       |                       |                       |
| <b>*Debt Limit</b>   |                       |                       |                       |                       |
| 5% of assessed valuation   | <u>\$ 6,072,574</u>   | <u>\$ 6,615,539</u>   | <u>\$ 7,289,210</u>   | <u>\$ 7,808,516</u>   |
| Debt applicable to limit:  |                       |                       |                       |                       |
| General obligation bonds   | 2,025,000             | 4,275,000             | 4,005,000             | 3,675,000             |
| Less: Amount reserved for<br>repayment of general<br>obligation debt | <u>15,368</u>         | <u>30,991</u>         | <u>37,460</u>         | <u>38,822</u>         |
| Less: Amount to be paid by<br>Component Unit**                       | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              |
| Total debt applicable to limit                                       | <u>2,009,632</u>      | <u>4,244,009</u>      | <u>3,967,540</u>      | <u>3,636,178</u>      |
| Legal debt margin  | <u>\$ 4,062,942</u>   | <u>\$ 2,371,530</u>   | <u>\$ 3,321,670</u>   | <u>\$ 4,172,338</u>   |
| As a percentage of debt limit  | <u>66.91%</u>         | <u>35.85%</u>         | <u>45.57%</u>         | <u>53.43%</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>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>\$ 172,794,502</u> | <u>\$ 192,205,418</u> | <u>\$ 195,990,363</u> | <u>\$ 197,862,658</u> | <u>\$ 201,595,680</u> | <u>\$ 203,564,130</u> |
|                       |                       |                       |                       |                       |                       |
| <u>\$ 8,639,725</u>   | <u>\$ 9,610,271</u>   | <u>\$ 9,799,518</u>   | <u>\$ 9,893,133</u>   | <u>\$ 10,079,784</u>  | <u>\$ 10,178,207</u>  |
|                       |                       |                       |                       |                       |                       |
| 3,335,000             | 6,255,000             | 5,880,000             | 5,465,000             | 5,035,000             | 13,920,000            |
|                       |                       |                       |                       |                       |                       |
| <u>40,757</u>         | <u>186</u>            | <u>186</u>            | <u>186</u>            | <u>186</u>            | <u>186</u>            |
|                       |                       |                       |                       |                       |                       |
| <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>4,851,973</u>      |
|                       |                       |                       |                       |                       |                       |
| <u>3,294,243</u>      | <u>6,254,814</u>      | <u>5,879,814</u>      | <u>5,464,814</u>      | <u>5,034,814</u>      | <u>9,067,841</u>      |
|                       |                       |                       |                       |                       |                       |
| <u>\$ 5,345,482</u>   | <u>\$ 3,355,457</u>   | <u>\$ 3,919,704</u>   | <u>\$ 4,428,319</u>   | <u>\$ 5,044,970</u>   | <u>\$ 1,110,366</u>   |
|                       |                       |                       |                       |                       |                       |
| <u>61.87%</u>         | <u>34.92%</u>         | <u>40.00%</u>         | <u>44.76%</u>         | <u>50.05%</u>         | <u>10.91%</u>         |



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

| Year | Estimated<br>Population | Personal<br>Income | Per<br>Capita<br>Income | Median<br>Age | School<br>Enrollment | Unemployment<br>Rate |
|------|-------------------------|--------------------|-------------------------|---------------|----------------------|----------------------|
| 2003 | 6,448                   | \$ 82,743,604      | \$ 12,832               | 34.5          | 2,824                | 9.2%                 |
| 2004 | 6,563                   | 85,970,604         | 13,099                  | 34.5          | 2,842                | 8.0%                 |
| 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%                |

**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, 2012 and 2003

| 2012                                 |                        |      |   |
|--------------------------------------|------------------------|------|---|
| Employer                             | Number of<br>Employees | Rank | Percentage<br>of Total City<br>Employment |
| La Feria Independent School District | 565                    | 1    | 27.5%                                     |
| City of La Feria, Texas              | 60                     | 2    | 2.9%                                      |
| Innovative Block of South Texas      | 46                     | 3    | 2.2%                                      |
| Cab-Cos Contractors, Inc.            | 44                     | 4    | 2.1%                                      |
| Whataburger, Inc.                    | 35                     | 5    | 1.7%                                      |
| El Centro Foods                      | 34                     | 6    | 1.7%                                      |
| Ben E. Keith Co.                     | 30                     | 7    | 1.5%                                      |
| La Feria Contractors                 | 26                     | 8    | 1.3%                                      |
| McDonald's Fast Food Restaurant      | 25                     | 9    | 1.2%                                      |
| Precision Mold & Tool                | 25                     | 10   | 1.2%                                      |
| Total Principal Employers            | 890                    |      | 43.3%                                     |
| Other Employers                      | 1,166                  |      | 56.7%                                     |
| Total Employers                      | 2,056                  |      | 100.0%                                    |

**Source:** City of La Feria, Texas

(Continued)

| 2003                                 |                        |      |   |
|--------------------------------------|------------------------|------|---|
| Employer                             | Number of<br>Employees | Rank | Percentage<br>of Total City<br>Employment |
| La Feria Independent School District | 451                    | 1    | 23.7%                                     |
| Time Warner Comm & Const.            | 90                     | 2    | 4.7%                                      |
| Closner Construction                 | 65                     | 3    | 3.4%                                      |
| City of La Feria                     | 54                     | 4    | 2.8%                                      |
| Whataburger, Inc.                    | 23                     | 5    | 1.2%                                      |
| El Centro Foods                      | 41                     | 6    | 2.2%                                      |
| McDonald's Fast Food Restaurant      | 27                     | 7    | 1.4%                                      |
| La Feria Water District              | 22                     | 8    | 1.2%                                      |
| City Market                          | 20                     | 9    | 1.1%                                      |
| Hertz Rental Equipment               | 17                     | 10   | 0.9%                                      |
| Total Principal Employers            | 810                    |      | 42.6%                                     |
| Other Employers                      | 1,093                  |      | 57.4%                                     |
| Total Employers                      | 1,903                  |      | 100.0%                                    |



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

|                                       | <u>2003</u> | <u>2004</u> | <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>Function/program</u>               |             |             |             |             |             |             |             |             |             |             |
| <u>Finance</u>                        |             |             |             |             |             |             |             |             |             |             |
| Cashier                               | 2           | 2           | 2           | 2           | 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>5</u>    | <u>5</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           | 1           | 1           | -           | -           | -           | -           | 0.5         | 1           |
| Planning Director                     | 1           | 1           | 1           | 1.0         | 0.5         | 0.5         | 0.5         | 1           | 1           | 1           |
| Public Works Director                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Custodial Technician                  | 1           | 1           | 1           | 1           | 1           | 1           | 1.5         | 1.5         | 1.5         | 2           |
| Administrative Technician             | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    |
| Total Administration                  | <u>8</u>    | <u>8</u>    | <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>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           | 6           | 6           | 8           | 8.5         | 8.5         | 8.5         | 7.5         | 8           |
| 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</u>    | <u>3</u>    | <u>3.5</u>  | <u>3.5</u>  | <u>3.5</u>  | <u>3.5</u>  | <u>4</u>    |
| Total Police Department               | <u>15</u>   | <u>15</u>   | <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>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>3</u>    | <u>3</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>3</u>    | <u>3</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>2</u>    | <u>2</u>    | <u>3</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>2</u>    | <u>2</u>    | <u>3</u>    |
| <u>Parks and Recreation</u>           |             |             |             |             |             |             |             |             |             |             |
| Parks and Recreation                  | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>2</u>    | <u>4</u>    | <u>4</u>    | <u>4</u>    | <u>3</u>    | <u>5</u>    |
| Total Parks and Recreation            | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>2</u>    | <u>4</u>    | <u>4</u>    | <u>4</u>    | <u>3</u>    | <u>5</u>    |

(Continued)

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

|  | <u>2003</u> | <u>2004</u> | <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>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>Boys and Girls Club</u>               |             |             |             |             |             |             |             |             |             |             |
| Program Manager                          | -           | -           | -           | 1           | 1           | 2           | 2           | 2           | 2           | 2           |
| Total Boys and Girls Club                | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>1</u>    | <u>1</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</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>1</u>    | <u>1</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>3</u>    |
| Total Water Distribution                 | <u>2</u>    | <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>4</u>    |
| <u>Water Plant</u>                       |             |             |             |             |             |             |             |             |             |             |
| Water Plant Supervisor                   | -           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Water Plant Operator                     | <u>1</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>2</u>    | <u>3</u>    | <u>2</u>    | <u>3</u>    | <u>3</u>    |
| Total Water Plant                        | <u>1</u>    | <u>3</u>    | <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>Wastewater Plant</u>                  |             |             |             |             |             |             |             |             |             |             |
| Water/Wastewater Plant Operator          | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    |
| Total Wastewater Plant                   | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    |
| Total City Employees by Function/Program | <u>46</u>   | <u>48</u>   | <u>48</u>   | <u>49</u>   | <u>51</u>   | <u>56</u>   | <u>58</u>   | <u>59</u>   | <u>58</u>   | <u>64</u>   |

Source: City payroll records

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

| Function/program                | 2003   | 2004   | 2005   | 2006   | 2007   |
|---------------------------------|--------|--------|--------|--------|--------|
| Fire                            |        |        |        |        |        |
| Emergency responses             | -      | 138    | 176    | 245    | 156    |
| Fires extinguished              | 128    | 130    | 171    | 204    | 140    |
| Inspection                      | -      | 16     | 13     | 17     | 16     |
| Refuse collection               |        |        |        |        |        |
| Refuse collected (tons per day) | 9.70   | 13.78  | 13.96  | 13.96  | 14.97  |
| Library                         |        |        |        |        |        |
| Volumes in collection           | 27,000 | 28,500 | 29,500 | 31,500 | 32,250 |
| Total volumes borrowed          | 11,174 | 10,047 | 9,765  | 10,426 | 9,960  |

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

*(Continued)*

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|-------------|
| 246         | 274         | 236         | 285         | 212         |
| 249         | 273         | 232         | 375         | 214         |
| 17          | 24          | 12          | 15          | 17          |
| 15.86       | 16.77       | 16.26       | 16.07       | 16.31       |
| 32,100      | 32,650      | 33,800      | 34,500      | 34,600      |
| 11,963      | 8,655       | 14,032      | 14,657      | 14,535      |

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

| <b>Function/program</b>         | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|---------------------------------|-------------|-------------|-------------|-------------|
| 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          | 25          | 25          |
| Service Connections             | 2,600       | 2,600       | 2,600       | 2,600       |
| 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       | 11.69       | 11.69       |
| Lift Stations                   | 5           | 5           | 5           | 5           |
| Service Connections             | 1,604       | 1,604       | 1,604       | 1,604       |
| Refuse Collection               |             |             |             |             |
| Collection Trucks               | 1           | 1           | 1           | 1           |
| Street Sweeper                  | -           | 1           | 1           | 1           |
| Brush Truck                     | 1           | 3           | 3           | 3           |
| Brush Chipper                   | -           | 1           | 1           | 1           |
| Streets and Highways            |             |             |             |             |
| Streets (miles)                 |             |             |             |             |
| Paved                           | 21.2        | 21.2        | 21.2        | 21.2        |
| Unpaved                         | 0.13        | 0.13        | 0.13        | 0.13        |
| Traffic Signals                 | 355         | 355         | 355         | 355         |
| Parks and Recreation            |             |             |             |             |
| Park Acreage Developed          | 27.19       | 27.19       | 27.19       | 27.19       |
| Park Acreage Undeveloped        | 0.13        | 0.13        | 0.13        | 0.13        |
| Playgrounds                     | 3           | 3           | 3           | 3           |

**Source: City of La Feria**

(Continued)

| 2007      | 2008      | 2009      | 2010      | 2011      | 2012      |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 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        |
| 2,765     | 2,886     | 2,958     | 3,067     | 3,129     | 3,217     |
| 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     | 20.19     | 20.19     | 24.19     | 24.19     | 24.19     |
| 11        | 11        | 11        | 11        | 11        | 11        |
| 1761      | 1999      | 2013      | 2090      | 2110      | 2135      |
| 2         | 2         | 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      | 25.2      | 25.2      | 26        |
| 0.22      | 0.22      | 0.22      | 0.22      | 0.22      | 0.22      |
| 355       | 355       | 355       | 355       | 355       | 355       |
| 28.51     | 28.51     | 116.51    | 116.51    | 116.51    | 116.51    |
| 0.13      | 0.13      | 0.13      | 0.13      | 0.13      | 0.13      |
| 4         | 5         | 6         | 6         | 6         | 6         |



## **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***

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

We have audited 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, 2012, which collectively comprise City of La Feria, Texas' basic financial statements and have issued our report thereon dated April 26, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of La Feria, Texas's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of La Feria, Texas' internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of City of La Feria, Texas in a separate letter dated April 26, 2013.

This report is intended solely for the information and use of management, City Commission and others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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 26, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited City of La Feria, Texas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of La Feria, Texas' management. Our responsibility is to express an opinion on City of La Feria, Texas' compliance based on our audit.

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. Our audit does not provide a legal determination of City of La Feria, Texas' compliance with those requirements.

In our opinion, City of La Feria, Texas complied, in all material respects, with the 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, 2012.

**Internal Control Over Compliance**

Management of City of La Feria, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of La Feria, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of La Feria, Texas' major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on City of La Feria, Texas' compliance but not to provide an opinion on the effectiveness of City of La Feria, Texas' internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Feria, Texas compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report 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 26, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS UNIFORM GRANT  
MANAGEMENT STANDARDS CHAPTER IV *TEXAS STATE SINGLE AUDIT CIRCULAR***

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

**Compliance**

We have audited City of La Feria, Texas' compliance with the types of compliance requirements described in the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that could have a direct and material effect on each of City of La Feria, Texas' major state programs for the year ended September 30, 2012. The City of La Feria, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of La Feria, Texas' management. Our responsibility is to express an opinion on City of La Feria, Texas' compliance based on our audit.

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 State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Those standards 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 state 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. Our audit does not provide a legal determination of City of La Feria, Texas' compliance with those requirements.

In our opinion, City of La Feria, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2012.

**Internal Control Over Compliance**

Management of City of La Feria, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of La Feria, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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.

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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 state 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 state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of La Feria, Texas' major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on City of La Feria, Texas' compliance but not to provide an opinion on the effectiveness of City of La Feria, Texas' internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Feria, Texas compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report 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 26, 2013

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**City of La Feria, Texas**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended September 30, 2012

**Section I - Summary of Auditors' Results**

*Financial Statements*

|  |             |                 |
|--|-------------|-----------------|
| Type of auditors' report issued:   | Unqualified |                 |
| 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> no |

*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> no |
| Type of auditors' report issued on compliance for major programs:  | Unqualified |                 |
| 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:

*CFDA Number(s)*

*Name of Federal Program or Cluster*

81.041

State Energy Conservation Office Distributed  
Renewal Energy Program

|  |           |
|--|-----------|
| 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, 2012

**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, 2012

No Findings were reported for the fiscal year ended September 30, 2012.

City of La Feria, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

**SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS**

Fiscal year Ended September 30, 2012

No Findings were reported for the fiscal year ended September 30, 2011.

City of La Feria, Texas  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended September 30, 2012

*Exhibit F-1*

| (01)  | (02)                      | (A2)   | (03)             |
|---|---------------------------|--|------------------|
| Federal Grantor/<br>Pass/Through Grantor<br>Program Title   | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures     |
| <b>FEDERAL</b>  |                           |  |                  |
| <b>U. S. Department of Housing and Urban Development</b>  |                           |  |                  |
| Passed through the Texas Department of Agriculture<br>Community Development Block Grant Program   | 14.228                    | 729102                                       | \$ 15,140        |
| Passed through the Texas Department of Agriculture<br>Community Development Block Grant Program   | 14.228                    | 729082                                       | <u>60,384</u>    |
| Total passed through the Texas Department of Agriculture  |                           |  | <u>75,524</u>    |
| Passed through the General Land Office<br>Community Development Block Grant<br>Disaster Recovery Program  | 14.228                    | DRS210089                                    | 2,316            |
| Passed through the Texas Department of Housing<br>and Community Affairs<br>Home Investment Partnership Program -<br>Owner Occupied Housing Assistance | 14.239                    | 10001018                                     | 72,431           |
| Passed through the Community Planning and<br>Development Congressional Grants Division<br>Economic Development Initiative                             | 14.251                    | B-09-SP-TX-140                               | <u>285,000</u>   |
| <b>Total U.S. Department of Housing and Urban Development</b>   |                           |  | <u>435,271</u>   |
| <b>U. S. Department of Energy</b>   |                           |  |                  |
| Passed through the Texas Comptroller of Public Accounts<br>ARRA - Energy Efficiency and Conservation Block Grant Program                              | 81.128                    | DE-EE0000893 4315MM                          | 37,321           |
| Passed through the Texas Comptroller of Public Accounts<br>ARRA - State Energy Conservation Office - Distributed Renewal Energy Program               | 81.041                    | DE-EE0000116 CS#1185                         | 900,000          |
| Passed through the Texas Comptroller of Public Accounts<br>ARRA - State Energy Conservation Office - Distributed Renewal Energy Program               | 81.041                    | DE-EE0000116 CS#1186                         | <u>900,000</u>   |
| Total passed through the Texas Comptroller of Public Accounts   |                           |  | <u>1,837,321</u> |
| <b>Total U.S. Department of Energy</b>  |                           |  | <u>1,837,321</u> |
| <b>U.S. Department of Transportation</b>  |                           |  |                  |
| Office of Federal Highway Administration<br>Passed through the Texas Department of Transportation<br>ARRA - Highway Planning and Construction         | 20.205                    | CSJ#0921-06-247                              | <u>38,586</u>    |
| <b>Total U.S. Department of Transportation</b>  |                           |  | <u>38,586</u>    |
| <b>U.S. Department of Homeland Security</b>   |                           |  |                  |
| Passed through the Texas Department of Public Safety<br>Hazard Mitigation Grant (HMGP)  | 97.039                    | DR 1780-005                                  | 98,972           |
| Passed through the Texas Department of Public Safety & Cameron County<br>Operation Stone Garden   | 97.067                    | -  | <u>32,389</u>    |
| <b>Total U.S. Department of Homeland Security</b>   |                           |  | <u>131,361</u>   |

See accompanying notes on accounting policies of Federal and State awards.

City of La Feria, Texas  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued**  
For the Year Ended September 30, 2012

| Federal Grantor/<br>Pass/Through Grantor<br>Program Title   | (01) | (02)<br>Federal<br>CFDA<br>Number | (A2)<br>Pass-through<br>Entity Identifying<br>Number | (03)<br><br>Expenditures |
|---|------|-----------------------------------|--|--------------------------|
| <b>U.S. Department of Justice</b>   |      |                                   |  |                          |
| Passed through the Office of Community Oriented Policing Services (COPS)<br>Public Safety Partnership and Community Policing Grant                      |      | 16.710                            | G2010UMWX0303  | \$ 28,989                |
| <b>Total U.S. Department of Justice</b>   |      |                                   |  | <u>28,989</u>            |
| <b>U.S. Environmental Protection Agency</b>   |      |                                   |  |                          |
| Passed through the Texas Water Development Board<br>Clean Water State Revolving Fund-Disadvantage<br>Community Loan Forgiveness Grant Program           |      | 66.458                            | G110014  | 64,659                   |
| Passed through the Texas Water Development Board<br>Drinking Water State Revolving Fund-Disadvantage<br>Community Loan Forgiveness Grant Program        |      | 66.468                            | G110026  | 66,357                   |
| Total passed through the Texas Water Development Board  |      |                                   |  | <u>131,016</u>           |
| Passed through the Texas Commission on Environmental<br>Quality - Nonpoint Source Water Quality Management<br>Planning and Implementation Grant Program |      | 66.46                             | 12-0104  | 153,500                  |
| <b>Total U.S. Environmental Protection Agency</b>   |      |                                   |  | <u>284,516</u>           |
| <b>Total Federal Awards Expended</b>  |      |                                   |  | <u>2,756,044</u>         |
| <b><u>STATE FINANCIAL ASSISTANCE</u></b>  |      |                                   |  |                          |
| Texas Department of Public Safety- Texas Ranger Division<br>Local Border Security Program   |      | -                                 | LBSP120047   | 15,000                   |
| Texas Forest Service<br>Rural Volunteer Fire Department Assistance Program  |      | -                                 | 1448   | 10,600                   |
| Texas Water Development Board<br>Flood Protection Planning Study Grant  |      | -                                 | 0904830949   | 3,593                    |
| Texas Parks and Wildlife<br>La Feria Recreation Center  |      | -                                 | 51-000068  | 750,000                  |
| <b>Total State Financial Assistance Expended</b>  |      |                                   |  | <u>779,193</u>           |
| <b>Total Federal and State Financial Assistance Expended</b>  |      |                                   |  | <u>\$ 3,535,237</u>      |

City of La Feria, Texas  
**NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS**  
Year Ended September 30, 2012

**Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of La Feria, Texas 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 general purpose financial statements.

Federal grant funds are considered to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

City of La Feria, Texas  
**EXIT CONFERENCE**  
Year Ended September 30, 2012

***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.