
CITY OF LA FERIA, TEXAS

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Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2011

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

September 30, 2011

Prepared by:

Finance Department

City of La Feria, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2011

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INTRODUCTORY SECTION



CITY OF LA FERIA



March 29, 2012

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, 2011 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, 2011, 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, 2011, 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 4.33 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 3 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 91 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 5% compared to last year which experienced a 3.8% decline 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 2011. 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 storage company, and a new housing development. The addition of these four new developments will also add new property tax values of approximately \$11,300,000 for tax year 2012.

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

At September 30, 2011 the City had several projects in progress. One of the projects was for the rehabilitation of a lift station and pressure main which was made possible from grant funds received from the Texas Department of Agriculture under the Community Development Program in the amount of \$360,310 and a local funds match of \$100,343. The final walk through was completed in late September and the project was accepted as completed by the City Commission on October 25, 2011.

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 \$237,700 and is expected to be completed in 2012. Construction of the facility is expected to start in August of 2012 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.

The City applied for and was awarded grants in the amount of \$1,800,000 from the State Energy Conservation Office (SECO) for the construction of solar panels at the water plant and the wastewater treatment plant in an effort to significantly reduce the energy costs for the operation of both facilities. The total costs of this project is estimated to cost \$2,100,000. The project is still in its engineering phase and is expected to be completed in 2014.

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 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 is expected to be completed by May 2012. This capital project has an estimated cost of \$1.7 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.

Future Planning

The construction and expansion of the City's library is expected to start in May 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 \$1.268 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 City has submitted grant applications to the United States Department of Agriculture (USDA) and the United States Department of Homeland Security-Federal Emergency Management Agency (FEMA) for funding assistance to construct a wellness center to promote healthier lifestyles for the citizens of La Feria and a technology and training center in the community to promote economic development. Both centers would be used as shelters during times of declared emergencies in the community. The total cost of the wellness center is estimated to be \$1.5 million and the total cost of the technology and training center is estimated to be \$1.8 million. Construction of these capital projects is expected to start in May 2012 and is expected to be completed by September 2013.

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 August of 2012 and is expected to be completed by July 2013.

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 June 2012 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 June 2012 and is expected to be completed by July 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 November of 2012 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, 2010. This was the eighth 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
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, 2010

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.

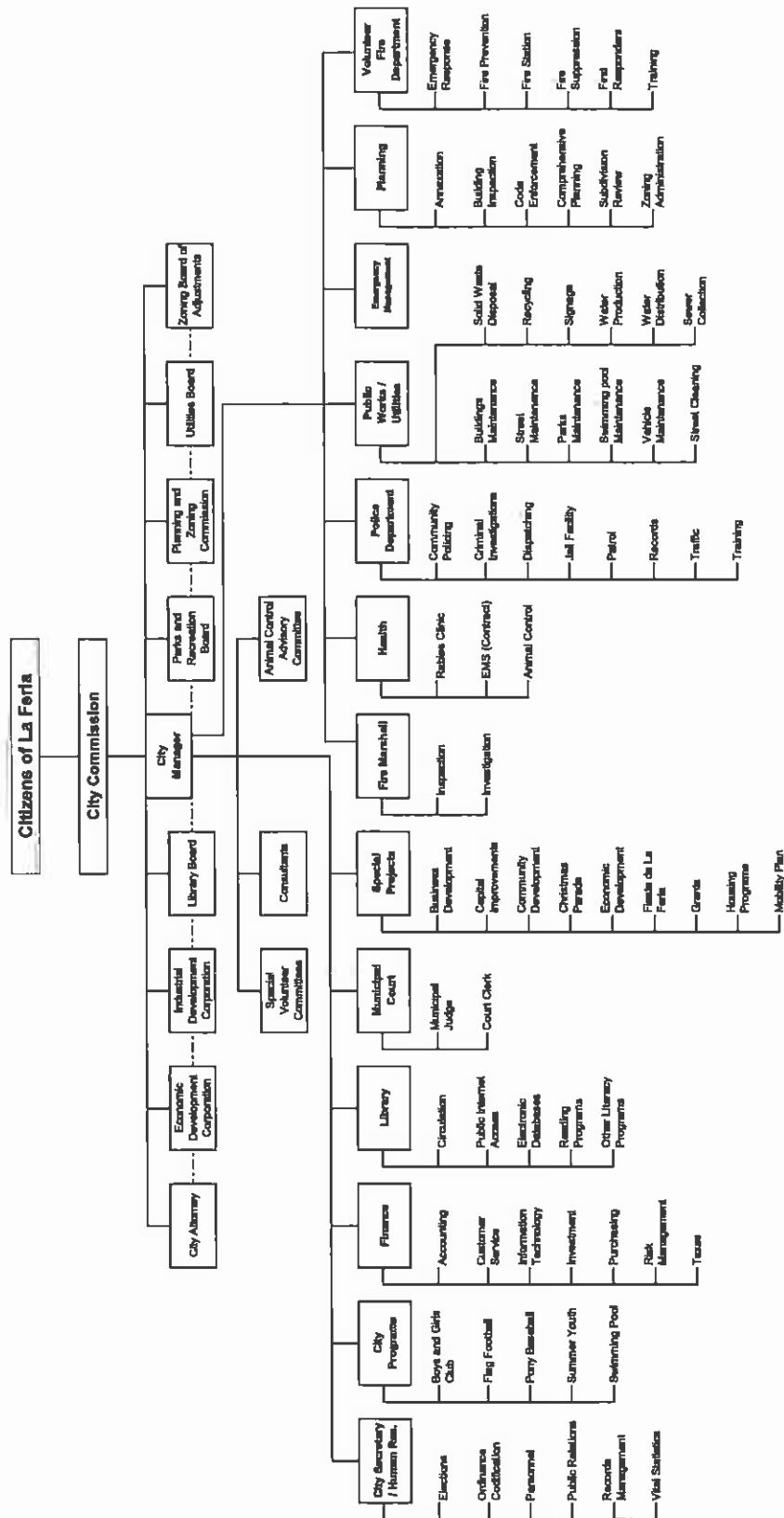


Linda C. Danison

President

Jeffrey R. Ennis

Executive Director



City of La Feria, Texas
LIST OF PRINCIPAL OFFICIALS
As of September 30, 2011

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
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
Industrial Development Corporation President	Brad Shields
Industrial Development Corporation Vice-President	Arturo Martinez
Industrial Development Corporation Secretary/Treasurer	Norma Alaniz
Industrial Development Corporation Official	Victor Gomez
Industrial Development Corporation Official	Ignacio A. Garcia Galvez
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, 2011

Library Board President	Cindy Moore
Library Board Secretary/Treasurer	Valarie Nicholson
Library Board Official	Betty Jo Dunlap
Library Board Official	Jean Burgoine
Library Board Official	Sheri Durham
Library Board Official	Eva Verduzco
City Manager/Utilities Manager	Sunny K. Philip
IT/Finance Director	Maria S. Chavero
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, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic 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 basic 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 at September 30, 2011, 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 March 28, 2012 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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The Management's Discussion and Analysis (MD&A) and the required supplementary information schedules on pages 25 through 36 and 91 through 95, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, the other supplementary information section and the statistical section 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 awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of La Feria, Texas. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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
March 28, 2012

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MANAGEMENT DISCUSSION & 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, 2011. 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 \$6,000,620 (net assets). Of this amount, \$1,073,411 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets of the City's component units exceeded its liabilities at the close of the most recent fiscal year by \$28,536,628 (net assets). Of this amount, \$363,382 (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 combined ending fund balances of \$1,175,526. Approximately 46 percent of this total amount, \$542,798 is restricted for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$404,907.
- The City's total debt decreased by \$569,611 (4 percent) during the current fiscal year. The key factor in this decrease was the timely payment of current year debt maturities.

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).

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, health and welfare, and culture and recreation. The business-type activities of the City include the Waste Disposal.

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 39 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 six major and six 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 CDBG fund, the Texas Capital Fund, the water and wastewater plant capital project fund and certificates of obligation – series 2008 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 42 of this report.

Proprietary Funds

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

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

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

Discretely Presented Component Units

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

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

Notes to the Financial Statements

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

The notes to the financial statements begin in 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 90 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 on page 102 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 \$6,000,620 at the close of the most recent fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Component Unit Activities</u>	
	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/10</u>
Current and other assets	\$2,730,832	\$2,568,067	\$ 328,891	\$ 593,619	\$3,059,723	\$3,161,686	\$2,358,686	\$ 2,251,045
Capital assets	<u>9,142,757</u>	<u>8,047,723</u>	<u>224,360</u>	<u>244,070</u>	<u>9,367,117</u>	<u>8,291,793</u>	<u>36,565,507</u>	<u>36,004,971</u>
Total assets	11,873,589	10,615,790	553,251	837,689	12,426,840	11,453,479	38,924,193	38,256,016
Long-term liabilities								
outstanding	5,148,483	5,574,474	4,206	2,776	5,152,689	5,577,250	9,156,031	9,301,080
Other liabilities	<u>1,271,782</u>	<u>1,033,801</u>	<u>1,749</u>	<u>-</u>	<u>1,273,531</u>	<u>1,033,801</u>	<u>1,231,534</u>	<u>860,018</u>
Total liabilities	6,420,265	6,608,275	5,955	2,776	6,426,220	6,611,051	10,387,565	10,161,098
Net assets								
Invested in capital assets,								
net of related debt	4,083,323	2,534,989	224,360	244,070	4,307,683	2,779,059	26,877,175	26,397,155
Restricted	619,526	1,014,677	-	-	619,526	1,014,677	1,296,071	990,575
Unrestricted	<u>750,475</u>	<u>457,849</u>	<u>322,936</u>	<u>590,843</u>	<u>1,073,411</u>	<u>1,048,692</u>	<u>363,382</u>	<u>707,188</u>
	<u>\$5,453,324</u>	<u>\$4,007,515</u>	<u>\$ 547,296</u>	<u>\$ 834,913</u>	<u>\$6,000,620</u>	<u>\$4,842,428</u>	<u>\$28,536,628</u>	<u>\$28,094,918</u>

Seventy-two 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, \$619,526 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,073,411 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 \$1,158,192 during the current fiscal year and can be attributed mostly to a 113% increase in operating grants and contributions for governmental activities.

The discretely presented component units' net assets increased \$441,710 during the current fiscal year which can be attributed to less capital project activities compared to prior years.

Governmental Activities

Governmental activities increased the City's net assets by \$1,445,809. The key elements of this increase are described as follows:

- Increased revenues derived from operating grants and contributions compared to the prior year.
- Increased general revenues derived from property and sales taxes.
- Increased revenues derived from business type activity transfers.
- Decreased expenses in the departments of the general government and interest on long term debt 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.

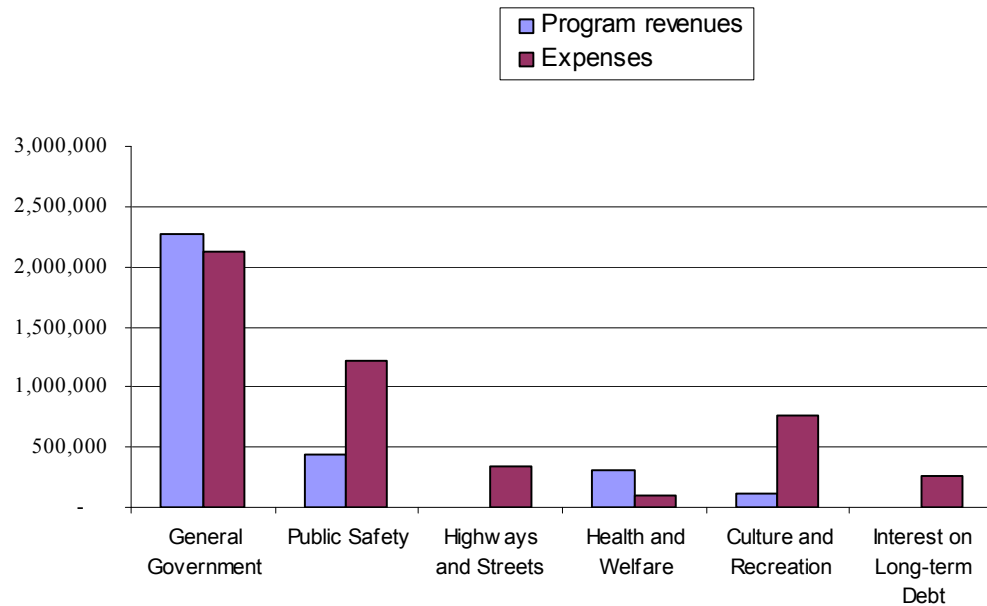
The City's condensed Changes in Net Assets along with last fiscal year's numbers are presented for comparison in the following page.

City of La Feria's Changes in Net Assets

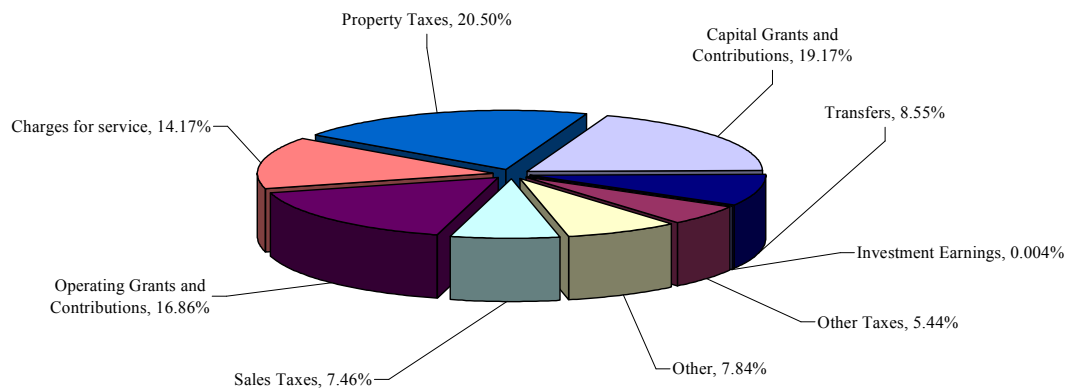
	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010
Revenues:								
Program Revenues								
Charges for services	\$ 882,034	\$ 830,181	\$ 707,360	\$ 688,370	\$ 1,589,394	\$ 1,518,551	\$ 2,499,458	\$ 2,519,813
Operating grants and contributions	1,049,134	491,957	-	-	1,049,134	491,957	423,655	792,900
Capital grants and contributions	1,193,054	6,205,122	-	-	1,193,054	6,205,122	868,581	5,972,195
General Revenues:								
Property tax	1,276,207	1,222,966	-	-	1,276,207	1,222,966	-	-
Other taxes	803,342	756,304	-	-	803,342	756,304	464,454	440,570
Other	488,444	480,347	-	-	488,444	480,347	17,839	35,355
Transfers	532,213	405,472	(532,213)	(405,472)	-	-	-	-
Total revenues	6,224,428	10,392,349	175,147	282,898	6,399,575	10,675,247	4,273,987	9,760,833
Expenses:								
General government	2,125,512	8,388,672	-	-	2,125,512	8,388,672	-	-
Public safety	1,212,459	1,045,841	-	-	1,212,459	1,045,841	-	-
Highways/streets	336,097	270,103	-	-	336,097	270,103	-	-
Health and welfare	89,491	75,084	-	-	89,491	75,084	-	-
Culture and recreation	757,048	598,040	-	-	757,048	598,040	-	-
Interest on long-term debt	258,012	272,070	-	-	258,012	272,070	-	-
Sanitation	-	-	462,764	464,939	462,764	464,939	-	-
Waterworks system	-	-	-	-	-	-	3,024,940	7,895,575
IDC	-	-	-	-	-	-	606,962	993,270
EDC	-	-	-	-	-	-	200,375	240,408
Total expenses	4,778,619	10,649,810	462,764	464,939	5,241,383	11,114,749	3,832,277	9,129,253
Increase/(decrease) in net assets	1,445,809	(257,461)	(287,617)	(182,041)	1,158,192	(439,502)	441,710	631,580
Net assets - beginning	4,007,515	4,264,976	834,913	1,016,954	4,842,428	5,281,930	28,094,918	27,463,338
Prior period adjustment	-	-	-	-	-	-	-	-
Net assets - ending	\$ 5,453,324	\$ 4,007,515	\$ 547,296	\$ 834,913	\$ 6,000,620	\$ 4,842,428	\$ 28,536,628	\$ 28,094,918

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



Business-Type Activities

Business-type activities consist of operating expenses of \$462,764, transfers-out totaling \$532,213 and revenues of \$707,360 resulting in a decrease in net assets of \$287,617.

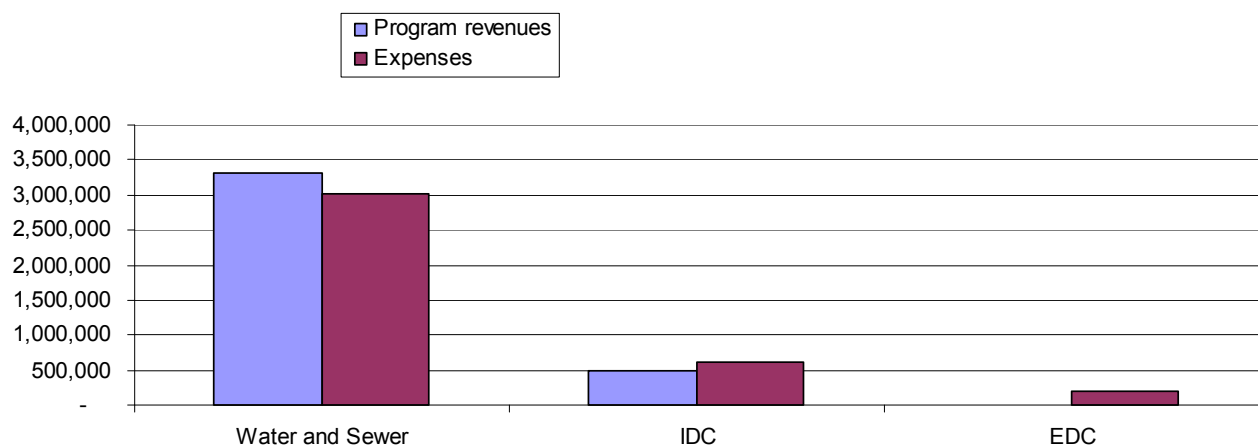
Discretely Presented Component Units

Component unit's activities increased their net assets by \$441,710 accounting for approximately 2 percent of the total net assets. Key elements of this increase are as follows:

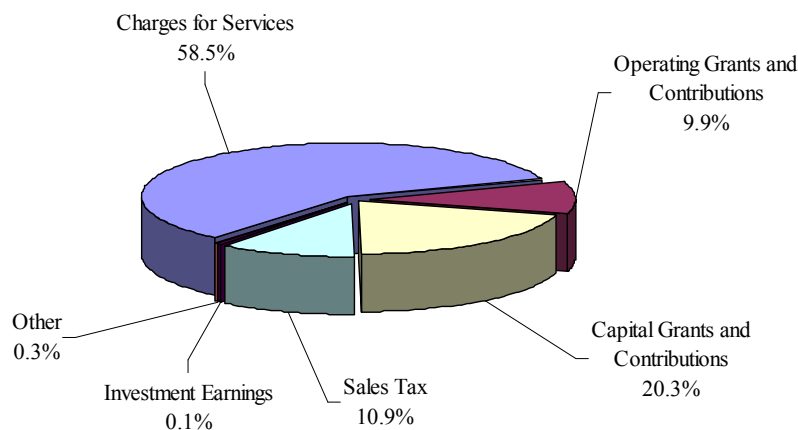
- The Waterworks and Sewer System received \$868,581 in capital grants and contributions that were used to pay for the assets in the water and wastewater capital project which was completed this year.
- The Industrial Development Corporation received a grant in the amount of \$300,000 from the United States Department of Agriculture (USDA) for the Rural Business Enterprise Grant (RBEG) program.

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



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

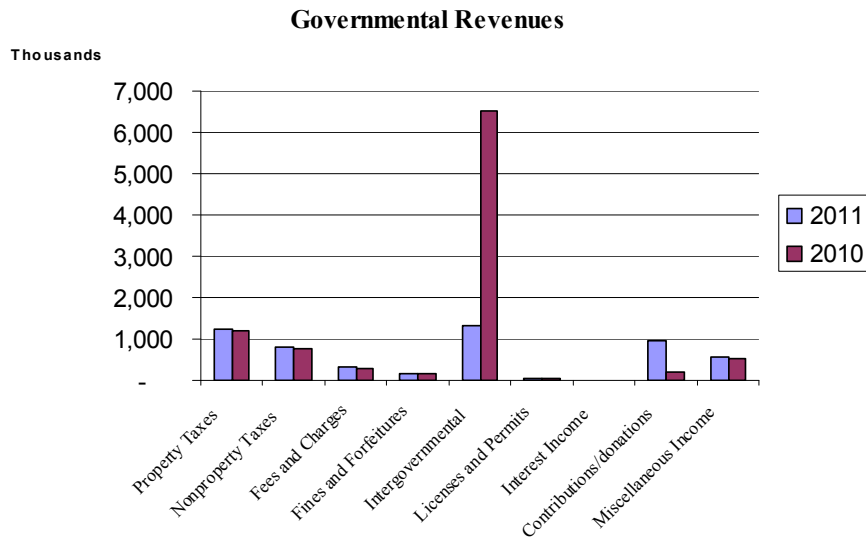
The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources 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, 2011 and 2010.

Revenues: General, Special Revenue, Debt Service and Capital Projects Funds						
	<u>2011</u> <u>Amount</u>	Percent of <u>2011 Total</u>	<u>2010</u> <u>Amount</u>	Percent of <u>2010 Total</u>	Increase (Decrease) <u>Over 2010</u>	Percent of Increase (Decrease)
Revenues						
Property taxes	\$1,245,207	23.21%	\$ 1,200,153	12.43%	\$ 45,054	3.75%
Non-property taxes	803,342	14.97%	756,304	7.83%	47,038	6.22%
Fees and charges	317,498	5.92%	290,901	3.02%	26,597	9.14%
Fines and forfeitures	173,534	3.23%	164,375	1.70%	9,159	5.57%
Intergovernmental	1,304,602	24.32%	6,501,245	67.34%	(5,196,643)	(79.93)%
Licenses and permits	34,657	0.65%	33,914	.35%	743	2.19%
Interest income	243	0.005%	1,133	.01%	(890)	(78.55)%
Contributions and donations	942,985	17.58%	204,200	2.12%	738,785	361.79%
Miscellaneous income	<u>542,560</u>	<u>10.11%</u>	<u>501,778</u>	<u>5.20%</u>	<u>40,782</u>	8.13%
	<u>\$5,364,628</u>	100.00%	<u>\$9,654,003</u>	100.00%	<u>\$(4,289,375)</u>	

Revenues from governmental funds decreased by \$4,289,375. Key elements of this decrease shown above are as follows:

- Intergovernmental funds decreased by \$5.196m or 79.93% compared to last year. The intergovernmental funds consisted mostly of grant funds for capital projects which had less activity in the current year compared to prior years.
- Revenue from interest income decreased 78.55%; reflecting continued declines in interest rates.
- Increases in revenues from contributions and donations resulted in percentage increases from the prior year which offset the decreases 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, 2011 and 2010.

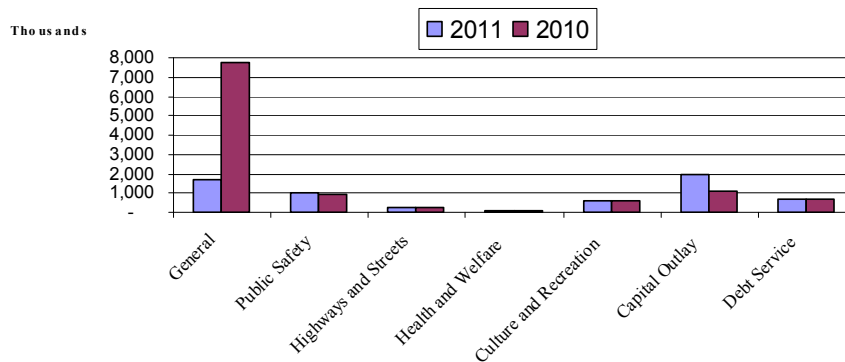
Expenses: General, Special Revenue,
Debt Service and Capital Projects Funds

	<u>2011 Amount</u>	<u>Percent of 2011 Total</u>	<u>2010 Amount</u>	<u>Percent of 2010 Total</u>	<u>Increase (Decrease) Over 2010</u>	<u>Percent of Increase (Decrease)</u>
Expenditures						
General	\$1,639,821	26.05%	\$7,758,697	67.92%	\$(6,118,876)	(78.86)%
Public safety	981,067	15.58%	969,899	8.49%	11,168	1.15%
Highways and streets	271,955	4.32%	250,490	2.19%	21,465	8.57%
Health and welfare	72,412	1.15%	69,632	0.61%	2,780	3.99%
Culture and recreation	448,555	7.12%	554,614	4.86%	(106,059)	(19.12)%
Capital outlay	2,174,522	34.54%	1,113,839	9.75%	1,060,683	95.23%
Debt service	<u>707,562</u>	<u>11.24%</u>	<u>705,538</u>	<u>6.18%</u>	<u>2,024</u>	.29%
	<u>\$6,295,894</u>	100.00%	<u>\$11,422,709</u>	100.00%	<u>\$ (5,126,815)</u>	

Governmental activities incurred expenditures of \$6,295,894 approximately 44.8 percent less expenditures for the City of La Feria, Texas compared to last year. Key elements of this decrease are as follows:

- General expenditures decreased by \$6,118,876 (approximately 79% less from previous year). Most of this change was due to decreased costs incurred related to capital improvements in the water and wastewater plant fund and subsequently transferred to the Waterworks and Sewer System Fund component unit as capital contributions.
- Capital outlay expenditures increased by \$1,060,683 compared to last year which had more capital outlay due to more capital projects including improvements to the streets, and the construction of a recreation center.

Governmental Expenditures



Governmental Fund Balances. The General Fund's fund balance increased by \$328,307 in fiscal year 2010-2011 due to increases in revenue generated from business type activities and contributions and donations. The Water and Wastewater Plant Fund completed the water and sewer system capital improvements throughout the year, decreasing its fund balance by \$114,403. The Certificate of Obligation Series 2008 Fund's fund balance decreased by \$361,836 due to continued capital improvements to the City's streets and the construction of the new indoor recreation center.

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 \$18,990 thereby accounting for approximately 3% 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 slightly by \$2,175 or .5 percent. The primary elements for this decrease are due to decreases in repairs to the vehicles used in the operation of the garbage collection.

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

La Feria, Texas' Component Unit's activities decreased operating revenues by \$5,486,846 thereby accounting for approximately a 56% decrease in revenues. Key elements of this decrease are as follows:

- Capital grants and contributions decreased by 85% from the prior year due to decreased activity in the Water and Sewer System as the water and wastewater capital improvements projects were completed during the year.
- Operating grants and contributions also decreased by 47% from the prior year due mostly to decreases in capital improvements in the Water and Sewer system.

Component Unit's activities decreased the expenditures by \$5,296,976 thereby accounting for approximately a 58% decrease in expenditures. Key elements of this decrease are as follows:

- The Waterworks System decreased operating expenditures from the previous year from \$7.8 to \$3.0 million due mostly in part to less activity and the completion of the water and wastewater capital improvement project.
- The Industrial Development Corporation decreased expenditures by \$386,308 mostly attributed to less contractual activities and a reduction in payments to the primary government for capital improvement projects.

General Fund Budgetary Highlights

Differences between the original budget expenditures and the final amended budget expenditures amounted to a net increase of \$213,042 or 8%; the original budget for revenues and the final amended budget for revenues amounted to a net decrease of \$277,085 or 10% and can be briefly summarized as follows:

Revenues

- A decline in property tax revenue reduced this budget amount by \$181,163 or 24%.
- A decline in miscellaneous revenue reduced this budget amount by \$170,329 or 32% due to a change in the timeline of projects and the receipt of administration funds from internal departments.

Expenditures

- Increased activity in the public safety department increased the budget amount by \$49,487 or 5% due increases in repairs and maintenance.
- The capital outlay budget increased by \$310,497 or 370% due to changes in the start date of some of the capital projects which include a Neighborhood Stabilization Program (NSP) housing project and an 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, 2011, amounts to \$9,367,117 (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 \$1,075,324 or approximately 13 percent.

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

- Construction of an indoor recreation center;
- Street improvements;
- Police equipment;
- Park improvements;
- Completion of construction of new building under general government.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/10</u>
I and	\$ 614,055	\$516,893	\$ -	\$ -	\$ 614,055	\$ 516,893
Building and systems	1,936,483	1,415,006	-	-	1,936,483	1,415,006
Improvements and other than						
buildings	5,938,884	5,463,157	-	-	5,938,884	5,463,157
Machinery and equipment	<u>653,335</u>	<u>652,667</u>	<u>224,360</u>	<u>244,070</u>	<u>877,695</u>	<u>896,737</u>
	<u>\$9,142,757</u>	<u>\$8,047,723</u>	<u>\$224,360</u>	<u>\$244,070</u>	<u>\$9,367,117</u>	<u>\$8,291,793</u>

Additional information on the City's capital assets can be found in Note C 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 \$5,035,000 of (limited) revenue certificates of obligation bonds, and \$8,000,000 of water and wastewater revenue bonds. The City's total long-term debt decreased by \$569,611 during the current fiscal year. The key factor in the decrease was the timely repayment of debt maturities. Moody's Investor Service rated the City with a "Baa3" on general obligation bond issues in September 2011.

Additional information on the City's long-term debt begins in Note D on page 78 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.
- Sales tax has increased by approximately 5% compared to last year, which had a 3.8% decrease compared to prior years. The sales tax revenue is expected to continue its upward trend and was budgeted to increase by 3% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2011-12 fiscal year.

The fees for solid waste and brush collections were increased by \$1.00 and \$.50, respectively. These fee increases are necessary for the operations and maintenance of the waste disposal department. The fees were not increased in the prior 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 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 Texas Capital Fund was established to account for the City's economic development grant received from the State.

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.

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, 2011

Exhibit I

	Primary Government			Component Units
	Governmental Activities	Business - type Activities	Total	Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 376,884	\$ 34,216	\$ 411,100	\$ 101,323
Investments	122,281	-	122,281	-
Receivables (net of allowance for uncollectible)	1,291,123	65,138	1,356,261	428,627
Internal balances	(229,637)	229,537	-	-
Due from component units	1,075,850	-	1,075,850	-
Inventories	30,399	-	30,399	47,035
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	182	-	182	858,570
Bond issue costs	63,750	-	63,750	195,412
Note receivable	-	-	-	727,719
Capital assets (net of accumulated depreciation)				
Land	614,055	-	614,055	3,399,929
Building and system	1,936,483	-	1,936,483	1,494,120
Improvements other than buildings	5,938,884	-	5,938,884	-
Machinery and equipment	653,335	224,360	877,695	375,182
Infrastructure	-	-	-	30,420,489
Certificate of convenience and necessity	-	-	-	110,808
Construction in progress	-	-	-	764,979
Total Assets	<u>11,873,589</u>	<u>553,251</u>	<u>12,426,940</u>	<u>38,924,193</u>
<u>LIABILITIES</u>				
Accounts payable and other				
current liabilities	1,192,721	1,749	1,194,470	19,419
Due to primary government	-	-	-	1,075,950
Unearned revenue	79,061	-	79,061	-
Liabilities payable from restricted assets	-	-	-	136,165
Noncurrent liabilities:				
Due within one year	500,258	-	500,258	498,516
Due in more than one year, net	4,648,225	4,206	4,652,431	8,657,515
Total liabilities	<u>6,420,265</u>	<u>5,955</u>	<u>6,426,220</u>	<u>10,387,565</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	4,083,323	224,360	4,307,683	26,877,175
Restricted for:				
Debt service	74,681	-	74,681	645,119
State and federal programs	100	-	100	-
Capital projects funds	542,798	-	542,798	650,952
Unrestricted:	752,422	322,936	1,075,358	363,382
Total net assets	<u>\$ 5,453,324</u>	<u>\$ 547,296</u>	<u>\$ 6,000,620</u>	<u>\$ 28,536,628</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, 2011

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,125,512	\$ 561,215	\$ 794,658	\$ 917,482
Public safety	1,212,459	198,684	235,662	-
Highways and streets	336,097	125	-	-
Health and welfare	89,491	34,657	-	275,572
Culture and recreation	757,048	87,353	18,814	-
Interest on long term debt	258,012	-	-	-
Total governmental activities	<u>4,778,619</u>	<u>882,034</u>	<u>1,049,134</u>	<u>1,193,054</u>
Business - type activities:				
Sanitation services	\$ 462,764	\$ 707,360	\$ -	\$ -
Total Business-type activities	<u>462,764</u>	<u>707,360</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 5,241,383</u>	 <u>\$ 1,589,394</u>	 <u>\$ 1,049,134</u>	 <u>\$ 1,193,054</u>
Component Units				
Waterworks and Sewer Systems	\$ 3,024,940	\$ 2,308,698	\$ 123,655	\$ 868,581
Industrial Development Corporation	606,962	190,760	300,000	-
Economical Development Corporation	200,375	-	-	-
Total component units	<u>\$ 3,832,277</u>	<u>\$ 2,499,458</u>	<u>\$ 423,655</u>	<u>\$ 868,581</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 Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business - type Activities	Total	Component Units
\$ 147,843	\$ -	\$ 147,843	\$ -
(778,113)	-	(778,113)	-
(335,972)	-	(335,972)	-
220,738	-	220,738	-
(650,881)	-	(650,881)	-
(258,012)	-	(258,012)	-
<u>(1,654,397)</u>	<u>-</u>	<u>(1,654,397)</u>	<u>-</u>
<u>-</u>	<u>244,596</u>	<u>244,596</u>	<u>-</u>
<u>-</u>	<u>244,596</u>	<u>244,596</u>	<u>-</u>
(1,654,397)	244,596	(1,409,801)	-
-	-	-	275,994
-	-	-	(116,202)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,375)</u>
-	-	-	(40,583)
612,508	-	612,508	-
663,699	-	663,699	-
464,453	-	464,453	464,454
321,325	-	321,325	-
17,564	-	17,564	-
243	-	243	4,305
488,201	-	488,201	13,534
<u>532,213</u>	<u>(532,213)</u>	<u>-</u>	<u>-</u>
<u>3,100,206</u>	<u>(532,213)</u>	<u>2,567,993</u>	<u>482,293</u>
1,445,809	(287,617)	1,158,192	441,710
4,007,515	834,913	4,842,428	28,094,918
<u>\$ 5,453,324</u>	<u>\$ 547,296</u>	<u>\$ 6,000,620</u>	<u>\$28,536,628</u>

City of La Feria, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Debt Service Fund	CDBG Fund
ASSETS			
Cash and cash equivalents	\$ 66,575	\$ 21,786	\$ 100
Investments	75,000	-	-
Receivables			
Property Taxes, net	131,027	136,352	-
Nonproperty taxes	44,465	-	-
Service, net	30,270	-	-
Special assessment	28,601	-	-
Other	278,720	-	188,322
Due from other funds	227,430	-	-
Due from component units	569,028	-	127,402
Inventories	30,399	-	-
Restricted assets			
Temporarily restricted			
Cash and cash equivalents	-	-	-
TOTAL ASSETS	<u>\$1,481,515</u>	<u>\$ 158,138</u>	<u>\$315,824</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	276,023	-	\$ 80,179
Accrued liabilities	33,007	-	-
Due to other funds	470,755	-	235,645
Deferred revenues	186,424	112,410	-
Total liabilities	<u>966,209</u>	<u>112,410</u>	<u>315,824</u>
Fund balances:			
Nonspendable fund balances:			
Inventories	30,399	-	-
Restricted fund balances:			
Federal/State funds grant restrictions	-	-	-
Retirement of long-term debt	-	45,728	-
Capital projects	-	-	-
Community development programs	-	-	-
Committed fund balances:			
Home Program	80,000	-	-
Unassigned	404,907	-	-
Total fund balance	<u>515,306</u>	<u>45,728</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,481,515</u>	<u>\$ 158,138</u>	<u>\$315,824</u>

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

Texas Capital Fund	Water and Wastewater Plant Fund	Certificates of Obligation Series 2008 Fund	Other Governmental Funds	Total Governmental Funds
\$ 200	\$ -	\$ -	\$ 288,223	\$ 376,884
	-	-	47,281	122,281
	-	-	-	267,379
	-	-	-	44,465
	-	-	-	30,270
	-	-	-	28,601
342,225	100,000	-	11,041	920,308
	-	285,334	22,698	535,462
-	269,777	109,643	-	1,075,850
	-	-	-	30,399
-	182	-	-	182
<u>\$ 342,425</u>	<u>\$ 369,959</u>	<u>\$ 394,977</u>	<u>\$ 369,243</u>	<u>\$ 3,432,081</u>
\$ 283,826	269,959	245,598	4,130	1,159,715
	-	-	-	33,007
58,599	-	-	-	764,999
-	-	-	-	298,834
<u>342,425</u>	<u>269,959</u>	<u>245,598</u>	<u>4,130</u>	<u>2,256,555</u>
-	-	-	-	30,399
-	-	-	100	100
	-	-	-	45,728
-	100,000	149,379	293,419	542,798
-	-	-	71,594	71,594
-	-	-	-	80,000
-	-	-	-	404,907
<u>-</u>	<u>100,000</u>	<u>149,379</u>	<u>365,113</u>	<u>1,175,526</u>
<u>\$ 342,425</u>	<u>\$ 369,959</u>	<u>\$ 394,977</u>	<u>\$ 369,243</u>	<u>\$ 3,432,081</u>



City of La Feria, Texas
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 September 30, 2011

	<u>Governmental Activities</u>
Fund balance -- total governmental funds	\$ 1,175,526
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.	9,142,757
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	219,774
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,148,483)
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>63,750</u>
Net assets of governmental activities	<u>\$ 5,453,324</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, 2011

	General Fund	Debt Service Fund	CDBG Fund
Revenues			
Taxes:			
Property	\$ 584,346	\$ 634,746	\$ -
Sales	464,453	-	-
Franchise	321,325	-	-
Other	-	-	-
Licenses and permits	34,657	-	-
Intergovernmental	234,741	-	497,264
Fees and charges	267,746	-	-
Fines	173,534	-	-
Interest income	69	-	-
Contributions and donations	923,482	-	-
Other	455,383	28,354	-
Total revenues	3,459,736	663,100	497,264
Expenditures			
Current			
General government	887,919	-	624,666
Public safety	981,067	-	-
Highways and streets	271,955	-	-
Health and welfare	72,412	-	-
Culture and recreation	285,420	-	-
Debt service		-	
Principal retirement	23,300	430,000	-
Interest and fiscal agent fees	2,325	251,937	-
Capital outlay	1,283,954	-	-
Total expenditures	3,808,352	681,937	624,666
Excess (deficiency) of revenues over (under) expenditures	(348,616)	(18,837)	(127,402)
Other financing sources (uses)			
Transfers in	948,551	166,278	127,402
Transfers (out)	(271,628)	(123,499)	(60)
Total other financing sources (uses)	676,923	42,779	127,342
Net change in fund balances	328,307	23,942	(60)
Fund balances, beginning	186,999	21,786	60
Prior period adjustment	-	-	-
Fund balances, as restated	186,999	21,786	60
Fund balances, ending	\$ 515,306	\$ 45,728	\$ -

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

Texas Capital Fund	Water and Wastewater Plant Fund	Certificates of Obligation Series 2008 Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 26,115	\$ 1,245,207
-	-	-	-	464,453
-	-	-	-	321,325
-	-	-	17,564	17,564
-	-	-	-	34,657
556,592	-	-	16,005	1,304,602
-	-	-	49,752	317,498
-	-	-	-	173,534
-	-	-	174	243
-	-	-	19,503	942,985
-	10,992	-	47,831	542,560
556,592	10,992	-	176,944	5,364,628
26,295	1,800	7,149	91,992	1,639,821
-	-	-	-	981,067
-	-	-	-	271,955
-	-	-	-	72,412
-	-	-	163,135	448,555
-	-	-	-	453,300
-	-	-	-	254,262
530,297	-	354,687	5,584	2,174,522
556,592	1,800	361,836	260,711	6,295,894
-	9,192	(361,836)	(83,767)	(931,266)
-	60	-	105,350	1,347,641
-	(123,655)	-	-	(518,842)
-	(123,595)	-	105,350	828,799
-	(114,403)	(361,836)	21,583	(102,467)
-	214,403	511,215	343,530	1,277,993
-	-	-	-	-
-	214,403	511,215	343,530	1,277,993
\$ -	\$ 100,000	\$ 149,379	\$ 365,113	\$ 1,175,526



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, 2011

	<u>Governmental Activities</u>
Net change in fund balances -- total governmental funds	\$ (102,467)
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 \$1,113,839 exceeded depreciation expense of (\$751,931) in the current period.	1,095,034
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	31,000
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.	(6,262)
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.	(21,046)
Bond issuance costs and similar items are amortized in the statement of activities but not in the funds.	(3,750)
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.	23,300
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>430,000</u>
Change in net assets of governmental activities	<u>\$ 1,445,809</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, 2011

	Business-type Activities
	Waste Disposal Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 34,216
Service receivable, net	65,138
Due from other funds	<u>229,537</u>
Total current assets	328,891
Noncurrent assets:	
Capital assets	
Machinery and equipment	896,547
Less accumulated depreciation	<u>(672,187)</u>
Total capital assets (net of accumulated depreciation)	<u>224,360</u>
TOTAL ASSETS	<u>\$ 553,251</u>
LIABILITIES AND NET ASSETS	
Non current liabilities	
Accounts payable	1,749
Net pension obligation	<u>4,206</u>
Total non current liabilities	<u>5,955</u>
 Total liabilities	 <u>5,955</u>
Net assets	
Invested in capital assets	224,360
Unrestricted	<u>322,936</u>
Total net assets	<u>547,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 553,251</u>

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

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

For the year ended September 30, 2011

Business-type
 Activities

Waste
 Disposal
 Fund

Operating revenues	
Charges for services	\$ 707,360
Total operating revenues	707,360
Operating expenses	
Personnel services	101,277
Contractual services	197,445
Materials, supplies and repairs	66,083
Heat, light and power	40,249
Depreciation	57,710
Total operating expense	462,764
Income before transfers	244,596
Transfers out	(532,213)
Change in net assets	(287,617)
Net assets--beginning	834,913
Total net assets, end of year	\$ 547,296

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, 2011

	Business-type Activities
	<u>Waste Disposal Fund</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 474,091
Payments to suppliers	(302,028)
Payments to employees	<u>(99,847)</u>
Net cash provided (used) by operations	72,216
Cash flows from (to) noncapital financing activities	
Transfer out	<u>(532,213)</u>
Net cash provided (used) by noncapital financing activities	(532,213)
Cash flows from capital and related financing activities	
Capital asset purchases	<u>(38,000)</u>
Net cash used by capital and related financing activities	(38,000)
Net increase (decrease) in cash and cash equivalents	(497,997)
Cash and cash equivalents, beginning of year	<u>532,213</u>
Cash and cash equivalents, end of year	<u>\$ 34,216</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 244,596
Adjustments to reconcile net income from operations to net cash from operating activities	
Depreciation expense	57,710
Effect of increases and decreases in current assets and liabilities	
Decrease (increase) in receivables	(3,732)
Increase (decrease) in accounts payable	1,749
Increase (decrease) in net pension obligation	1,430
Increase (decrease) in interfund	<u>(229,537)</u>
Total adjustments	<u>(172,380)</u>
Net cash provided (used) by operations	<u>\$ 72,216</u>
Supplemental disclosure of noncash activities	\$ -

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, 2011

	Waterworks and Sewer System	La Feria Industrial Development Corporation	La Feria Economic Development Corporation	Totals
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 54,865	\$ -	\$ 46,458	\$ 101,323
Receivables				
Service	210,465	-	-	210,465
Other	172,358	100	6,000	178,458
Intergovernmental	-	19,852	19,852	39,704
Current portion of note receivable	-	60,160	101,627	161,787
Inventories	47,035	-	-	47,035
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	781,284	77,286	-	858,570
Total current assets	<u>1,266,007</u>	<u>157,398</u>	<u>173,937</u>	<u>1,597,342</u>
NOTES RECEIVABLE	-	513,506	52,426	565,932
CAPITAL ASSETS				
Depreciable				
Buildings	-	1,494,120	-	1,494,120
Water distribution system	13,876,857	-	-	13,876,857
Sewer distribution system	21,451,430	-	-	21,451,430
Furniture, fixture and equipment	926,992	-	-	926,992
Vehicles	104,581	-	-	104,581
	<u>36,359,860</u>	<u>1,494,120</u>	<u>-</u>	<u>37,853,980</u>
Less accumulated depreciation	<u>(5,564,189)</u>	<u>-</u>	<u>-</u>	<u>(5,564,189)</u>
	<u>30,795,671</u>	<u>1,494,120</u>	<u>-</u>	<u>32,289,791</u>
Non depreciable				
Land	338,496	3,061,433	-	3,399,929
Certificate of Convenience and Necessity	110,808	-	-	110,808
Construction in Progress	764,979	-	-	764,979
	<u>1,214,283</u>	<u>3,061,433</u>	<u>-</u>	<u>4,275,716</u>
Total capital assets (net of accumulated depreciation)	32,009,954	4,555,553	-	36,565,507
Bond issuance cost, net	195,412	-	-	195,412
Total noncurrent assets	<u>32,205,366</u>	<u>4,555,553</u>	<u>-</u>	<u>36,760,919</u>
Total Assets	<u>\$ 33,471,373</u>	<u>\$ 5,226,457</u>	<u>\$ 226,363</u>	<u>\$ 38,924,193</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, 2011

	Waterworks and Sewer System	La Feria Industrial Development Corporation	La Feria Economic Development Corporation	Totals
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable	\$ 7,541	\$ 2,003	\$ 968	\$ 10,512
Accrued expenses and liabilities	2,907	6,000	-	8,907
Due to primary government	507,791	568,159	-	1,075,950
Current portion of revenue bonds payable	345,000	153,516	-	498,516
Total current liabilities	<u>863,239</u>	<u>729,678</u>	<u>968</u>	<u>1,593,885</u>
Current liabilities payable from restricted assets				
Meter deposits	<u>136,165</u>	<u>-</u>	<u>-</u>	<u>136,165</u>
Total current liabilities payable from restricted	<u>136,165</u>	<u>-</u>	<u>-</u>	<u>136,165</u>
Noncurrent liabilities				
Net pension obligation	35,858	-	-	35,858
Notes payable	-	966,657	-	966,657
Revenue bonds payable (net of amortized discounts and deferred amount on refunding)	<u>7,655,000</u>	<u>-</u>	<u>-</u>	<u>7,655,000</u>
Total noncurrent liabilities	<u>7,690,858</u>	<u>966,657</u>	<u>-</u>	<u>8,657,515</u>
Total liabilities	<u>8,690,262</u>	<u>1,696,335</u>	<u>968</u>	<u>10,387,565</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	24,009,954	2,867,221	-	26,877,175
Restricted for debt service	645,119	-	-	645,119
Restricted for capital projects	-	650,952	-	650,952
Unrestricted:	<u>126,038</u>	<u>11,949</u>	<u>225,395</u>	<u>363,382</u>
Total net assets	<u>\$24,781,111</u>	<u>\$ 3,530,122</u>	<u>\$ 225,395</u>	<u>\$ 28,536,628</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, 2011

		Program revenues		
		Charges for	Operating	Capital Grants
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>and</u> <u>Contributions</u>
<u>Component units</u>				
Waterworks and Sewer System	\$ 3,024,940	\$ 2,308,698	\$ 123,655	\$ 868,581
Industrial Development Corporation	606,962	190,760	300,000	-
Economic Development Corporation	200,375	-	-	-
Total net assets	<u>\$ 3,832,277</u>	<u>\$ 2,499,458</u>	<u>\$ 423,655</u>	<u>\$ 868,581</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			
<u>Waterworks and Sewer System</u>	<u>Industrial Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Totals</u>
\$ 275,994	\$ -	\$ -	\$ 275,994
-	(116,202)	-	(116,202)
<u>-</u>	<u>-</u>	<u>(200,375)</u>	<u>(200,375)</u>
275,994	(116,202)	(200,375)	(40,583)
-	232,227	232,227	464,454
1,012	3,293	-	4,305
<u>-</u>	<u>11,461</u>	<u>2,073</u>	<u>13,534</u>
1,012	246,981	234,300	482,293
277,006	130,779	33,925	441,710
<u>24,504,105</u>	<u>3,399,343</u>	<u>191,470</u>	<u>28,094,918</u>
<u>\$ 24,781,111</u>	<u>\$ 3,530,122</u>	<u>\$ 225,395</u>	<u>\$ 28,536,628</u>



NOTES TO FINANCIAL STATEMENTS

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2011

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, 2011

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.

The CDBG (Community Development Block Grant) Fund, a Capital Projects Fund, accounts for the projects that complement the capital improvements of the water and sewer system

The Texas Capital Fund, a Special Revenue Fund, accounts for the City's economic development grants received from the State.

The Water and Wastewater Plant Fund, a Capital Projects Fund, accounts for the construction of a wastewater plant and the expansion of the current water plant with the use of grants and loans.

The Certificates of Obligation Series 2008 Fund, a Capital Projects Fund, accounts for various capital improvements with the use of proceeds from the issuance of Certificates of Obligation Series 2008.

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, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Proprietary fund 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 Reporting

As of these financial statements 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, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2011

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, 2011, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$533,563. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011 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, 2011 are maintained at Compass Bank and totaled \$533,563 and \$1,337,030 at September 30, 2011 and 2010, 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 \$2,950,259 and occurred during the month of May 2011.

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, 2011

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	0.39%	\$ 75,000	November 26, 2011	91
Certificate of Deposit	0.14%	\$ 47,281	October 19, 2011	60
		<u>\$ 122,281</u>		
 Certificate of Deposit	 0.24%	 \$ 5,903	 October 18, 2011	 30 *
Certificate of Deposit	0.29%	\$ 233,779	October 18, 2011	30 *
		<u>\$ 239,682</u>		

* 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 levies 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, 2011

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, 2011

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, 2011 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 \$19,562, this year's liability due within a year is \$25,824. This amount is included in noncurrent liabilities in the government-wide statement of net assets.

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, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

i. *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, 2011.

j. *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 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.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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 <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Gross property taxes receivable	\$183,390	\$178,400	\$ 361,790
Less allowance for doubtful accounts	<u>(52,363)</u>	<u>(42,048)</u>	<u>(94,411)</u>
Net property taxes receivable	<u>\$131,028</u>	<u>\$136,351</u>	<u>\$ 267,379</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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, 2011, the City reflected service receivables of the following:

Primary Government	
Waste disposal services	\$ 65,138
Component Units Activities	
Water services	116,631
Sewer services	<u>93,832</u>
	210,463
Other	<u>172,358</u>
	<u>\$382,821</u>

3. Governmental Activities

Receivables for governmental activities at September 30, 2011, consisted of the following:

	General	Debt Service	CDBG Fund	Texas Capital Fund	Water and Wastewater	Nonmajor	Total
Receivables:							
Property Taxes	\$ 183,391	\$ 178,399	\$ -	\$ -	\$ -	\$ -	\$ 361,790
Other taxes	44,465	-	-	-	-	-	44,465
Accounts	30,270	-	-	-	-	-	30,270
Special Assessments	28,601	-	-	-	-	-	28,601
Intergovernmental	278,720	-	188,322	342,225	100,000	11,041	920,308
Gross receivables	565,447	178,399	188,322	342,225	100,000	11,041	1,385,434
Less allowance for uncollectibles	<u>(52,363)</u>	<u>(42,048)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,411)</u>
Net total receivables	<u>\$ 513,084</u>	<u>\$ 136,351</u>	<u>\$ 188,322</u>	<u>\$ 342,225</u>	<u>\$ 100,000</u>	<u>\$ 11,041</u>	<u>\$ 1,291,023</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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, 2011, the balances in these funds are as indicated as follows:

Governmental Funds

Capital Projects Funds	
Future construction and capital improvements	\$ <u>182</u>

Component Units

Enterprise Funds	
LFIDC Revolving Loan Fund – business loans	\$ 77,286
Debt Service Reserve	645,119
Meter deposits	<u>136,165</u>
	<u>\$858,570</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>2011</u>	<u>2010</u>
Long-term assets		
Capital assets, net of accumulated depreciation	\$9,142,757	\$8,047,723
Less related liabilities (bonds and notes payable)	<u>(5,059,434)</u>	<u>(5,512,734)</u>
Invested in capital assets net of related debt	4,083,323	2,534,989
<i>Restricted Net Assets consist of the following:</i>		
Debt service	74,681	27,209
State and Federal Programs	100	-
Capital projects	544,745	987,468
Unrestricted net assets	<u>750,475</u>	<u>457,849</u>
Total net assets	<u>\$5,453,324</u>	<u>\$4,007,515</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

D. Capital Assets

Capital assets activity for the year ended September 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u> <u>September 30, 2011</u>
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 516,893	\$ 97,162	\$ -	\$ -	\$ 614,055
Total capital assets, not being depreciated	516,893	97,162	-	-	614,055
Capital assets, being depreciated					
Buildings and systems	2,530,588	585,738	-	-	3,116,326
Improvements other than buildings	12,186,310	1,055,860	-	-	13,242,170
Machinery and equipment	<u>2,602,171</u>	<u>213,797</u>	<u>-</u>	<u>-</u>	<u>2,815,968</u>
Total capital assets, being depreciated	17,319,069	1,855,395	-	-	19,174,464
Less accumulated depreciation for					
Buildings and systems	(1,115,582)	(64,261)	-	-	(1,179,843)
Improvements other than buildings	(6,723,153)	(580,133)	-	-	(7,303,286)
Machinery and equipment	<u>(1,949,504)</u>	<u>(213,129)</u>	<u>-</u>	<u>-</u>	<u>(2,162,633)</u>
Total accumulated depreciation	<u>(9,788,239)</u>	<u>(857,523)</u>	<u>-</u>	<u>-</u>	<u>(10,645,762)</u>
Total capital assets, being depreciated, net	<u>7,530,830</u>	<u>997,872</u>	<u>-</u>	<u>-</u>	<u>8,528,702</u>
Governmental activities capital assets, net	\$ <u>8,047,723</u>	\$ <u>1,095,034</u>	<u>-</u>	\$ <u>-</u>	\$ <u>9,142,757</u>
Business-type Activities					
Capital assets, being depreciated					
Machinery and equipment	\$ 858,547	\$ 38,000	\$ -	\$ -	\$ 896,547
Total capital assets, being depreciated	858,547	38,000	-	-	896,547
Less accumulated depreciation for					
Machinery and equipment	<u>(614,477)</u>	<u>(57,710)</u>	<u>-</u>	<u>-</u>	<u>(672,187)</u>
Total accumulated depreciation	<u>(614,477)</u>	<u>(57,710)</u>	<u>-</u>	<u>-</u>	<u>(672,187)</u>
Total capital assets being depreciated, net	<u>244,070</u>	<u>(19,710)</u>	<u>-</u>	<u>-</u>	<u>224,360</u>
Business-type activities capital assets, net	\$ <u>244,070</u>	\$ <u>(19,710)</u>	<u>-</u>	\$ <u>-</u>	\$ <u>224,360</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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	\$ 51,216
Public safety	143,227
Highways and streets	450,905
Health and welfare	4,428
Culture and recreation	<u>207,747</u>

Total depreciation expenses – governmental activities \$857,523

Business-type activities

Sanitation	<u>\$ 57,710</u>
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Total depreciation expenses – business-type activities \$ 57,710

Discretely Presented Component Units

	Beginning Balance <u>October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Ending Balance <u>September 30, 2011</u>
Waterworks and Sewer System					
Capital assets, not being depreciated					
Land	\$ 338,496	\$ -	\$ -	\$ -	\$ 338,496
CCN	-	110,808	-	-	110,808
Construction in progress	<u>5,142,587</u>	<u>1,185,858</u>	<u>-</u>	<u>(5,563,466)</u>	<u>764,979</u>
Total capital assets, not being depreciated	5,481,083	1,296,666	-	(5,563,466)	1,214,283
Capital assets, being depreciated					
Machinery and equipment	744,197	18,911	(2,206)	270,671	1,031,573
Infrastructure	<u>29,894,660</u>	<u>140,832</u>	<u>-</u>	<u>5,292,795</u>	<u>35,328,287</u>
Total capital assets, being depreciated	30,638,857	159,743	(2,206)	5,563,466	36,359,860
Less accumulated depreciation for					
Machinery and equipment	(616,107)	(40,284)	-	-	(656,391)
Infrastructure	<u>(4,164,408)</u>	<u>(743,390)</u>	<u>-</u>	<u>-</u>	<u>(4,907,798)</u>
Total accumulated depreciation	<u>(4,780,515)</u>	<u>(783,674)</u>	<u>-</u>	<u>-</u>	<u>(5,564,189)</u>
Total capital assets, being depreciated, net	<u>25,858,342</u>	<u>(623,931)</u>	<u>(2,206)</u>	<u>5,563,466</u>	<u>30,795,671</u>
Waterworks and Sewer System activities capital assets, net	<u>\$31,339,425</u>	<u>\$ 672,735</u>	<u>\$ (2,206)</u>	<u>\$ -</u>	<u>\$32,009,954</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

	<u>Beginning Balance October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance September 30, 2011</u>
Industrial Development Corporation					
Capital assets not being depreciated					
Land	\$3,082,918	\$ -	\$ (21,485)	\$ -	\$3,061,433
Total capital assets not being depreciated	3,082,918	-	(21,485)	-	3,061,433
Capital assets being depreciated					
Buildings	1,719,891	2,162	-	-	1,722,053
Machinery and equipment	<u>24,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,184</u>
Total capital assets being depreciated	<u>1,744,075</u>	<u>2,162</u>	<u>-</u>	<u>-</u>	<u>1,746,237</u>
Less accumulated depreciation for					
Building	(175,342)	(52,591)	-	-	(227,933)
Machinery and equipment	<u>(24,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,184)</u>
Total accumulated depreciation	<u>(199,526)</u>	<u>(52,591)</u>	<u>-</u>	<u>-</u>	<u>(252,117)</u>
Total capital assets being depreciated, net	<u>1,544,549</u>	<u>(50,429)</u>	<u>-</u>	<u>-</u>	<u>1,494,120</u>
Industrial Development Corporation activities capital assets, net	<u>\$4,627,467</u>	<u>\$ (50,429)</u>	<u>\$ (21,485)</u>	<u>\$ -</u>	<u>\$4,555,553</u>

	<u>Beginning Balance October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance September 30, 2011</u>
Economic Development Corporation					
Capital assets not being depreciated					
Land	\$17,550	\$ -	\$ (17,550)	\$ -	\$ -
Total capital assets not being depreciated	17,550	-	(17,550)	-	-
Capital assets being depreciated					
Buildings and improvements	<u>21,319</u>	<u>-</u>	<u>(21,319)</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>21,319</u>	<u>-</u>	<u>(21,319)</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for					
Building and improvements	<u>(790)</u>	<u>(65)</u>	<u>855</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(790)</u>	<u>(65)</u>	<u>855</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>20,529</u>	<u>(65)</u>	<u>(20,464)</u>	<u>-</u>	<u>-</u>
Economic Development Corporation activities capital assets, net	<u>\$ 38,079</u>	<u>\$ (65)</u>	<u>\$ (38,014)</u>	<u>\$ -</u>	<u>\$ -</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

Construction Commitments

At September 30, 2011, the City was a party to the following contracts:

Waterworks and Sewer System:

Projects	Estimated Projected Costs	Expended to Date	Completed to Date	Construction in Progress	Estimated Amount Remaining
Allied Waste Project	\$ 237,700	\$ 221,865	\$ -	\$ 221,865	\$ 15,835
Sewer Pressure Main -Lilac LS	460,653	460,653	-	460,653	-
WP Solar Project	1,050,000	27,287	-	27,287	1,022,713
CIP Water Improvements	7,167,700	55,174	-	55,174	7,112,526
Total Projects	\$ 8,916,053	\$ 764,979	\$ -	\$ 764,979	\$ 8,151,074

At September 30, 2011 the City had several projects in progress. One of the projects was for the rehabilitation of a lift station and pressure main which was made possible from grant funds received from the Texas Department of Agriculture under the Community Development Program in the amount of \$360,310 and a local funds match of \$100,343. The final walk through was completed in late September and the projected was accepted as completed by the City Commission on October 25, 2011.

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 \$237,700 and is expected to be completed in 2012.

The City applied for and was awarded a grant in the amount of \$900,000 from the State Energy Conservation Office (SECO) for the construction of solar panels at the water plant in an effort to significantly reduce the energy costs for the operation of the facility. The total cost of the project is estimated to be \$1,050,000. The project is still in its engineering phase and is expected to be completed in 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 June 2012 and is expected to be completed by July 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, 2011 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, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

Texas Capital Fund:

	Estimated Projected Costs	Expended to Date	Estimated Amount Remaining
Construction Project - Texas Capital Fund			
Building Facility	\$ 608,057	\$ 608,057	\$ -

The Texas Department of Agriculture is a state agency providing a real estate grant of \$603,288 to develop a building facility for the use of a local business. Ownership of the building is maintained in the name of the City and construction was completed in June 2011.

E. Interfund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
C.O. Bonds - Series 2008	CDBG fund	\$ 235,545
General fund	General fund – pooled cash	218,520
General fund	Texas Capital fund	8,810
Nonmajor fund	General fund	22,698
C.O. Bonds - Series 2008	Texas Capital fund	49,789
General fund	CDBG fund	<u>100</u>
Interfund receivable		535,462
Enterprise fund	General fund	<u>229,537</u>
Interfund payable		\$ <u>764,999</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.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

Transfers

Inter-fund transfers for the year ended September 30, 2011, are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General fund	Debt service fund	\$ 166,278
General fund	Nonmajor fund	105,350
Debt service fund	General fund	123,499
Component Unit	General fund	292,839
Nonmajor fund	General fund	127,402
CDBG fund	Water and Wastewater Plant fund	60
Enterprise fund	General fund	<u>532,213</u>
Transfers in		<u>\$1,347,641</u>
Debt Service fund	General fund	\$ 166,278
CDBG fund	Nonmajor fund	105,350
General fund	Debt Service fund	123,499
Water and Wastewater Plant fund	CDBG fund	60
General fund	Water and Wastewater Plant fund	<u>123,655</u>
Transfers out		<u>\$ 518,842</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.

NOTE D – LONG-TERM DEBT

Primary Government

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

Long-term notes payable at September 30, 2011 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 annually (including interest). The note was secured by a Pierce Fire Truck and payable from the general fund revenues and matures on February 15, 2012. Current balance is \$24,434.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE D – LONG-TERM DEBT – Continued

2. *Certificates of Obligation*

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, and the library expansion.

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.

In September 2008, the City issued \$3,275,000 Certificates of Obligation – Series 2008 for infrastructure, equipment, parks and library expansion. Principal payments are due annually beginning in 2010 through 2028 with installments ranging from \$105,000 to \$260,000. The certificates of obligation will be repaid partially through property tax revenue and partially through payments from the Economic Development Corporation and the Industrial Development Corporation for their portion of the outstanding debt equaling \$1,195,000 and \$715,000, respectively as of September 30, 2011. The IDC and EDC have each committed to the City for their portion of outstanding debt.

General obligation bonds and certificates of obligation currently outstanding as of September 30, 2011 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<i>Certificates of obligation bonds</i>		
Governmental activities	4.00 – 7.00%	<u>\$5,035,000</u>

Enterprise Fund

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE D – LONG-TERM DEBT – Continued

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 Loan	Rate	Loan Date	Balance September 30,		Current Term Portion	Long- Term Portion
				2011	2010		
Land – 19.52 acres	\$ 99,000	4.50%	January 2005	\$ 58,044	\$ 66,656	\$ 9,031	\$ 49,013
Grain Elevator Property	272,000	6.00%	April 2005	203,757	218,196	15,492	188,265
Access Point #1	220,000	8.00%	April 2005	91,618	116,007	25,549	66,069
Public Works Warehouse & Land	340,000	7.00%	July 2009 & 2009	226,415	251,990	27,419	198,996
FM 506 & Dodd Lane	153,000	7.00%	July 2009	112,241	125,583	13,866	98,375
LF Lions Villa	643,919	7.25%	January 2009	428,098	499,002	62,159	365,939
				<u>\$1,120,173</u>	<u>\$1,277,434</u>	<u>\$153,516</u>	<u>\$966,657</u>

3. Revenue Bonds issued by Component Units

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

For the purpose of partially financing the improvements and extensions of the water/sewer infrastructure the Waterworks and Sewer system issued a combined amount of \$9,906,000 in revenue bonds, Series 2004, 2004-A and 2009 at a 4.54% average interest rate with a maturity date of September 15, 2028. The bonds are secured by a lien on and by pledging the net revenues of the System. The principal balance outstanding on these bonds at September 30, 2011 was \$8,000,000.

On December 1, 2009, the Board approved the issuance of City of La Feria, Texas Utility System Revenue Bonds, Series 2009 totaling \$880,000 under the American Recovery and Reinvestment Act (ARRA) of 2009 through the Texas Water Development Board (TWDB) Drinking Water State Revolving Fund (DWSRF). The bond proceeds were disbursed on a reimbursement basis after the System pays for capital expenses. As of September 30, 2011, the System had received \$880,000 of the \$880,000 bond issue. The System received \$550,000 in the prior fiscal year and the balance of \$330,00 was received this fiscal year. The proceeds were used to replace the existing filter at the water plant with a more energy efficient filter.

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>\$8,000,000</u>

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE D – LONG-TERM DEBT – Continued

4. Changes in Long-Term Debt

During the year ended September 30, 2011, the following changes occurred:

	Beginning Balance <u>10/1/2010</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>9/30/2011</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>Certificate of Obligation Bonds</i>					
Tax and Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation - Series 1997	\$ 205,000	\$ -	\$ 100,000	\$105,000	\$105,000
Combination Tax and Limited Pledges Revenue Certificates of Obligation - Series 2000	310,000	-	55,000	255,000	55,000
Texas Tax and Limited Pledge Revenue Certificate of Obligation - Series 2004	1,780,000	-	165,000	1,615,000	170,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation – Series 2008	<u>3,170,000</u>	<u>-</u>	<u>110,000</u>	<u>3,060,000</u>	<u>120,000</u>
	5,465,000	-	430,000	5,035,000	450,000
Notes Payable	47,734	-	23,300	24,434	24,434
Net Pension Obligation	42,179	21,046	-	63,225	-
Compensated Absences	<u>19,562</u>	<u>30,469</u>	<u>24,207</u>	<u>25,824</u>	<u>25,824</u>
Total Governmental Activities	5,574,475	51,515	477,507	5,148,483	500,258
Business-type Activities					
Notes Payable	-	-	-	-	-
Net Pension Obligation	<u>2,776</u>	<u>1,430</u>	<u>-</u>	<u>4,206</u>	<u>-</u>
Total Business-type Activities	2,776	1,430	-	4,206	-
Component Units Activities					
Revenue Bonds					
Water and Sewer Infrastructure Revenue Bonds	8,000,000	330,000	330,000	8,000,000	345,000
Notes Payable	1,277,434	-	157,261	1,120,173	153,516
Net Pension Obligation	<u>23,646</u>	<u>12,212</u>	<u>-</u>	<u>35,858</u>	<u>-</u>
Total Component Units Activities	<u>9,301,080</u>	<u>342,212</u>	<u>487,261</u>	<u>9,156,031</u>	<u>498,516</u>
Total Government-Wide Long-Term Obligations	<u>\$14,878,331</u>	<u>\$ 395,157</u>	<u>\$964,768</u>	<u>\$14,308,720</u>	<u>\$ 998,774</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, 2011

NOTE D – LONG-TERM DEBT – Continued

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

Year Ending September 30,	Governmental Activities			Component Units Activities			Total Requirements
	Primary Government						
	General Obligation Bonds	General Obligation Bonds	Total	Revenue Bonds	Revenue Bonds	Total	
	Principal	Interest		Principal	Interest		
2012	\$ 450,000	\$ 228,951	\$ 678,951	\$ 345,000	\$ 300,119	\$ 645,119	\$ 1,324,070
2013	360,000	210,039	570,039	380,000	286,673	666,673	1,236,712
2014	370,000	193,090	563,090	455,000	272,539	727,539	1,290,629
2015	385,000	175,661	560,661	470,000	255,911	725,911	1,286,572
2016-2020	1,710,000	614,285	2,324,285	2,650,000	1,003,888	3,653,888	5,978,173
2021-2025	1,015,000	315,191	1,330,191	2,780,000	456,506	3,236,506	4,566,697
2026-2030	745,000	56,554	801,554	810,000	62,307	872,307	1,673,861
2031-2032	-	-	-	110,000	-	110,000	110,000
	<u>\$5,035,000</u>	<u>\$1,793,771</u>	<u>\$6,828,771</u>	<u>\$8,000,000</u>	<u>\$2,637,943</u>	<u>\$10,637,943</u>	<u>\$17,466,714</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, 2011, 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, 2011

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	\$219,771	\$ -	\$219,771
Other	<u>-</u>	<u>79,063</u>	<u>79,063</u>
Total deferred/unearned revenue for governmental funds	<u>\$219,771</u>	<u>\$ 79,063</u>	<u>\$298,834</u>

NOTE G – COMMITMENTS AND CONTINGENCIES

1. *Litigation*

At September 30, 2011, 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, 2011

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

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

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

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated service credit	100% Repeating, transfers	100% Repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

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

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

	<u>Primary Government</u>	<u>Component Unit</u>
Annual Required Contribution (ARC)	\$129,993	\$ 70,690
Interest on net pension obligation	-	-
Adjustment to the ARC	-	-
Annual Pension Cost (APC)	129,993	70,690
Contributions made	<u>(107,517)</u>	<u>(58,478)</u>
Increase (decrease) in net pension obligation	22,476	12,212
Net pension obligation/(asset), beginning of year	<u>44,955</u>	<u>23,646</u>
Net pension obligation/(asset), end of year	<u>\$ 67,431</u>	<u>\$ 35,858</u>

Interest on net pension obligation is not material and not accrued at September 30, 2011.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

THREE YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2009	162,649	133,519	82.09%	29,130
2010	191,472	152,002	79.39%	68,601
2011	200,683	165,995	82.72%	103,289

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

<u>Valuation Date</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
	Projected	Projected	Projected
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29.0 years; open period	28.2 years; closed period	27.2 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost

Actuarial Assumptions:

Investment rate of return*	7.5%	7.5%	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	2.1%	2.1%	2.1%

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Funded Ratio (3)</u>	<u>Unfunded AAL (UAAL) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percentage of Covered Payroll (6)</u>
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2010	\$ <u>2,645,493</u>	\$ <u>4,026,539</u>	65.7%	\$ <u>1,381,046</u>	\$ <u>1,869,308</u>	73.9%

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

September 30, 2011

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 2011, 2010 and 2009 were \$3,755, \$3,459 and \$3,452, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2009	0.04%	0.04%	100.0%
2010	0.05%	0.05%	100.0%
2011	0.04%	0.04%	100.0%

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

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 advalorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. As of September 30, 2011, the TIRZ fund balance was at \$46,642.

NOTE L – SUBSEQUENT EVENTS

On November 1, 2011, the City passed a resolution authorizing the refunding of Utility System Revenue Bonds Series 2004 and passed an inter-local cooperative agreement authorizing the transfer of funds from the System to the City to pay the System's portion of the debt services requirements on the new refunding bonds.

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. The refunding issue refunded a total of \$7,765,000 and consisted of the City of La Feria C.O. 2000 (\$255,000), City of La Feria C.O. 2008 (\$3,060,000) and Utility System Revenue Bonds Series 2004 (\$4,450,000). The difference of \$205,000 includes accrued interest and cost of issuance. The refunding of the Utility System Revenue Bonds Series 2004 resulted in a net present value savings of \$70,518 for the utility system.

On December 6, 2011, the City of La Feria 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 through out the City.



**REQUIRED SUPPLEMENTARY
INFORMATION**



**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

ASSETS Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over / (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess / Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
12/31/2002	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%

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 740,490	\$ 559,327	\$ 584,346	\$ 25,019
Sales	450,000	450,000	464,453	14,453
Franchise	267,275	304,213	321,325	17,112
Licenses and permits	41,000	31,519	34,657	3,138
Intergovernmental	177,750	229,726	234,741	5,015
Fees and charges	263,838	258,534	267,746	9,212
Fines	165,000	165,000	173,534	8,534
Interest income	270	48	69	21
Contributions and donations	5,500	6,000	923,482	917,482
Other	<u>538,163</u>	<u>367,834</u>	<u>455,383</u>	<u>87,549</u>
Total revenues	2,649,286	2,372,201	3,459,736	1,087,535
EXPENDITURES				
Current:				
General government:				
General government	1,053,378	944,198	887,919	56,279
Public safety	970,916	1,020,403	981,067	39,336
Highways and streets	288,989	278,230	271,955	6,275
Health and welfare	71,388	74,582	72,412	2,170
Culture and recreation	337,113	306,916	285,420	21,496
Debt service:				
Principal	22,218	23,300	23,300	-
Interest	3,407	2,325	2,325	-
Capital outlay	<u>84,000</u>	<u>394,497</u>	<u>1,283,954</u>	<u>(889,457)</u>
Total expenditures	<u>2,831,409</u>	<u>3,044,451</u>	<u>3,808,352</u>	<u>(763,901)</u>
Excess (deficiency) of revenues over (under) expenditures	(182,123)	(672,250)	(348,616)	323,634
OTHER FINANCING SOURCES (USES)				
Transfers in	260,077	899,442	948,551	49,109
Transfers (out)	<u>(652,962)</u>	<u>(347,581)</u>	<u>(271,628)</u>	<u>75,953</u>
Total other financing sources and uses	<u>(392,885)</u>	<u>551,861</u>	<u>676,923</u>	<u>125,062</u>
Net change in fund balance	(575,008)	(120,389)	328,307	448,696
Fund balances - beginning	<u>186,999</u>	<u>186,999</u>	<u>186,999</u>	<u>-</u>
Fund balance - ending	<u>\$ (388,009)</u>	<u>\$ 66,610</u>	<u>\$ 515,306</u>	<u>\$ 448,696</u>

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

	<u>Budgeted Amounts</u>			Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Positive/ (Negative)</u>
REVENUES				
Intergovernmental	\$ 437,938	\$ 497,764	\$ 497,264	\$ (500)
EXPENDITURES				
Current:				
General government:				
General government	<u>437,938</u>	<u>624,824</u>	<u>624,666</u>	<u>158</u>
Excess (deficiency) of revenues over (under) expenditures	-	(127,060)	(127,402)	(342)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	127,060	127,402	342
Transfers (out)	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>(60)</u>
Total other financing sources and uses	<u>-</u>	<u>127,060</u>	<u>127,342</u>	<u>282</u>
Net change in fund balance	-	-	(60)	(60)
Fund balances - beginning	<u>60</u>	<u>60</u>	<u>60</u>	<u>-</u>
Fund balance - ending	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ (60)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive/ (Negative)</u>
REVENUES				
Intergovernmental	930,991	332,391	556,592	224,201
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	930,991	332,391	556,592	224,201
EXPENDITURES				
Current:				
General government:				
General government	73,450	23,450	26,395	(2,945)
Capital outlay	<u>857,541</u>	<u>308,941</u>	<u>530,197</u>	<u>(221,256)</u>
Total expenditures	<u>930,991</u>	<u>332,391</u>	<u>556,592</u>	<u>(224,201)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances - 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2011

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

OTHER MAJOR GOVERNMENTAL FUNDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

City of La Feria, Texas
DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive/</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Property	\$ 537,710	\$ 603,882	\$ 634,746	\$ 30,864
Other	<u>17,500</u>	<u>20,980</u>	<u>28,354</u>	<u>7,374</u>
Total revenues	555,210	624,862	663,100	38,238
EXPENDITURES				
Current:				
Debt service:				
Principal	430,000	430,000	430,000	-
Interest	<u>253,988</u>	<u>253,988</u>	<u>251,937</u>	<u>2,051</u>
Total expenditures	<u>683,988</u>	<u>683,988</u>	<u>681,937</u>	<u>2,051</u>
Excess (deficiency) of revenues				
over (under) expenditures	(128,778)	(59,126)	(18,837)	40,289
OTHER FINANCING SOURCES (USES)				
Transfers in	166,278	166,278	166,278	-
Transfers (out)	<u>-</u>	<u>(107,152)</u>	<u>(123,499)</u>	<u>(16,347)</u>
Total other financing sources and uses	<u>166,278</u>	<u>59,126</u>	<u>42,779</u>	<u>(16,347)</u>
Net change in fund balance	37,500	-	23,942	23,942
Fund balances - beginning	<u>21,786</u>	<u>21,786</u>	<u>21,786</u>	<u>-</u>
Fund balance - ending	<u>\$ 59,286</u>	<u>\$ 21,786</u>	<u>\$ 45,728</u>	<u>\$ 23,942</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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental fund	\$ 100,000	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>-</u>	<u>10,992</u>	<u>10,992</u>
Total revenues	100,000	-	10,992	10,992
Expenditures				
Current:				
General government	1,800	1,800	1,800	-
Capital outlay	<u>98,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>100,000</u>	<u>1,800</u>	<u>1,800</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,800)	9,192	10,992
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	60	60
Transfers (out)	<u>-</u>	<u>(192,780)</u>	<u>(123,655)</u>	<u>69,125</u>
Total other financing sources and uses	<u>-</u>	<u>(192,780)</u>	<u>(123,595)</u>	<u>69,185</u>
Net change in fund balance	-	(194,580)	(114,403)	80,177
Fund balance, beginning	214,403	214,403	214,403	-
Fund balance, ending	<u>\$ 214,403</u>	<u>\$ 19,823</u>	<u>\$ 100,000</u>	<u>\$ 80,177</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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Interest income	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government	-	7,149	7,149	-
Debt service				
Capital outlay	<u>478,915</u>	<u>354,687</u>	<u>354,687</u>	<u>-</u>
Total expenditures	<u>478,915</u>	<u>361,836</u>	<u>361,836</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(478,915)	(361,836)	(361,836)	-
Fund balance, beginning	<u>511,215</u>	<u>511,215</u>	<u>511,215</u>	<u>-</u>
Fund balance, ending	<u>\$ 32,300</u>	<u>\$ 149,379</u>	<u>\$ 149,379</u>	<u>\$ -</u>

NON-MAJOR GOVERNMENTAL FUNDS COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

Special revenue fund: The La Feria 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.

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.

City of La Feria, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2011

	Special Revenue		
	Tax Increment Reinvestment Zone Fund	Bailey H. Dunlap Memorial Library Fund	Home Grant Fund
ASSETS			
Cash and cash equivalents	\$ 42,642	\$ 239,762	\$ 100
Investments	-	-	-
Other receivables	11,041	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 53,683</u>	<u>\$ 239,762</u>	<u>\$ 100</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>
Total liabilities	-	26	-
Fund balances:			
Restricted fund balances:			
Federal/state funds grant restrictions	-	-	100
Capital projects	53,683	239,736	-
Community development programs	-	-	-
Total fund balances	<u>53,683</u>	<u>239,736</u>	<u>100</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,683</u>	<u>\$ 239,762</u>	<u>\$ 100</u>

Special Revenue - Continued			
La Feria Baseball / Football Fund	La Feria Boys and Girls Club Fund	Promotion of La Feria Fund	Total Nonmajor Governmental Funds
\$ 13	\$ 5,706	\$ -	\$ 288,223
-	-	47,281	47,281
-	-	-	11,041
-	-	22,698	22,698
<u>\$ 13</u>	<u>\$ 5,706</u>	<u>\$ 69,979</u>	<u>\$ 369,243</u>
<u>\$ 13</u>	<u>\$ 3,759</u>	<u>\$ 332</u>	<u>\$ 4,130</u>
13	3,759	332	4,130
-	-	-	100
-	-	-	293,419
-	1,947	69,647	71,594
-	1,947	69,647	365,113
<u>\$ 13</u>	<u>\$ 5,706</u>	<u>\$ 69,979</u>	<u>\$ 369,243</u>

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

For the year ended September 30, 2011

		Special Revenue	
	Tax	Bailey H. Dunlap	
	Increment	Memorial	Home
	Reinvestment	Library	Grant
	Zone Fund	Fund	Fund
Revenues			
Property taxes	\$ 26,115	\$ -	\$ -
Hotel / Motel tax	-	-	-
Intergovernmental	-	16,005	-
Fees and charges	-	-	-
Interest income	-	137	-
Contributions and donations	-	5,024	-
Other	11,041	-	-
Total revenues	37,156	21,166	-
Expenditures			
Current			
General Government	-	10,865	165
Culture and recreation	-	108,262	647
Capital outlay	-	1,825	-
Total expenditures	-	120,952	812
Excess (deficiency) of revenues over (under) expenditures	37,156	(99,786)	(812)
Other financing sources (uses)			
Transfer in	-	99,897	812
Total other financing sources (uses)	-	99,897	812
Net change in fund balances	37,156	111	-
Fund balances, beginning	16,527	239,625	100
Fund balance, ending	\$ 53,683	\$ 239,736	\$ 100

Special Revenue - Continued			
La Feria Baseball / Football Fund	La Feria Boys and Girls Club Fund	Promotion of La Feria Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 26,115
-	-	17,564	17,564
-	-	-	16,005
47,376	-	2,376	49,752
-	8	29	174
14,479	-	-	19,503
<u>1,650</u>	<u>-</u>	<u>35,140</u>	<u>47,831</u>
63,505	8	55,109	176,944
15,162	-	65,800	91,992
54,226	-	-	163,135
<u>-</u>	<u>3,759</u>	<u>-</u>	<u>5,584</u>
<u>69,388</u>	<u>3,759</u>	<u>65,800</u>	<u>260,711</u>
(5,883)	(3,751)	(10,691)	(83,767)
<u>4,641</u>	<u>-</u>	<u>-</u>	<u>105,350</u>
<u>4,641</u>	<u>-</u>	<u>-</u>	<u>105,350</u>
(1,242)	(3,751)	(10,691)	21,583
<u>1,242</u>	<u>5,698</u>	<u>80,338</u>	<u>343,530</u>
<u>\$ -</u>	<u>\$ 1,947</u>	<u>\$ 69,647</u>	<u>\$ 365,113</u>



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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
City Portion TIRZ	\$ 58,325	\$ 26,115	\$ 26,115	\$ -
County Portion TIRZ	<u>15,732</u>	<u>11,041</u>	<u>11,041</u>	<u>-</u>
Total revenues	<u>74,057</u>	<u>37,156</u>	<u>37,156</u>	<u>-</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,057</u>	<u>37,156</u>	<u>37,156</u>	<u>-</u>
Fund balance, beginning	<u>16,527</u>	<u>16,527</u>	<u>16,527</u>	<u>-</u>
Fund balance, ending	<u>\$ 90,584</u>	<u>\$ 53,683</u>	<u>\$ 53,683</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, 2011

	Budget		Actual	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 16,600	\$ 15,298	\$ 16,005	\$ 707
Fees and charges	20	-	-	-
Fines	-	-	-	-
Interest income	635	129	137	8
Other	-	-	-	-
Contributions and donations	479,406	4,824	5,024	200
Total revenues	<u>496,661</u>	<u>20,251</u>	<u>21,166</u>	<u>915</u>
Expenditures				
Current:				
General Government	6,845	11,483	10,865	618
Culture and recreation	111,599	110,489	108,262	2,227
Capital outlay	1,082,880	2,500	1,825	675
Total Expenditures	<u>1,201,324</u>	<u>124,472</u>	<u>120,952</u>	<u>3,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(704,663)</u>	<u>(104,221)</u>	<u>(99,786)</u>	<u>4,435</u>
Other financing sources (uses)				
Transfers in	<u>423,684</u>	<u>44,684</u>	<u>99,897</u>	<u>55,213</u>
Net change in fund balance	(280,979)	(59,537)	111	59,648
Fund balance, beginning	<u>239,625</u>	<u>239,625</u>	<u>239,625</u>	<u>-</u>
Fund balance, ending	<u>\$ (41,354)</u>	<u>\$ 180,088</u>	<u>\$ 239,736</u>	<u>\$ 59,648</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, 2011

	Budget			Variance with Final Budget - Positive/ (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 378,850	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government	15,000	399	165	234
Culture and recreation	363,850	47,105	647	46,458
Total expenditures	378,850	47,504	812	46,692
Excess (deficiency) of revenues over (under) expenditures	-	(47,504)	(812)	46,692
Other financing sources (uses)				
Transfers in	-	47,504	812	(46,692)
Net change in fund balance	-	-	-	-
Fund balance, beginning	100	100	100	-
Fund balance, ending	\$ 100	\$ 100	\$ 100	\$ -

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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Fees	\$ 50,287	\$ 45,326	\$ 47,376	\$ 2,050
Contributions and donations	25,051	14,479	14,479	-
Other	400	1,650	1,650	-
Total revenues	<u>75,738</u>	<u>61,455</u>	<u>63,505</u>	<u>2,050</u>
Expenditures				
Current:				
General government	16,050	16,071	15,162	909
Culture and recreation	<u>74,688</u>	<u>62,033</u>	<u>54,226</u>	<u>7,807</u>
Total Expenditures	<u>90,738</u>	<u>78,104</u>	<u>69,388</u>	<u>8,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,000)</u>	<u>(16,649)</u>	<u>(5,883)</u>	<u>10,766</u>
Other financing sources (uses)				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>4,641</u>	<u>(10,359)</u>
Net change in fund balance	-	(1,649)	(1,242)	407
Fund balance, beginning	<u>1,242</u>	<u>1,242</u>	<u>1,242</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,242</u>	<u>\$ (407)</u>	<u>\$ -</u>	<u>\$ 407</u>

City of La Feria, Texas
LA FERIA BOYS AND GIRLS CLUB FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2011

	Budget			Variance with Final Budget - Positive/ (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,274,000	\$ -	\$ -	\$ -
Donations	25,000	-	-	-
Interest income	14	7	8	1
Total revenues	<u>1,299,014</u>	<u>7</u>	<u>8</u>	<u>1</u>
Expenditures				
Current:				
General government	2,000	-	-	-
Capital outlay	<u>1,297,014</u>	<u>3,759</u>	<u>3,759</u>	<u>-</u>
Total Expenditures	<u>1,299,014</u>	<u>3,759</u>	<u>3,759</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3,752)</u>	<u>(3,751)</u>	<u>1</u>
Fund balance, beginning	<u>5,698</u>	<u>5,698</u>	<u>5,698</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,698</u>	<u>\$ 1,946</u>	<u>\$ 1,947</u>	<u>\$ 1</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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Hotel/Motel tax	\$ 35,515	\$ 18,000	\$ 17,564	\$ (436)
Fees and charges	3,000	2,200	2,376	176
Interest income	85	25	29	4
Other	<u>25,000</u>	<u>35,140</u>	<u>35,140</u>	<u>-</u>
Total revenues	<u>63,600</u>	<u>55,365</u>	<u>55,109</u>	<u>(256)</u>
Expenditures				
General government	<u>63,600</u>	<u>63,617</u>	<u>65,800</u>	<u>(2,183)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(8,252)</u>	<u>(10,691)</u>	<u>(2,439)</u>
Fund balance, beginning	<u>80,338</u>	<u>80,338</u>	<u>80,338</u>	<u>-</u>
Fund balance, ending	<u>\$ 80,338</u>	<u>\$ 72,086</u>	<u>\$ 69,647</u>	<u>\$ (2,439)</u>

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

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City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2011

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Total
General government:					
City hall	\$290,528	\$ 1,035,017	\$ -	\$ 46,253	\$ 1,371,798
Municipal court	-	136,683	-	2,475	139,158
Management information	-	-	-	188,023	188,023
Administration	-	291,306	-	291,544	582,850
Shop	-	42,667	-	53,314	95,981
Total general government	<u>290,528</u>	<u>1,505,673</u>	<u>-</u>	<u>581,609</u>	<u>2,377,810</u>
Public safety:					
Police	-	293,477	-	620,534	914,011
Fire	-	277,531	-	862,014	1,139,545
Total public safety	<u>-</u>	<u>571,008</u>	<u>-</u>	<u>1,482,548</u>	<u>2,053,556</u>
Highways and street:					
Engineering	-	-	30,510	57,499	88,009
Streets and alleys	-	-	9,081,137	618,923	9,700,060
Total highways and street	<u>-</u>	<u>-</u>	<u>9,111,647</u>	<u>676,422</u>	<u>9,788,069</u>
Health and welfare	<u>73,662</u>	<u>139,715</u>	<u>-</u>	<u>-</u>	<u>213,377</u>
Culture and recreation:					
Library	-	590,707	-	-	590,707
Parks	249,865	-	4,130,523	75,389	4,455,777
Recreation Center	-	309,223	-	-	309,223
Total culture and recreation	<u>249,865</u>	<u>899,930</u>	<u>4,130,523</u>	<u>75,389</u>	<u>5,355,707</u>
Total governmental funds capital assets	<u>\$614,055</u>	<u>\$ 3,116,326</u>	<u>\$ 13,242,170</u>	<u>\$ 2,815,968</u>	<u>\$ 19,788,519</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, 2011

<u>Function and Activity</u>	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
General government:				
City hall	\$ 1,091,966	\$ 279,832	\$ -	\$ 1,371,798
Municipal court	136,683	2,475	-	139,158
Management information	186,982	1,041	-	188,023
Administration	582,850	-	-	582,850
Shop	95,981	-	-	95,981
Total general government	<u>2,094,462</u>	<u>283,348</u>	<u>-</u>	<u>2,377,810</u>
Public safety:				
Police	821,852	92,159	-	914,011
Fire	<u>1,026,572</u>	<u>112,973</u>	<u>-</u>	<u>1,139,545</u>
Total public safety	<u>1,848,424</u>	<u>205,132</u>	<u>-</u>	<u>2,053,556</u>
Highways and streets:				
Engineering	88,009	-	-	88,009
Streets and alleys	<u>8,644,200</u>	<u>1,055,860</u>	<u>-</u>	<u>9,700,060</u>
Total highways and streets	<u>8,732,209</u>	<u>1,055,860</u>	<u>-</u>	<u>9,788,069</u>
Health and welfare	<u>134,133</u>	<u>79,244</u>	<u>-</u>	<u>213,377</u>
Culture and recreation:				
Library	588,882	1,825	-	590,707
Parks	4,426,777	29,000	-	4,455,777
Recreation center	<u>11,075</u>	<u>298,148</u>	<u>-</u>	<u>309,223</u>
Total culture and recreation	<u>5,026,734</u>	<u>328,973</u>	<u>-</u>	<u>5,355,707</u>
Total governmental funds capital assets	<u>\$ 17,835,962</u>	<u>\$ 1,952,557</u>	<u>\$ -</u>	<u>\$ 19,788,519</u>

City of La Feria, Texas
Statistical Section
(Unaudited)

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

Contents

Page

Financial Trends

118-124

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

125-134

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

135-137

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

138-139

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

Operating Information

140-143

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 eight years of data.

City of La Feria, Texas
CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

Source	Fiscal year ended September 30.							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
General government	\$ 708,219	\$ 2,367,305	\$ 5,051,946	\$ 3,731,393	\$ 2,997,272	\$ 11,441,826	\$ 8,388,672	\$ 2,125,512
Public safety	694,547	806,872	850,806	979,906	1,105,053	1,029,596	1,045,841	1,212,459
Highways and streets	605,086	614,992	235,211	263,404	262,740	196,164	270,103	336,097
Health and welfare	47,021	48,996	467,811	74,324	140,347	70,948	75,084	89,491
Culture and recreation	397,886	571,818	391,613	507,466	417,116	525,389	598,040	757,048
Interest on long-term debt	158,091	511,799	186,222	170,692	152,375	285,534	272,070	258,012
Total Expenses	2,610,850	4,921,782	7,183,609	5,727,185	5,074,903	13,549,457	10,649,810	4,778,619
Program Revenues:								
Charges for services:								
General government	339,087	302,436	351,611	361,596	260,653	226,590	549,628	561,215
Public safety	179,809	103,359	101,183	125,362	133,182	108,477	162,722	198,684
Highways and streets	3,483	640	210	775	525	-	-	125
Health and welfare	32,353	45,226	28,255	31,701	45,291	62,055	33,914	34,657
Culture and recreation	125,242	127,574	77,042	66,851	72,361	82,545	83,917	87,353
Operating Grants and Contributions	575,094	36,532	730,914	980,798	502,170	454,866	491,957	1,049,134
Capital Grants and Contributions	34,316	1,583,068	3,599,279	2,765,424	1,284,283	10,658,565	6,205,122	1,193,054
Total Program Revenues	1,289,384	2,198,835	4,888,494	4,332,507	2,298,465	11,593,098	7,527,260	3,124,222
Net (Expense) Revenue	(1,321,466)	(2,722,947)	(2,295,115)	(1,394,678)	(2,776,438)	(1,956,359)	(3,122,550)	(1,654,397)
General revenues and transfers:								
Taxes:								
Property	723,720	900,244	914,589	1,029,681	1,095,191	1,306,404	1,222,966	1,276,207
Sales	355,536	399,202	405,405	432,207	475,947	458,202	440,569	464,453
Franchise	207,619	234,834	262,070	251,716	271,695	286,201	296,476	321,325
Hotel motel taxes	26,515	26,364	25,135	24,108	23,761	23,348	19,259	17,564
Other	-	-	-	-	-	-	-	-
Gain on sale of capital assets	162,800	7,876	-	14,900	-	-	-	-
Unrestricted investment earnings	39,278	66,065	74,299	91,761	56,218	48,243	1,133	243
Miscellaneous	-	231,014	163,479	262,737	410,297	448,226	479,214	488,201
Transfers to/(from) primary government	(397,632)	209,992	159,474	-	-	(88,200)	405,472	532,213
Total general revenues and transfers	1,117,836	2,075,591	2,004,451	2,107,110	2,333,109	2,482,424	2,865,089	3,100,206
Change in Net Assets	\$ (203,630)	\$ (647,356)	\$ (290,664)	\$ 712,432	\$ (443,329)	\$ 526,065	\$ (257,461)	\$ 1,445,809

City of La Feria, Texas
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

Source	Fiscal year ended September 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Sanitation services	\$ 315,693	\$ 324,926	\$ 376,032	\$ 416,136	\$ 464,093	\$ 436,121	\$ 464,939	\$ 462,764
Total Expenses	<u>315,693</u>	<u>324,926</u>	<u>376,032</u>	<u>416,136</u>	<u>464,093</u>	<u>436,121</u>	<u>464,939</u>	<u>462,764</u>
Program Revenues:								
Charges for services:								
Sanitation services	485,896	522,674	528,184	572,608	627,251	645,828	688,370	707,360
Capital Grants and Contributions	25,000	30,062	-	43,750	-	-	-	-
Total program revenues	<u>510,896</u>	<u>552,736</u>	<u>528,184</u>	<u>616,358</u>	<u>627,251</u>	<u>645,828</u>	<u>688,370</u>	<u>707,360</u>
Net (expense) revenue	<u>195,203</u>	<u>227,810</u>	<u>152,152</u>	<u>200,222</u>	<u>163,158</u>	<u>209,707</u>	<u>223,431</u>	<u>244,596</u>
General revenues and transfers:								
Transfers	(59,606)	(209,992)	159,474	-	-	88,200	(405,472)	(532,213)
Total general revenues and transfers	<u>(59,606)</u>	<u>(209,992)</u>	<u>159,474</u>	<u>-</u>	<u>-</u>	<u>88,200</u>	<u>(405,472)</u>	<u>(532,213)</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>	<u>\$ 297,907</u>	<u>\$ (182,041)</u>	<u>\$ (287,617)</u>

City of La Feria, Texas
CHANGES IN NET ASSETS - COMPONENT UNITS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

Source	Fiscal year ended September 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Waterworks and Sewer System	\$ 1,101,723	\$ 1,388,770	\$ 2,474,350	\$ 1,773,744	\$ 1,963,145	\$ 4,796,075	\$ 7,895,575	\$ 3,024,940
Industrial Development Corporation	123,959	217,925	792,165	688,556	598,107	720,820	993,270	606,962
Economic Development Corporation	20,713	187,429	47,524	361,908	337,509	146,924	240,408	200,375
Total Expenses	1,246,395	1,794,124	3,314,039	2,824,208	2,898,761	5,663,819	9,129,253	3,832,277
Program Revenues:								
Charges for services:								
Waterworks and Sewer System	1,246,542	1,367,017	1,477,871	1,399,591	1,579,026	1,747,385	1,994,491	2,308,698
Industrial Development Corporation	72,730	67,061	-	-	142,509	160,066	525,322	190,760
Economic Development Corporation	227	-	-	-	-	-	-	-
Operating Grants and Contributions	-	367,906	590,837	478,976	848,145	518,567	792,900	423,655
Capital Grants and Contributions	-	1,728,494	4,133,560	2,982,453	1,228,761	9,801,857	5,972,195	868,581
Total program revenues	1,319,499	3,530,478	6,202,268	4,861,020	3,798,441	12,227,875	9,284,908	3,791,694
Net (expense) revenue	73,104	1,736,354	2,888,229	2,036,812	899,680	6,564,056	155,655	(40,583)
General revenues and transfers:								
Taxes:								
Sales	347,064	399,200	405,676	432,206	475,948	458,202	440,570	464,454
Unrestricted investment earnings	14,823	176,084	268,078	332,940	155,306	51,312	28,196	4,305
Gain on sale of capital assets	38,978	8,168	865,421	317,011	81,866	216,516	-	-
Other non operating revenue	457,238	1,000,000	112,956	158,450	26,557	42,782	7,159	13,534
Total general revenues and transfers	858,103	1,583,452	1,652,131	1,240,607	739,677	768,812	475,925	482,293
Change in net assets	\$ 931,207	\$ 3,319,806	\$ 4,540,360	\$ 3,277,419	\$ 1,639,357	\$ 7,332,868	\$ 631,580	\$ 441,710

City of La Feria, Texas
CHANGES IN NET ASSETS - TOTAL
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

Source	Fiscal year ended September 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Governmental activities ¹	\$ 2,610,850	\$ 4,921,782	\$ 7,183,609	\$ 5,727,184	\$ 5,074,903	\$ 13,549,457	\$ 10,649,810	\$ 4,778,619
Business-type activities ²	315,693	324,926	376,032	416,136	464,093	436,121	464,939	462,764
Total Expenses	<u>2,926,543</u>	<u>5,246,708</u>	<u>7,559,641</u>	<u>6,143,320</u>	<u>5,538,996</u>	<u>13,985,578</u>	<u>11,114,749</u>	<u>5,241,383</u>
Program Revenues:								
Governmental activities ¹	1,289,384	2,198,835	4,906,995	4,332,507	2,298,465	11,593,098	7,527,260	3,124,222
Business-type activities ²	510,896	552,736	528,184	616,358	627,251	645,828	688,370	707,360
Total program revenues	<u>1,800,280</u>	<u>2,751,571</u>	<u>5,435,179</u>	<u>4,948,865</u>	<u>2,925,716</u>	<u>12,238,926</u>	<u>8,215,630</u>	<u>3,831,582</u>
Net (expense) revenue	<u>(1,126,263)</u>	<u>(2,495,137)</u>	<u>(2,124,462)</u>	<u>(1,194,455)</u>	<u>(2,613,280)</u>	<u>(1,746,652)</u>	<u>(2,899,119)</u>	<u>(1,409,801)</u>
General revenues and transfers:								
Governmental activities ¹	1,117,836	2,075,591	1,985,950	2,107,110	2,333,109	2,482,424	2,865,089	3,100,206
Business-type activities ²	(59,606)	(209,992)	(159,474)	-	-	88,200	(405,472)	(532,213)
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>	<u>2,333,109</u>	<u>2,570,624</u>	<u>2,459,617</u>	<u>2,567,993</u>
Change in net assets	<u>\$ (68,033)</u>	<u>\$ (629,538)</u>	<u>\$ (297,986)</u>	<u>\$ 912,655</u>	<u>\$ (280,171)</u>	<u>\$ 823,972</u>	<u>\$ (439,502)</u>	<u>\$ 1,158,192</u>

¹See Table Changes in Net Assets - Governmental Activities

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

City of La Feria, Texas
GOVERNMENT-WIDE NET ASSETS BY CATEGORY
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal year ended September 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 3,684,418	\$ 1,864,540	\$ 829,298	\$ 1,792,539	\$ 2,198,242	\$ 1,784,054	\$ 2,534,989	\$ 4,083,323
Restricted	49,285	62,664	320,768	848,680	32,443	14,550	1,014,677	617,579
Unrestricted	1,646,317	2,805,458	2,459,983	1,494,154	893,211	1,851,357	457,849	752,422
Subtotal governmental activities net assets	<u>5,380,020</u>	<u>4,732,662</u>	<u>3,610,049</u>	<u>4,135,373</u>	<u>3,123,896</u>	<u>3,649,961</u>	<u>4,007,515</u>	<u>5,453,324</u>
Business-type activities								
Invested in capital assets, net of related debt	131,671	225,926	218,444	194,069	185,049	263,574	244,070	224,360
Unrestricted	135,597	59,160	59,319	361,820	533,998	753,380	590,843	322,936
Subtotal business-type activities net assets	<u>267,268</u>	<u>285,086</u>	<u>277,763</u>	<u>555,889</u>	<u>719,047</u>	<u>1,016,954</u>	<u>834,913</u>	<u>547,296</u>
Primary government								
Invested in capital assets, net of related debt	3,816,089	2,090,466	1,047,742	1,986,608	2,383,291	2,047,628	2,779,059	4,307,683
Restricted	49,285	62,664	320,768	848,680	32,443	14,550	1,014,677	617,579
Unrestricted	1,781,914	2,864,618	2,519,302	1,855,974	1,427,209	2,604,737	1,048,692	1,075,358
Total primary government net assets	<u>\$ 5,647,288</u>	<u>\$ 5,017,748</u>	<u>\$ 3,887,812</u>	<u>\$ 4,691,262</u>	<u>\$ 3,842,943</u>	<u>\$ 4,666,915</u>	<u>\$ 4,842,428</u>	<u>\$ 6,000,620</u>

City of La Feria, Texas
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Source	Fiscal year ended September 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 967,664	\$ 1,364,689	\$ 1,390,746	\$ 1,560,644	\$ 1,645,473	\$ 1,718,228	\$ 1,876,055	\$ 2,011,691	\$ 1,956,457	\$ 2,048,549
Licenses and permits	28,840	44,096	32,353	45,226	4,523	31,701	45,291	62,055	33,914	34,657
Intergovernmental	2,500	218,273	575,094	1,637,713	4,295,586	2,959,869	1,759,054	11,089,124	6,501,245	1,304,602
Fees and charges	197,415	209,951	250,483	255,148	441,878	385,470	243,859	230,805	290,901	317,498
Fines	149,437	134,795	179,809	103,359	128,510	139,408	186,819	153,148	164,375	173,534
Special assessments	7,871	6,747	3,483	640	210	-	-	-	-	-
Interest income	42,719	42,576	39,277	66,065	74,458	91,762	55,906	48,241	1,133	243
Contributions and donations	7,058	89,072	34,316	25,453	34,607	313,722	27,400	122,618	204,200	942,985
Other	116,305	109,318	213,845	1,786,557	145,256	338,943	446,651	383,576	501,778	542,560
Total Revenues	1,519,809	2,219,517	2,719,406	5,480,805	6,770,501	5,979,103	4,641,035	14,101,258	9,654,003	5,364,628
Expenditures:										
General Government	506,005	570,155	851,549	635,632	4,580,687	3,569,327	2,600,740	10,783,766	7,758,697	1,639,921
Public safety	517,896	561,802	634,049	731,594	772,960	781,204	941,925	971,757	969,899	981,067
Highways and streets	172,141	202,287	214,238	225,954	215,775	207,518	225,666	185,144	250,490	271,955
Health and welfare	50,626	42,581	42,704	44,678	421,979	61,905	118,102	66,962	69,632	72,412
Culture and recreation	142,790	261,358	287,539	458,840	353,045	321,181	357,796	495,874	554,614	448,555
Debt Service										
Principal retirement	53,160	273,204	284,364	314,560	374,415	359,264	375,202	396,186	437,218	453,300
Interest and fiscal agent fees	47,683	127,888	107,832	197,239	186,222	170,692	152,375	276,510	268,320	254,262
Bond costs and fees	-	-	-	-	-	-	75,000	5,274	-	-
Capital outlay	-	586,374	113,827	4,798,714	211,554	1,281,103	1,253,889	2,592,502	1,113,839	2,174,422
Total Expenditures	1,490,301	2,625,649	2,536,102	7,407,211	7,116,637	6,752,194	6,100,695	15,773,975	11,422,709	6,295,894
Excess (deficiency) of revenues over (under) expenditures	29,508	(406,132)	183,304	(1,926,406)	(346,136)	(773,091)	(1,459,660)	(1,672,717)	(1,768,706)	(931,266)
Other financing sources (uses)										
Transfer in	-	305,454	485,634	483,133	-	536,380	477,664	1,379,182	1,088,077	1,347,641
Transfers (out)	(424,059)	(145,950)	(883,266)	(273,141)	373,535	(63,750)	(477,664)	(1,467,382)	(372,545)	(518,842)
Gain on sale of capital assets	-	1,600	177,800	7,876	(214,061)	14,900	-	-	-	-
Issuance of Debt	540,000	-	2,560,077	149,998	-	-	3,275,000	-	-	-
Other non-operating revenues	-	-	-	231,014	-	-	-	-	-	-
Total other financing sources (uses)	115,941	161,104	2,340,245	598,880	159,474	487,530	3,275,000	(88,200)	715,532	828,799
Net change in fund balances	\$ 145,449	\$ (245,028)	\$ 2,523,549	\$ (1,327,526)	\$ (186,662)	\$ (285,561)	\$ 1,815,340	\$ (1,760,917)	\$ (1,053,174)	\$ (102,467)
Debt Service as a % of non-capital expenditures	6.8%	19.7%	16.2%	19.6%	8.1%	9.7%	10.9%	5.1%	6.8%	17.2%

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

	Fiscal year ended September 30.									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Pre GASB 54										
Reserved	\$ 570,009	\$ 16,464	\$ 18,294	\$ 25,204	\$ 34,452	\$ 33,526	\$ 38,645	\$ 32,389	\$ 30,493	\$ -
Unreserved	979,407	1,307,920	3,883,332	2,512,747	2,350,139	1,347,672	(86,152)	313,109	156,506	-
	<u>\$ 1,549,416</u>	<u>\$ 1,324,384</u>	<u>\$ 3,901,626</u>	<u>\$ 2,537,951</u>	<u>\$ 2,384,591</u>	<u>\$ 1,381,198</u>	<u>\$ (47,507)</u>	<u>\$ 345,498</u>	<u>\$ 186,999</u>	<u>\$ -</u>
Subtotal General Fund Pre GASB 54										
General Fund										
Post GASB 54										
Nonspendable fund balance										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,399
Committed fund balance										
Home program	-	-	-	-	-	-	-	-	-	80,000
Unassigned	-	-	-	-	-	-	-	-	-	404,907
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 515,306</u>
Subtotal General Fund Post GASB 54										
All other governmental funds										
Pre GASB 54										
Reserved	\$ 155,518	\$ 54,814	\$ 30,991	\$ 37,460	\$ 67,244	\$ 48,551	\$ 32,443	\$ 14,550	\$ 21,787	\$ -
Unreserved	236,091	233,443	286,023	315,686	253,524	800,129	266,369	250,466	81,740	-
Capital projects fund	-	83,356	906	923	-	-	3,225,764	1,105,638	987,468	-
	<u>\$ 391,609</u>	<u>\$ 371,613</u>	<u>\$ 317,920</u>	<u>\$ 354,069</u>	<u>\$ 320,768</u>	<u>\$ 848,680</u>	<u>\$ 3,524,576</u>	<u>\$ 1,370,654</u>	<u>\$ 1,090,995</u>	<u>\$ -</u>
Subtotal all other										
Governmental Funds Pre GASB 54										
All other governmental funds										
Post GASB 54										
Restricted fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100
Federal/State funds grant restrictions	-	-	-	-	-	-	-	-	-	45,728
Retirement of long-term debt	-	-	-	-	-	-	-	-	-	542,798
Capital projects	-	-	-	-	-	-	-	-	-	71,594
Community development programs	-	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,220</u>
Subtotal all other										
Governmental Funds Post GASB 54										

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

Fiscal Year	Property Taxes	Sales Tax	Franchise Tax	Hotel/Motel Tax	Total
2002	677,895	354,058	213,507	26,128	1,271,588
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	<u>1,245,207</u>	<u>464,453</u>	<u>321,325</u>	<u>17,564</u>	<u>2,048,549</u>
Percentage change over 10 years	<u>83.69%</u>	<u>31.2%</u>	<u>50.5%</u>	<u>-32.8%</u>	<u>61.1%</u>

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

Fiscal Year Ended September 30,	Amounts								Real & Tangible Personal Utilities	
	Real Residential Single Family	Real Residential Multi-Family	Real Vacant Lots/ Tracts	Real Acreage (Land Only)	Undeveloped Non AG	Real Farm & Ranch Improvements	Real Commercial & Industrial			
2002	60,009,337	1,808,659	2,967,445	1,575,187	326,201	471,187	14,169,106		3,999,290	
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	
				Percentages						

Source: Cameron Appraisal District

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

Fiscal Year Ended September 30,	Amounts											
	Tangible Personal, Commercial & Industrial	Tangible Personal, Mobile Homes	Real Property Inventory	Tax Exempt Property	Total Appraised Value	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Annual % Change			
2002	9,767,448	2,760,692	458,794	8,196,649	106,511,997	8,196,649	98,315,348	0.70	7%			
2003	11,004,930	2,794,777	626,081	7,972,337	117,051,251	7,972,337	109,078,914	0.70	11%			
2004	14,405,935	2,874,035	639,407	8,460,602	124,850,190	8,460,602	116,389,588	0.70	7%			
2005	13,364,679	3,072,557	2,671,928	8,870,132	132,312,787	8,870,132	123,442,655	0.70	6%			
2006	10,480,222	3,243,740	1,205,929	11,873,719	145,786,203	11,873,719	133,912,484	0.70	8%			
2007	15,915,875	3,575,618	1,242,556	13,541,989	178,381,172	13,541,989	164,839,183	0.70	23%			
2008	19,028,847	3,690,761	1,459,979	13,559,181	198,724,377	13,559,181	185,165,196	0.70	12%			
2009	20,705,793	3,565,978	1,349,496	13,827,856	200,462,016	13,827,856	186,634,160	0.70	1%			
2010	17,324,904	3,456,503	2,047,011	16,268,610	203,575,619	16,268,610	187,307,009	0.70	0.4%			
2011	17,777,442	2,567,694	1,488,573	18,811,649	208,594,676	18,811,649	189,783,027	0.70	1.3%			
										Percentages		

Source: Cameron Appraisal District

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

Fiscal Year	Direct			Overlapping	Underlying	Total Direct, Overlapping and Underlying
	City of La Feria			Cameron County	La Feria ISD	
	General Fund	Debt Service Fund	Total			
2002	0.38640	0.31360	0.70000	0.34054	1.54266	2.58320
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

Tax rate limit City: \$2.50

Tax due date: January 31

Discount allowed: No

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

Source: Cameron Appraisal District

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

Fiscal Year September 30,	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy Plus Outstanding Delinquent Taxes	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2002	664,972	602,372	90.6%	44,613	646,985	78.5%	159,006	23.9%
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%

Source: City of La Feria Property Tax Reports

City of La Feria, Texas
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2011 and September 30, 2002

		2011			2002		
Name of Taxpayer	Type of Business	Percentage of Total Taxable Assessed		Rank	Percentage of Total Taxable Assessed		Rank
		Valuation	Value		Valuation	Value	
Innovative Block of South Texas	Building Materials Suppliers	\$ 2,720,484	1.3%	1	\$ 2,177,440	1.9%	1
Hanson Pipe & Products	Manufacturing	1,900,415	0.9%	2	1,155,742	1.0%	2
La Feria BP Properties, LTD	Rental Properties	1,776,271	0.9%	3	964,054	0.8%	3
First National Bank	Banking Institution	1,335,910	0.7%	4	582,947	0.5%	4
Hertz Equipment Rental Corporation	Equipment Rental	1,313,567	0.7%	5	559,853	0.5%	5
Hertz Equipment Rental Corp	Equipment Rental	1,263,850	0.6%	6	555,401	0.5%	6
La Feria Development Investments LP	Real Estate Developers	1,162,391	0.6%	7	538,858	0.5%	7
Verizon Southwest	Telephone Utility	1,146,540	0.6%	8	415,167	0.4%	8
AEP Texas Central CO	Electricity Utility	1,083,900	0.5%	9	340,550	0.3%	9
Averitt Express, Inc	Transportation & Logistics Company	1,025,857	0.5%	10	322,435	0.3%	10
Total Principal Taxpayers		\$ 14,729,185	7%		\$ 7,612,447	7%	
All Other Taxpayers		186,866,495	93%		\$ 107,231,702	93%	
Total		\$ 201,595,680	100%		\$ 114,844,149	100%	

Source: Cameron Appraisal District

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

Fiscal Year	Direct	Overlapping	Total
	City of La Feria	State of Texas	Direct, Overlapping and Underlying Rate
2002	2.00%	6.25%	8.25%
2003	2.00%	6.25%	8.25%
2004	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%

Source: Office of the Texas Comptroller

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

	2002		2003		2004	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
North American Industry Classification System (NAICS)*						
Construction	\$ 264,094	1.46%	\$ 428,672	2.12%	\$ 4,722,153	22.41%
Manufacturing	611,821	3.39%	1,135,300	5.62%	146,349	0.69%
Wholesale Trade	1,295,084	7.17%	1,088,554	5.38%	1,099,006	5.22%
Retail Trade	7,099,887	39.33%	7,080,634	35.02%	8,242,884	39.11%
Information	-	0.00%	61,415	0.30%	63,014	0.30%
Finance/Insurance	-	0.00%	-	0.00%	-	0.00%
Real Estate/Rental/Leasing	3,664,216	20.30%	4,031,247	19.94%	57,323	0.27%
Professional/Scientific/Technical Services	11,485	0.06%	37,866	0.19%	-	0.00%
Admin/Support/Waste Mgmt/Remediation Services	80,688	0.45%	136,773	0.68%	146,971	0.70%
Accommodation/Food Services	4,489,006	24.87%	4,815,894	23.82%	5,697,048	27.04%
Other Services (except Public Administration)	434,115	2.40%	1,385,893	6.86%	897,734	4.26%
Other	102,923	0.57%	13,549	0.07%	-	0.00%
Total	\$ 18,053,319	100.00%	\$ 20,215,797	100.00%	\$ 21,072,482	100.00%

Source: Office of the Texas Comptroller
*NAICS Data not available prior to 2002

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

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

Source: Office of the Texas Comptroller
*NAICS Data not available prior to 2002

City of La Feria, Texas

TAXABLE SALES BY CATEGORY - CONTINUED
CALENDAR YEAR

	2008		2009		2010		2011**	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
North American Industry Classification System (NAICS)*								
Construction	\$ 1,414,705	4.78%	\$ 370,690	1.29%	\$ 314,735	1.09%	\$ 736,817	4.45%
Manufacturing	4,770,290	16.10%	3,292,952	11.48%	2,506,102	8.70%	1,415,618	8.56%
Wholesale Trade	531,886	1.80%	813,960	2.84%	513,537	1.78%	189,023	1.14%
Retail Trade	10,245,932	34.58%	11,197,171	39.03%	11,942,608	41.46%	6,568,453	39.71%
Information	131,955	0.45%	164,511	0.57%	460,063	1.60%	238,088	1.44%
Finance/Insurance	324,351	1.09%	320,221	1.12%	358,794	1.25%	188,817	1.14%
Real Estate/Rental/Leasing	1,791,847	6.05%	1,462,260	5.10%	1,067,542	3.71%	930,135	5.62%
Professional/Scientific/Technical Services	-	0.00%	-	0.00%	4,735	0.02%	2,547	0.02%
Admin/Support/Waste Mgmt/Remediation Services	10,376	0.04%	158,221	0.55%	281,791	0.98%	163,916	0.99%
Accommodation/Food Services	7,327,638	24.73%	7,339,210	25.58%	8,060,079	27.99%	4,469,571	27.02%
Other Services (except Public Administration)	3,076,262	10.38%	3,139,638	10.94%	2,840,424	9.86%	1,478,139	8.94%
Public Administration***	-	0.00%	429,643	1.50%	448,584	1.56%	161,190	0.97%
Total	\$ 29,625,242	100.00%	\$ 28,688,477	100.00%	\$ 28,798,994	100.00%	\$ 16,542,314	100.00%

Source: Office of the Texas Comptroller

*NAICS Data not available prior to 2002

**Data available through second quarter

***New Category in 2009

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

Fiscal Year	Governmental - Activities				Business Type - Activities			Estimated Population	Per Capita
	Certificates of Obligation	Capital Leases	Notes Payable	Total	Notes Payable	Total	Percentage of Personal Income		
2002	\$ 2,260,000	\$ -	\$ 48,785	\$ 2,308,785	\$ -	\$ -	3.01%	6,335	364
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

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, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Cameron County	83,020,000	2%	\$ 1,660,400
La Feria Independent School District	34,130,000	90%	30,717,000
Subtotal, overlapping debt			<u>32,377,400</u>
City of La Feria Direct Debt	5,035,000	100%	<u>5,035,000</u>
Total direct and overlapping debt			<u><u>\$ 37,412,400</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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value	\$ 105,019,092	\$ 121,451,471	\$ 132,310,782	\$ 145,784,197	\$ 156,170,318	\$ 172,794,502	\$ 192,205,418	\$ 195,990,363	\$ 197,862,658	\$ 201,595,680
Economic Debt Margin										
*Debt Limit										
(5% of assessed valuation assessed value)	\$ 5,250,955	\$ 6,072,574	\$ 6,615,539	\$ 7,289,210	\$ 7,808,516	\$ 8,639,725	\$ 9,610,271	\$ 9,799,518	\$ 9,893,133	\$ 10,079,784
Debt applicable to limit:										
General obligation bonds	2,260,000	2,025,000	4,275,000	4,005,000	3,675,000	3,335,000	6,255,000	5,880,000	5,465,000	5,035,000
Less: Amount reserved for repayment of general obligation debt	14,760	15,368	30,991	37,460	38,822	40,757	186	186	186	186
Total debt applicable to limit	2,245,240	2,009,632	4,244,009	3,967,540	3,636,178	3,294,243	6,254,814	5,879,814	5,464,814	5,034,814
Economic debt margin	\$ 3,005,715	\$ 4,062,942	\$ 2,371,530	\$ 3,321,670	\$ 4,172,338	\$ 5,345,482	\$ 3,355,457	\$ 3,919,704	\$ 4,428,319	\$ 5,044,970
As a percentage of debt limit	57.24%	66.91%	35.85%	45.57%	53.43%	61.87%	34.92%	40.00%	44.76%	50.05%

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.

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

Year	Estimated Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2001	6,224	\$ 76,648,443	\$ 12,314	34.5	2,811	9.2%
2002	6,336	79,637,732	12,569	34.5	2,850	10.6%
2003	6,449	82,743,604	12,830	34.5	2,824	10.3%
2004	6,565	85,970,604	13,095	34.5	2,842	10.3%
2005	6,682	89,323,458	13,368	34.5	2,842	9.9%
2006	6,802	92,807,073	13,644	34.5	2,682	6.2%
2007	6,924	96,426,549	13,926	34.5	3,130	5.9%
2008	7,048	100,187,184	14,215	34.5	3,162	6.8%
2009	7,174	100,207,222	13,968	34.5	3,307	9.9%
2010	7,304	104,736,588	14,340	34.5	3,468	10.9%
2011	7,435	109,376,419	14,711	32.6	3,579	12.4%

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, 2011 and 2002

2011				2002			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
La Feria Independent School District	585	1	28.9%	La Feria ISD	437	1	23.0%
McDonald's Fast Food Restaurant	62	2	3.1%	Time Warner Comm & Const	90	2	4.7%
Innovative Block of South Texas	62	3	3.1%	Closner Construction	74	3	3.9%
City of La Feria, Texas	61	4	3.0%	City of La Feria	52	4	2.7%
Closner Construction	49	5	2.4%	Whataburger, Inc.	45	5	2.4%
Whataburger, Inc.	35	6	1.7%	El Centro Foods	38	6	2.0%
El Centro Foods	34	7	1.7%	McDonald's Fast Food Restaurant	32	7	1.7%
Hanson Pipe & Precast, Inc.	28	8	1.4%	La Feria Water District	24	8	1.3%
La Feria Contractors	26	9	1.3%	City Market	23	9	1.2%
La Feria Irrigation District	20	10	1.0%	Hertz Rental Equipment	18	10	0.9%
Total Principal Employers	962		47.6%	Total Principal Employers	833		43.8%
Other Employers	1,060		52.4%	Other Employers	1,070		56.2%
Total Employers	2,022		100.0%	Total Employers	1,903		100.0%

Source: City of La Feria, Texas

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

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Finance</u>										
Cashier	2	2	2	2	2	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	1	1	1	1	1	1	1	1	1	1
Total Finance	5	5	5	5	5	6	6	6	6	6
<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 Coordinator	1	1	1	1	1	-	-	-	-	0.5
Planning Director	1	1	1	1	1.0	0.5	0.5	0.5	1	1
Public Works Director	1	1	1	1	1	1	1	1	1	1
Custodial Technician	1	1	1	1	1	1	1	1.5	1.5	1.5
Administrative Technician	2	2	2	2	2	2	3	3	3	3
Total Administration	8	8	8	8	8	7	8	9	9	9
<u>Corporation Court</u>										
Court Clerk	1	1	1	1	1	1	1	1	1	1
Municipal Court Judge	1	1	1	1	1	1	1	1	1	1
Total Corporation Court	2	2	2	2	2	2	2	2	2	2
<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	6	8	8.5	8.5	8.5	7.5
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	3	3	3	3	3	3	3.5	3.5	3.5	3.5
Total Police Department	15	15	15	15	15	17	18	18	18	17
<u>Waste/Sanitation Department</u>										
Street Maintenance	3	3	3	3	3	3	3	3	3	3
Total Waste/Sanitation Department	3	3	3	3	3	3	3	3	3	3
<u>Street Department</u>										
Street Maintenance	2	2	2	2	2	2	2	2	2	2
Total Street Maintenance	2	2	2	2	2	2	2	2	2	2
<u>Parks and Recreation</u>										
Parks and Recreation	3	3	3	3	3	2	4	4	4	3
Total Parks and Recreation	3	3	3	3	3	2	4	4	4	3

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	<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>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Boys and Girls Club	<u>-</u>	<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>Water Distribution</u>										
Utility Maintenance Supervisor	<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>
Utility Maintenance	<u>1</u>	<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>
Total Water Distribution	<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>
<u>Water Plant</u>										
Water Plant Supervisor	<u>-</u>	<u>-</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>
Water Plant Operator	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>
Total Water Plant	<u>1</u>	<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>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>1</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>1</u>	<u>3</u>	<u>3</u>
Total City Employees by Function/Program	<u>46</u>	<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>

Source: City payroll records

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

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire										
Emergency responses	-	-	138	176	245	156	246	274	236	285
Fires extinguished	229	128	130	171	204	140	249	273	232	375
Inspection	-	-	16	13	17	16	17	24	12	15
Refuse collection										
Refuse collected (tons per day)	11.92	9.70	13.78	13.96	13.96	14.97	15.86	16.77	16.26	16.07
Library										
Volumes in collection	25,000	27,000	28,500	29,500	31,500	32,250	32,100	32,650	33,800	34,500
Total volumes borrowed	12,890	11,174	10,047	9,765	10,426	9,960	11,963	8,655	14,032	14,657

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

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

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire Station	-	1	1	1	1	1	1	1	1	1
Police Station	-	1	1	1	1	1	1	1	1	1
Libraries	-	1	1	1	1	1	1	1	1	1
Utilities										
Water System										
Water Plants	-	1	1	1	1	1	1	1	1	1
Water Lines (miles)	-	25	25	25	25	30	30	30	30	30
Service Connections	-	2,600	2,600	2,600	2,600	2,765	2,886	2,958	3,067	3,129
Storage Tank Capacity (gallons)	-	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
Sewer System										
Sewer Plants	-	1	1	1	1	1	1	1	1	1
Sanitary Sewer Lines (miles)	-	11.69	11.69	11.69	11.69	20.19	20.19	20.19	24.19	24.19
Lift Stations	-	5	5	5	5	11	11	11	11	11
Service Connections	-	1,604	1,604	1,604	1,604	1761	1999	2013	2090	2110
Refuse Collection										
Collection Trucks	-	1	1	1	1	2	2	3	3	3
Street Sweeper	-	-	1	1	1	1	1	1	1	1
Brush Truck	-	1	3	3	3	3	3	3	3	3
Brush Chipper	-	-	1	1	1	1	1	1	1	1
Streets and Highways										
Streets (miles)	-									
Paved	-	21.2	21.2	21.2	21.2	25.2	25.2	25.2	25.2	25.2
Unpaved	-	0.13	0.13	0.13	0.13	0.22	0.22	0.22	0.22	0.22
Traffic Signals	-	355	355	355	355	355	355	355	355	355
Parks and Recreation										
Park Acreage Developed	-	27.19	27.19	27.19	27.19	28.51	28.51	116.51	116.51	116.51
Park Acreage Undeveloped	-	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Playgrounds	-	3	3	3	3	4	5	6	6	6

Source: City of La Feria

Note: Information was not available prior to fiscal year 2003



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, 2011, which collectively comprise City of La Feria, Texas' basic financial statements and have issued our report thereon dated March 28, 2012. 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 March 28, 2012.

This report is intended solely for the information and use of management, the City Commission 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.

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LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 28, 2012

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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, 2011. 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, 2011.

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.

This report is intended solely for the information and use of management, the City Commission 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
March 28, 2012

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City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X 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 X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228
66.468

Community Development Block Grant
ARRA – Drinking Water State Revolving
Fund Water Treatment Plant Filter
Replacement Project

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
September 30, 2011

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, 2011

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

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

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Fiscal year Ended September 30, 2011

No Findings were reported for the fiscal year ended September 30, 2010.

City of La Feria, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011

(01) Federal Grantor/ Pass/Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(03) <u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through the Texas Department of Rural Affairs Community Development Block Grant Texas Capital Fund Program	14.228	729102	\$ 275,572
Passed through the Texas Department of Rural Affairs Community Development Block Grant Texas Capital Fund Program	14.228	729082	281,021
Passed through the Texas Department of Rural Affairs Texas Community Development Block Grant Program	14.228	DRS010089	136,954
Passed through the Texas Department of Rural Affairs Texas Community Development Block Grant Program	14.228	729409	360,310
U.S. Department of Agriculture			
Passed through the Office of Rural Development Rural Business Enterprise Grant	10.769	-	300,000
U.S. Department of Homeland Security			
Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP)	97.039	DR1780-005	46,125
Passed through the Texas Department of Public Safety State Homeland Security Program (SHSP)	97.073	-	83,931
U.S. Department of Justice			
Passed through the Office of Community Oriented Policing Services (COPS) Public Safety Partnership and Community Policing Grant	16.710	-	9,935
Passed through the Bureau of Justice Assistance Bulletproof Vest Partnership Program (BVP)	16.607	-	1,805
U.S. Environmental Protection Agency			
Passed through Texas Water Development Board ARRA – Drinking Water State Revolving Fund Water Treatment Plant Filter Replacement Project	66.468	L100010	<u>330,000</u>
Total Federal Awards Expended			<u>\$1,825,653</u>

City of La Feria, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS
Year Ended September 30, 2011

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, 2011

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.