

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF LA FERIA, TEXAS

For the Fiscal Year Ended September 30, 2013

Prepared by:

Finance Department

City of La Feria, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For The Fiscal Year Ended September 30, 2013

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INTRODUCTORY SECTION



CITY OF LA FERIA



April 30, 2014

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, 2013 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

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

The annual budget serves as the foundation for the City of La Feria, Texas' financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager on or before the last week of the month of July each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Commission for review prior to August 31. The Commission is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 97 as part of required supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

The economic condition of the local economy of La Feria, Texas seems to be slowly improving along with the rest of the State. The major economic indicator for the City is the sales tax revenue which remained relatively flat this year compared to last year's increase of 14.31% from the prior year. Current sales tax reports indicate a slight increase signaling a continued economic activity. This fiscal year has indicated that the local economy's health, as well as the state of Texas' is in better shape compared to that of the nation's economy. The economic position of the City of La Feria seems to currently be favorable. The City has maintained a steady level of business growth and improvements during the fiscal year 2013. The City annexed 1.066 square miles in December 2013, adding an estimated property taxable value of \$12,875,922 for tax year 2014. Business growth is expected to continue in the next year with the addition of three new businesses which include a pharmacy, a new housing development and a luxury car dealership. The addition of these new developments will also add new property tax values of approximately \$5,000,000 for tax year 2015.

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

Long-Term Financial Planning

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

Current Capital Projects

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

The construction and expansion of the City's library started in September 2012 and is expected to be completed by the end of April 2014. The library expansion will add services to the residents of La Feria and has an estimated cost of \$1,245,762. 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 totaling \$464,431 and a loan in the amount of \$379,000.

The City was awarded two grants totaling \$3,150,000 from the United States Department of Homeland Security-Federal Emergency Management Agency (FEMA) to assist in the construction two dome shaped buildings to serve as shelters during declared emergencies. The first building will be 15,000 sq. ft. and serve as a wellness center to promote healthier lifestyles for the citizens of La Feria. The total cost of the wellness center is estimated to be \$1,800,000. FEMA is providing a grant amount of \$1,350,000 and the City will be utilizing funds from the CO Series 2011 to fund the other 25% of the costs.

The second building will be 20,000 sq. ft. and is estimated to cost \$2,400,000. The second building will serve as a technology and training center in the community to promote economic development. FEMA is providing a grant for \$1,800,000 and the City will be utilizing funds from the CO 2011 to fund the other 25% of this building also. Construction of these capital projects is expected to start in June 2014 and is expected to be completed by March 2015.

The City applied for and was awarded \$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 June of 2014 and is expected to be completed by July 2015.

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

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

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Grant funds were also awarded in the amount of \$1,892,026 from the U.S. Department of Homeland Security and passed through the Texas Department of Public Safety under the Hazard Mitigation Grant Program (HMGP) to supplement the drainage improvement at four sites and minimize flooding of the local expressway. Construction for this drainage project funded with HMGP grant funds started in October of 2013 and is expected to be completed by July of 2014. Construction of the watershed improvements and other public flood components funded through GLO are expected to be completed by December 2015.

Future Planning

The City was awarded a grant totaling \$1,000,000 from the Department of Commerce's Economic Development Administration (EDA) to assist with the funding of the construction of a new technology and success center to promote innovation and technology skills for the citizens of La Feria and surrounding communities. The total cost to build this new facility is estimated at \$1,537,500 with construction starting in October 2014. The City's local match of \$537,500 will be funded from Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011.

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, 2012. This was the tenth consecutive year that the City of La Feria has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Sunny K. Philip
City Manager



Maria S. Chavero, CGFO
IT/Finance Director



Government Finance Officers Association

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

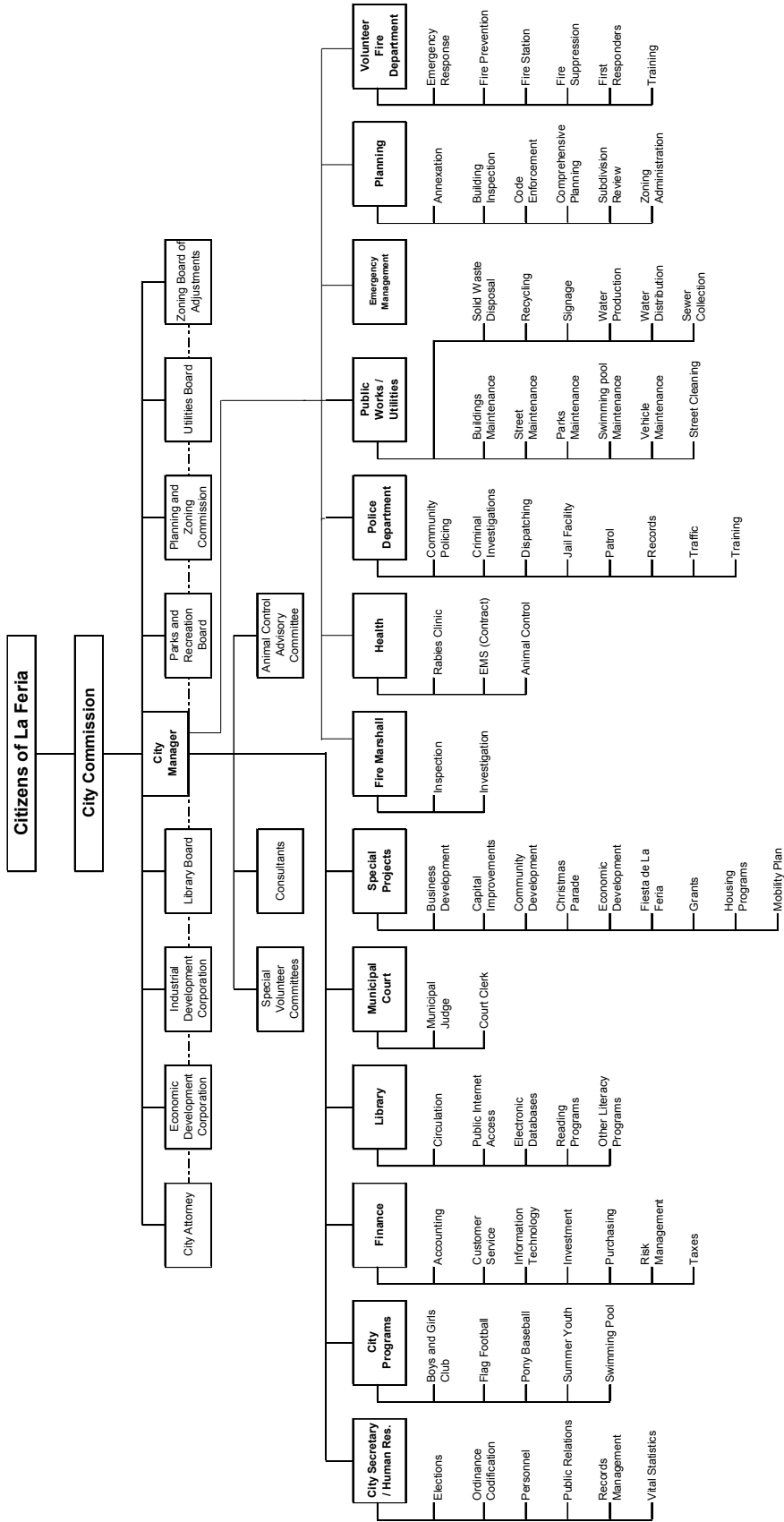
Presented to

**City of La Feria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



City of La Feria, Texas
LIST OF PRINCIPAL OFFICIALS
As of September 30, 2013

| | |
|--|--------------------------|
| 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 | Steven Salinas |
| Industrial Development Corporation Secretary/Treasurer | Ignacio A. Garcia-Galvez |
| Industrial Development Corporation Official | Lloyd Betts |
| Industrial Development Corporation Official | Candace Y. Guillen |
| Economic Development Corporation President | Betty Jo Dunlap |
| Economic Development Corporation Vice-President | Mary Garcia |
| Economic Development Corporation Secretary/Treasurer | John Hernandez |
| Economic Development Corporation Official | 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, 2013

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



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas ("the City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 27-40 and 96-100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas’s basic financial statements. The introductory section, combining nonmajor fund financial statements, the individual budget to actual schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, on our consideration of the City of La Feria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Feria, Texas's internal control over financial reporting and compliance.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 29, 2014

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CITY OF LA FERIA, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of La Feria, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of La Feria for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 9-13 of this report.

Financial Highlights

- The assets of the City's primary government exceeded its liabilities at the close of the most recent fiscal year by \$8,241,752 (net position). Of this amount, \$528,764 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets of the City component units exceeded its liabilities at the close of the most recent fiscal year by \$30,135,032 (net position). Of this amount, \$883,971 (unrestricted net position) may be used to meet the component unit's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,154,758. Approximately 96 percent of this total amount, \$2,070,092 is restricted for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund had a deficit balance of -\$198,180 due to the deferral of unavailable grant revenue in the amount of \$404,128.
- The City's total debt increased by \$422,473 (2 percent) during the current fiscal year. The key factors in the net increase were the timely payment of maturities, the issuance of USDA Bond Series 2012A for \$379,000 for the expansion of the library, and the issuance of \$888,763 of notes payable.
- The City adopted GASB Statement No. 63 and No. 65 in the current fiscal year, additional information regarding this change in accounting policies can be found on page under Note A, I. on page 71 of this report.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary 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 five major and eight 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 Bailey H. Dunlap Memorial Library Fund, the La Feria Recreation Center Fund, and the Certificates of Obligation – Series 2011 Fund all of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

The City adopts an annual appropriated budget for its general fund, certain special revenue funds, and the debt service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with budget.

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

Proprietary Funds

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

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

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

Discretely Presented Component Units

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

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

Notes to the Financial Statements

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

The notes to the financial statements begin on page 61 of this report.

Required Supplementary Information

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

Required supplementary information begins on page 96 of this report.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Other Information

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

Non-major governmental funds combining statements and individual budget to actual schedules begin on page 102 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,241,752 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> | |
|--------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|----------------------------------|---------------------|
| | Restated | | | | Restated | | | |
| | <u>9/30/13</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/12</u> |
| Current and other assets | \$ 8,922,669 | \$10,249,045 | \$ 399,823 | \$ 393,574 | \$ 9,322,492 | \$10,642,619 | \$17,256,848 | \$19,533,162 |
| Capital assets | <u>13,897,384</u> | <u>10,459,664</u> | <u>365,006</u> | <u>188,278</u> | <u>14,262,390</u> | <u>10,647,942</u> | <u>37,344,106</u> | <u>37,654,512</u> |
| Total assets | 22,820,053 | 20,708,709 | 764,829 | 581,852 | 23,584,882 | 21,290,561 | 54,600,954 | 57,187,674 |
| Long-term liabilities | | | | | | | | |
| outstanding | 14,593,025 | 14,010,904 | 4,428 | 4,391 | 14,597,453 | 14,015,295 | 8,165,042 | 8,609,727 |
| Other liabilities | <u>745,677</u> | <u>498,631</u> | - | - | <u>745,677</u> | <u>498,631</u> | <u>16,300,880</u> | <u>18,480,232</u> |
| Total liabilities | 15,338,702 | 14,509,535 | 4,428 | 4,391 | 15,343,130 | 14,513,926 | 24,465,922 | 27,089,959 |
| Net position* | | | | | | | | |
| Net investment | | | | | | | | |
| in capital assets | 6,927,935 | 5,168,447 | 365,006 | 188,278 | 7,292,941 | 5,356,725 | 28,049,898 | 28,152,079 |
| Restricted | 420,047 | 127,137 | - | - | 420,047 | 127,137 | 1,201,163 | 1,011,095 |
| Unrestricted | <u>133,369</u> | <u>903,590</u> | <u>395,395</u> | <u>389,183</u> | <u>528,764</u> | <u>1,292,773</u> | <u>883,971</u> | <u>934,541</u> |
| | <u>\$ 7,481,351</u> | <u>\$ 6,199,174</u> | <u>\$ 760,401</u> | <u>\$ 577,461</u> | <u>\$ 8,241,752</u> | <u>\$ 6,776,635</u> | <u>\$30,135,032</u> | <u>\$30,097,715</u> |

*As a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City has restated the beginning net position in the government-wide Statement of Activities. Beginning net position was reduced by \$134,161 and \$132,852 in the primary government and component unit, respectively.

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

An additional portion of the City's net position, \$420,047 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$528,764 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The City's net position increased by \$1,465,217 during the current fiscal year and can be attributed mostly to a 92% increase in capital grants and contributions for major capital projects this fiscal year.

The discretely presented component units' net position increased \$37,317 during the current fiscal year which can be attributed to less capital project activities compared to prior years.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$1,282,277. The key elements of this increase are described as follows:

- Increased revenues derived from capital grants and contributions compared to the prior year.
- Increased general revenues derived from property taxes.
- Decreased expenses in the departments of the highways and streets compared to the prior year.

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

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

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

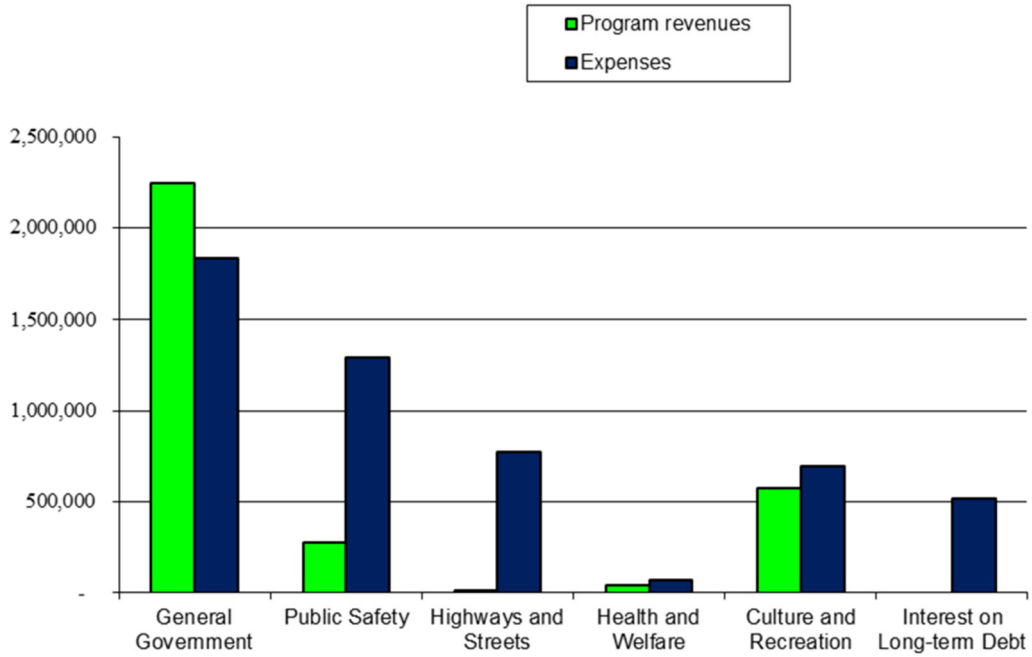
City of La Feria's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | | Component Unit Activities | |
|-------------------------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|---------------------------|---------------|
| | Restated | | | | Restated | | Restated | |
| | 9/30/2013 | 9/30/2012 | 9/30/2013 | 9/30/2012 | 9/30/2013 | 9/30/2012 | 9/30/2013 | 9/30/2012 |
| Revenues: | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for services | \$ 495,522 | \$ 587,282 | \$ 771,427 | \$ 747,393 | \$ 1,266,949 | \$ 1,334,675 | \$ 2,486,868 | \$ 2,556,293 |
| Operating grants and contributions | 125,310 | 339,900 | - | - | 125,310 | 339,900 | 486,887 | 2,031,015 |
| Capital grants and contributions | 2,538,597 | 1,323,050 | - | - | 2,538,597 | 1,323,050 | 7,870 | 9,950 |
| General Revenues: | | | | | | | | |
| Property tax | 1,281,494 | 1,232,089 | - | - | 1,281,494 | 1,232,089 | - | - |
| Other taxes | 863,804 | 863,951 | - | - | 863,804 | 863,951 | 531,276 | 530,912 |
| Other | 1,097,845 | 1,155,730 | - | - | 1,097,845 | 1,155,730 | 16,189 | 377,578 |
| Transfers | 69,349 | 262,003 | (69,349) | (262,003) | - | - | - | - |
| Total revenues | 6,471,921 | 5,764,005 | 702,078 | 485,390 | 7,173,999 | 6,249,395 | 3,529,090 | 5,505,748 |
| Expenses: | | | | | | | | |
| General government | 1,835,803 | 1,800,398 | - | - | 1,835,803 | 1,800,398 | - | - |
| Public safety | 1,293,958 | 1,254,198 | - | - | 1,293,958 | 1,254,198 | - | - |
| Highways/streets | 779,326 | 805,222 | - | - | 779,326 | 805,222 | - | - |
| Health and welfare | 66,340 | 52,974 | - | - | 66,340 | 52,974 | - | - |
| Culture and recreation | 698,116 | 677,435 | - | - | 698,116 | 677,435 | - | - |
| Interest on long-term debt | 516,101 | 427,928 | - | - | 516,101 | 427,928 | - | - |
| Sanitation | - | - | 519,138 | 455,225 | 519,138 | 455,225 | - | - |
| Waterworks system | - | - | - | - | - | - | 2,976,695 | 3,114,050 |
| IDC | - | - | - | - | - | - | 361,690 | 558,816 |
| EDC | - | - | - | - | - | - | 153,388 | 138,943 |
| Total expenses | 5,189,644 | 5,018,155 | 519,138 | 455,225 | 5,708,782 | 5,473,380 | 3,491,773 | 3,811,809 |
| Increase/(decrease) in net position | 1,282,277 | 745,850 | 182,940 | 30,165 | 1,465,217 | 776,015 | 37,317 | 1,693,939 |
| Net position - beginning, restated | 6,199,074 | 5,453,224 | 577,461 | 547,296 | 6,776,535 | 6,000,520 | 30,097,715 | 28,403,776 |
| Net position - ending | \$ 7,481,351 | \$ 6,199,074 | \$ 760,401 | \$ 577,461 | \$ 8,241,752 | \$ 6,776,535 | \$ 30,135,032 | \$ 30,097,715 |

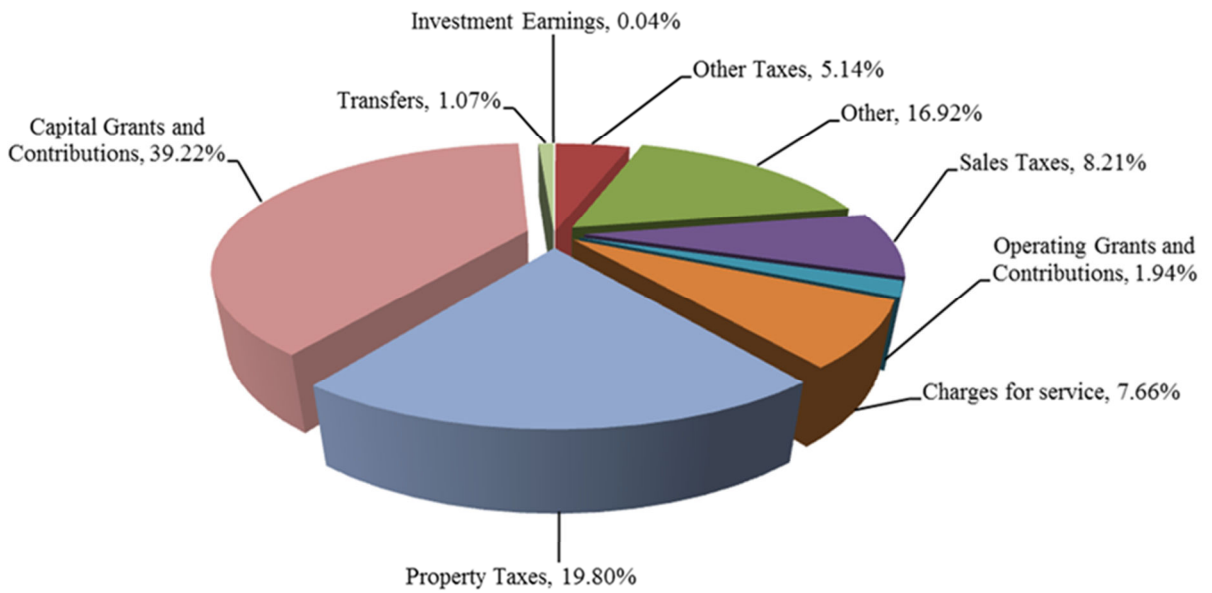
CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

An overview of the City’s governmental expenses and revenues are presented in the charts below.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Business-Type Activities

Business-type activities consist of operating expenses of \$519,138, transfers-out totaling \$69,349 and revenues of \$771,427 resulting in an increase in net position of \$182,940. The key element of this increase in net position can be attributed to a decrease in the transfer-out:

- A transfer-in of \$251,457 from the general government’s CO Series 2011 bond series proceeds for the purchase of a capital asset for business type activities and an annual transfer-out to the general government in the amount of \$320,806 resulted in a net transfer-out of \$69,349.

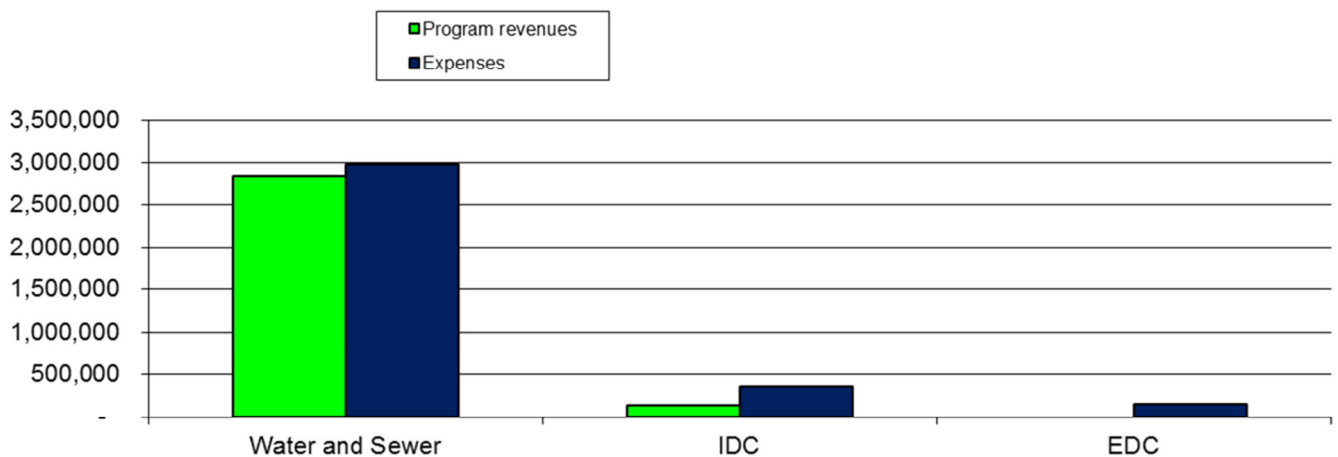
Discretely Presented Component Units

Component unit’s activities increased their net position by \$37,317 accounting for approximately .12 percent of the total net position. Key elements of this increase are as follows:

- The Waterworks and Sewer System’s net position decreased by \$133,191 in comparison with the prior year due to the implementation of GASB 65. Bond issuance costs are no longer amortized; further explanation of GASB 65 is provided under Notes to financial statements section, Note A-5m.
- The La Feria Industrial Development Corporation’s net position increased by \$53,837 during the current fiscal year and is attributed to decreases in operating expenses and interest expense on bank notes. Sales tax remained relatively flat with only a slight increase of .07%.
- The La Feria Economic Development Corporation’s net position increased by \$116,671 and is attributed to decreases in operating expenses and increases in interest income revenue. Sales tax remained relatively flat with only a slight increase of .07%.

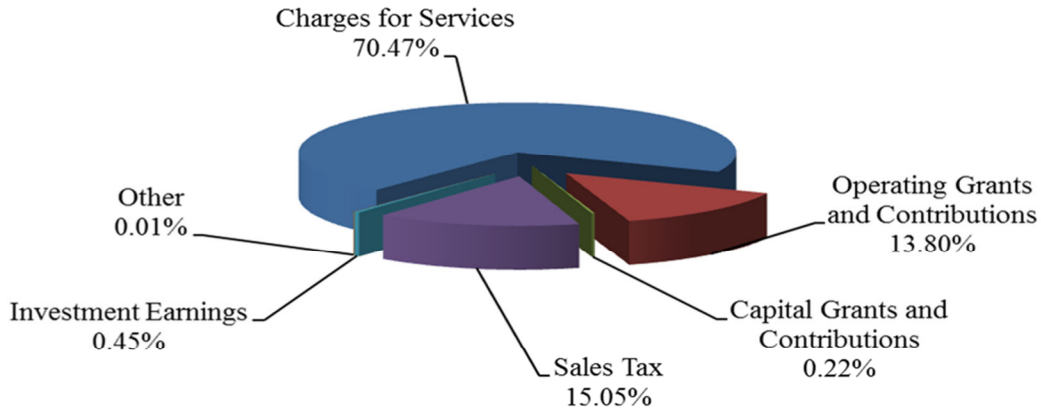
An overview of the component units’ expenses and program revenues and revenues by source are presented in the following charts:

Expenses and Program Revenues – Component Unit Activities



CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Source – Component Unit Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

Governmental Funds

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

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2013 and 2012.

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

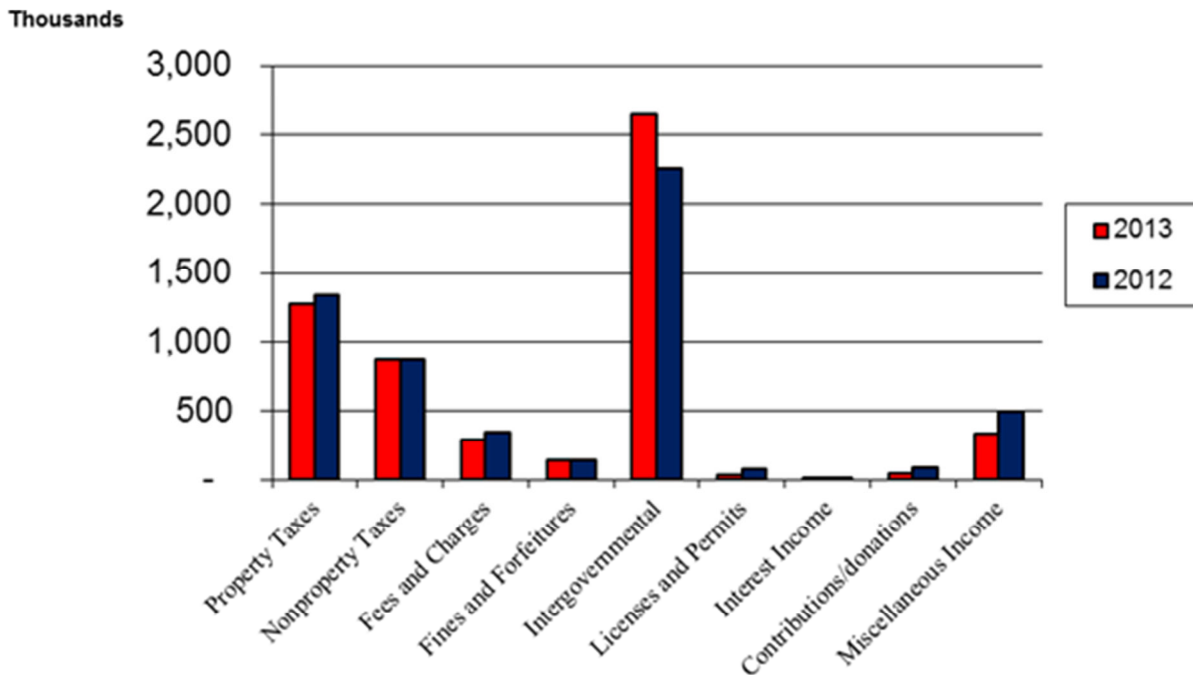
| | 2013 <u>Amount</u> | Percent of <u>2013 Total</u> | 2012 <u>Amount</u> | Percent of <u>2012 Total</u> | Increase (Decrease) <u>Over 2012</u> | Percent of Increase (Decrease) |
|-----------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|--|--------------------------------------|
| Revenues | | | | | | |
| Property taxes | \$1,272,871 | 22.56% | \$1,338,191 | 23.86% | \$ (65,320) | (4.88)% |
| Non-property taxes | 871,159 | 15.44% | 863,951 | 15.40% | 7,208 | .83% |
| Fees and charges | 292,777 | 5.19% | 339,798 | 6.06% | (47,021) | (13.84)% |
| Fines and forfeitures | 137,582 | 2.44% | 139,423 | 2.49% | (1,841) | (1.32)% |
| Intergovernmental | 2,651,939 | 47.00% | 2,264,491 | 40.38% | 387,448 | 17.11% |
| Licenses and permits | 29,419 | 0.52% | 74,018 | 1.32% | (44,599) | (60.25)% |
| Interest income | 2,662 | 0.05% | 6,183 | .11% | (3,521) | (56.95)% |
| Contributions and donations | 46,663 | 0.83% | 88,488 | 1.58% | (41,825) | (47.27)% |
| Miscellaneous income | <u>337,117</u> | <u>5.97%</u> | <u>493,561</u> | <u>8.80%</u> | <u>(156,444)</u> | <u>(31.70)%</u> |
| | <u>\$5,642,189</u> | 100.00% | <u>\$5,608,104</u> | 100.00% | <u>\$ 34,085</u> | |

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Revenues from governmental funds increased by \$34,085 or .61%. Key elements of this increase shown above are as follows:

- Intergovernmental revenues increased by \$387,448 or 17.11% compared to last year. The intergovernmental revenues consisted mostly of grant funds for capital projects which had more activity in the current year compared to prior years.
- Revenue from licenses and permits decreased 60.25%; reflecting decreases in business activity in the community compared to last year which experienced an increase of 113.57%.

Governmental Revenues



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, 2013 and 2012.

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

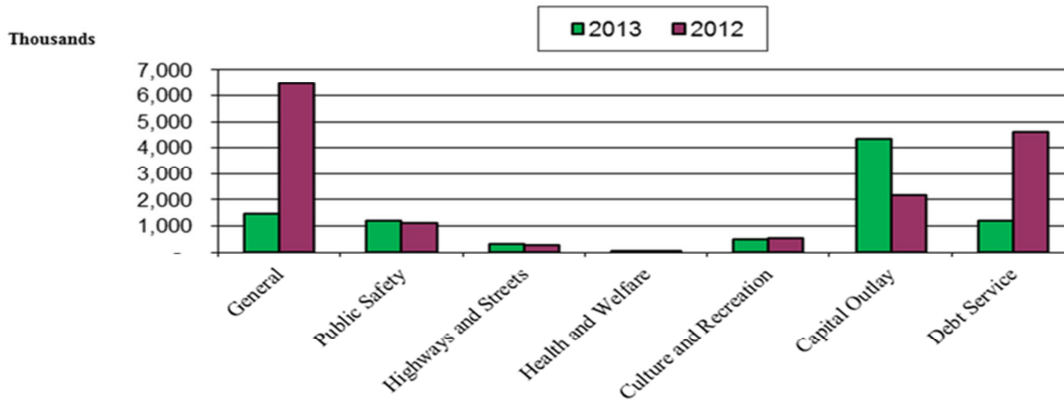
| | 2013 <u>Amount</u> | Percent of <u>2013 Total</u> | 2012 <u>Amount</u> | Percent of <u>2012 Total</u> | Increase (Decrease) <u>Over 2012</u> | Percent of Increase (Decrease) |
|------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|--|--------------------------------------|
| Expenditures | | | | | | |
| General | \$1,453,073 | 16.07% | \$ 6,457,372 | 42.38% | \$(5,004,299) | (77.50)% |
| Public safety | 1,187,241 | 13.13% | 1,120,826 | 7.36% | 66,415 | 5.93% |
| Highways and streets | 300,660 | 3.32% | 286,271 | 1.88% | 14,389 | 5.03% |
| Health and welfare | 61,232 | .68% | 48,547 | .32% | 12,685 | 26.13% |
| Culture and recreation | 469,040 | 5.19% | 541,126 | 3.55% | (72,086) | (13.32)% |
| Capital outlay | 4,361,463 | 48.23% | 2,168,749 | 14.23% | 2,192,714 | 101.11% |
| Debt service | <u>1,210,243</u> | <u>13.38%</u> | <u>4,612,768</u> | <u>30.28%</u> | <u>(3,402,525)</u> | <u>(73.76)%</u> |
| | <u>\$9,042,952</u> | 100.00% | <u>\$15,235,959</u> | 100.00% | <u>\$(6,192,707)</u> | |

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental funds incurred expenditures of \$9,042,952 approximately 41 percent less expenditures for the City of La Feria, Texas compared to last year. Key elements of this decrease are as follows:

- General government expenditures decreased by \$5,004,299 (approximately 77.50% less from previous year). In the prior fiscal year general government expenditures included costs incurred related to the GO Refunding Bond Series 2011 which included the refunding of \$4,450,000 of revenue bonds previously issued by the City’s component unit, the Waterworks and Sewer System. The proceeds were transferred to the Waterworks and Sewer System Fund.
- Capital outlay expenditures increased by \$2,192,714 compared to last year due to increased activity in capital projects, including a capital outlay for drainage improvements, the expansion of the library, and the expansion of the fire department.

Governmental Expenditures



Governmental Fund Balances. The General Fund’s fund balance decreased by \$646,781 in fiscal year 2012-2013 due to increases in capital improvements related to an \$18M drainage project and the expansion of the fire department. The drainage project is being funded with federal grants on a reimbursement basis. The general fund balance will increase as grant funds are received and revenue recorded accordingly. The library’s fund balances also decreased due to the continued capital improvements of the library and the delay in grant reimbursements. The Certificate of Obligation Series 2011 Fund was established in the prior year for various capital improvements throughout the City, including the completion of an indoor recreation center, the expansion of City Hall, and the purchase of public works equipment; the CO 2011 fund had an ending fund balance of \$2,062,578. Other non-major governmental fund balances increased by \$182,098 due mostly to one fund, the Tax Increment Reinvestment Zone, which did not have any expenses in the current year. The other non-major governmental funds exhausted their fund balances due to mostly to capital projects completing construction.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

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 \$24,034 thereby accounting for approximately 3% growth in the revenues of the Enterprise Fund. The small growth in operating revenues is due to small volume increases for both the garbage and brush services.

Operating expenses in the business-type activities increased by \$63,913 or 12 percent. The primary elements for this increase are due to increases in the costs of personnel services due to changes in personnel for the garbage collection department and increases in depreciation expense due to the addition of capital assets in the current fiscal year.

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

La Feria, Texas’ Component Unit’s activities decreased operating revenues by \$1,615,633 thereby accounting for approximately a 35% decrease in revenues. Key elements of this decrease are as follows:

- Operating grants and contributions decreased by 76% from the prior year due to decrease activity in the Water and Sewer System compared to the prior year which included grants of \$1.8M for two solar cell projects which were completed last year.

Component Units activities decreased the expenditures by a net amount of \$320,036 thereby accounting for approximately an 8% decrease in expenditures. Key elements of this decrease are as follows:

- The Economic Development Corporation’s operating expenditures increased by 10% or \$14,445 from the previous year due mostly an increase in payments to the primary government for capital improvement projects.
- The Industrial Development Corporation decreased expenditures from the previous year from \$558,816 to \$361,690 due mostly to a reduction in payments to the primary government for capital improvement projects.
- The Waterworks and Sewer System increased operating expenditures from the previous year from \$3.02M to \$3.11M due mostly to increases in personnel and contractual services as capital projects were completed and required additional manpower.

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Differences between the original budget expenditures and the final amended budget expenditures amounted to a net decrease of \$689,744 or 14%; the original budget for revenues and the final amended budget for revenues amounted to a net decrease of \$1,298,574 or 25% and can be briefly summarized as follows:

Revenues

- A decline in property tax revenue reduced this budget amount by \$26,924 or 4%.
- A decline in intergovernmental revenue reduced this budget amount by \$1,300,886 or 43% due to changes in the timeline of projects and the receipt of intergovernmental funds.
- A decline in licenses and permits revenue reduced this budget amount by \$25,098 or 49% due mostly to less activity compared to the prior year which experienced an increase of 113% from prior years.

Expenditures

- Decreased activity in the culture and recreation department decreased the budget amount by \$88,221 or 23% due a decline in personnel and related expenses.
- The capital outlay budget decreased by \$600,899 or 36% due to changes in the start date of some of several capital projects which includes a major drainage project and two shelters.

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$14,262,390 (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 \$3,614,449 or approximately 34 percent.

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

- Expansion of library;
- Construction of an indoor recreation center;
- Purchase of land for future economic development;
- Drainage project improvements;
- Purchase of garbage truck

CITY OF LA FERIA, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|------------------|---------------------|---------------------|
| | <u>9/30/13</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/12</u> |
| Land | \$ 1,257,793 | \$ 672,657 | \$ - | \$ - | \$ 1,257,793 | \$ 672,657 |
| Building and systems | 4,404,259 | 3,581,882 | - | - | 4,404,259 | 3,581,882 |
| Improvements and other than buildings | 6,177,024 | 5,585,991 | - | - | 6,177,024 | 5,585,991 |
| Machinery and equipment | 1,185,967 | 619,134 | 365,006 | 188,277 | 1,550,973 | 807,411 |
| Construction in progress | 872,341 | - | - | - | 872,341 | - |
| | <u>\$13,897,384</u> | <u>\$10,459,664</u> | <u>\$365,006</u> | <u>\$188,277</u> | <u>\$14,262,390</u> | <u>\$10,647,941</u> |

Additional information on the City’s capital assets can be found in Note D beginning on page 76 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include \$13,614,000 of (limited) revenue certificates of obligation bonds, and \$3,375,000 of water and wastewater revenue bonds. The City’s total long-term debt had a net increase of \$422,473 during this fiscal year. The key factors in the net decrease was the timely repayment of debt maturities and the issuance of USDA Bond Series 2012A for the expansion of the library and the issuance of notes payable.

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

Economic Factors and Next Year’s Budgets and Rates

- The occupancy rate of the government’s central business district is estimated to have remained at 90 percent for the past year.
- Sales tax remained relatively flat with an increase of .07% compared to prior year’s increase of 14%. The sales tax revenue is expected to increase by 3% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City’s budget for the 2013-14 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 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 La Feria Recreation Center Fund was established to account for the donations, grants, and other funding received and expenditures for operating the City's recreation center.

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

BUSINESS-TYPE FUND

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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



City of La Feria, Texas
STATEMENT OF NET POSITION
September 30, 2013

Exhibit 1

| | Primary Government | | | Component Units |
|---|----------------------------|-------------------------------|--------------|--------------------------|
| | Governmental Activities | Business - type Activities | Total | Component Units Total |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 1,039,421 | \$ 321,208 | \$ 1,360,629 | \$ 261,443 |
| Investments | 75,000 | - | 75,000 | - |
| Receivables (net of allowance for uncollectible) | 1,604,005 | 78,615 | 1,682,620 | 352,051 |
| Due from primary government | - | - | - | 152,610 |
| Due from component units | 1,167,126 | - | 1,167,126 | - |
| Inventories | 24,530 | - | 24,530 | 31,661 |
| Prepaid items | 124,757 | - | 124,757 | - |
| Restricted assets: | | | | |
| Temporarily restricted: | | | | |
| Cash and cash equivalents | 22,815 | - | 22,815 | 15,639,656 |
| Note receivable, net | 4,865,015 | - | 4,865,015 | 819,427 |
| Capital assets (net of accumulated depreciation) | | | | |
| Land | 1,257,793 | - | 1,257,793 | 3,045,226 |
| Building and system | 4,404,259 | - | 4,404,259 | 1,505,955 |
| Improvements other than buildings | 6,177,024 | - | 6,177,024 | - |
| Machinery and equipment | 1,185,967 | 365,006 | 1,550,973 | 2,869,225 |
| Infrastructure | - | - | - | 29,080,098 |
| Certificate of Convenience & Necessity | - | - | - | 114,478 |
| Easements | - | - | - | 82,807 |
| Construction in progress | 872,341 | - | 872,341 | 646,317 |
| Total Assets | 22,820,053 | 764,829 | 23,584,882 | 54,600,954 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable and other current liabilities | 593,067 | - | 593,067 | 26,752 |
| Due to primary government | - | - | - | 1,167,126 |
| Due to component units | 152,610 | - | 152,610 | - |
| Unearned revenue | - | - | - | 14,958,319 |
| Liabilities payable from restricted assets | - | - | - | 148,683 |
| Noncurrent liabilities: | | | | |
| Due within one year | 953,502 | - | 953,502 | 220,712 |
| Due in more than one year, net | 13,639,523 | 4,428 | 13,643,951 | 7,944,330 |
| Total liabilities | 15,338,702 | 4,428 | 15,343,130 | 24,465,922 |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 6,927,935 | 365,006 | 7,292,941 | 28,049,898 |
| Restricted for: | | | | |
| Debt service | 118,935 | - | 118,935 | 287,389 |
| Capital projects | - | - | - | 913,774 |
| Tax increment reinvestment zone | 301,112 | - | 301,112 | - |
| Unrestricted: | 133,369 | 395,395 | 528,764 | 883,971 |
| Total net position | \$ 7,481,351 | \$ 760,401 | \$ 8,241,752 | \$ 30,135,032 |

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, 2013

| | Expenses | Program Revenues | | |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 1,835,803 | \$ 205,633 | \$ 7,257 | \$ 2,037,987 |
| Public safety | 1,293,958 | 182,434 | 95,634 | - |
| Highways and streets | 779,326 | - | - | 15,875 |
| Health and welfare | 66,340 | 29,419 | 10,402 | - |
| Culture and recreation | 698,116 | 78,036 | 12,017 | 484,735 |
| Interest on long term debt | 516,101 | - | - | - |
| Total governmental activities | <u>5,189,644</u> | <u>495,522</u> | <u>125,310</u> | <u>2,538,597</u> |
| Business - type activities: | | | | |
| Sanitation services | \$ 519,138 | \$ 771,427 | \$ - | \$ - |
| Total Business-type activities | <u>519,138</u> | <u>771,427</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 5,708,782</u> | <u>\$ 1,266,949</u> | <u>\$ 125,310</u> | <u>\$ 2,538,597</u> |
| Component Units | | | | |
| Waterworks and Sewer Systems | \$ 2,976,695 | \$ 2,348,068 | \$ 486,887 | \$ 7,870 |
| Industrial Development Corporation | 361,690 | 138,800 | - | - |
| Economical Development Corporation | 153,388 | - | - | - |
| Total component units | <u>\$ 3,491,773</u> | <u>\$ 2,486,868</u> | <u>\$ 486,887</u> | <u>\$ 7,870</u> |

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Hotel motel taxes

Unrestricted investment earnings

Gain on sale of capital assets

Other non operating revenue

Transfers:

Transfers

Total general revenues and transfers

Change in net position

Net position--beginning, as restated

Net position--ending

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-------------------------------|---------------------|----------------------|
| Primary Government | | | Component Units |
| Governmental Activities | Business - type Activities | Total | Component Units |
| \$ 415,074 | \$ - | \$ 415,074 | \$ - |
| (1,015,890) | - | (1,015,890) | - |
| (763,451) | - | (763,451) | - |
| (26,519) | - | (26,519) | - |
| (123,328) | - | (123,328) | - |
| (516,101) | - | (516,101) | - |
| <u>(2,030,215)</u> | <u>-</u> | <u>(2,030,215)</u> | <u>-</u> |
| - | 252,289 | 252,289 | - |
| - | <u>252,289</u> | <u>252,289</u> | - |
| (2,030,215) | 252,289 | (1,777,926) | - |
| - | - | - | (133,870) |
| - | - | - | (222,890) |
| - | - | - | <u>(153,388)</u> |
| - | - | - | (510,148) |
| 599,367 | - | 599,367 | - |
| 682,127 | - | 682,127 | - |
| 531,277 | - | 531,277 | 531,276 |
| 315,995 | - | 315,995 | - |
| 16,532 | - | 16,532 | - |
| 2,661 | - | 2,661 | 15,845 |
| 2,500 | - | 2,500 | - |
| 1,092,684 | - | 1,092,684 | 344 |
| 69,349 | (69,349) | - | - |
| <u>3,312,492</u> | <u>(69,349)</u> | <u>3,243,143</u> | <u>547,465</u> |
| 1,282,277 | 182,940 | 1,465,217 | 37,317 |
| <u>6,199,074</u> | <u>577,461</u> | <u>6,776,535</u> | <u>30,097,715</u> |
| <u>\$ 7,481,351</u> | <u>\$ 760,401</u> | <u>\$ 8,241,752</u> | <u>\$ 30,135,032</u> |

City of La Feria, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

| | General Fund | Debt Service Fund | B. H. D. Memorial Library Fund | La Feria Recreation Center Fund | Certificates of Obligation Series 2011 Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------------|---------------------------------------|--|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,312 | \$ 81,435 | \$ - | \$ 5,720 | \$ 902,079 | \$ 48,875 | \$ 1,039,421 |
| Investments | 75,000 | - | - | - | - | - | 75,000 |
| Receivables, (net of allowance for uncollectables) | | | | | | | |
| Property Taxes | 87,487 | 81,863 | - | - | - | - | 169,350 |
| Nonproperty taxes | 44,247 | - | - | - | - | - | 44,247 |
| Service | 57,127 | - | - | - | - | - | 57,127 |
| Special assessment | 28,601 | - | - | - | - | - | 28,601 |
| Other | 794,237 | - | 230,878 | 153,500 | - | 126,065 | 1,304,680 |
| Due from other funds | 4,681 | - | - | - | 283,828 | 251,616 | 540,125 |
| Due from component units | - | - | - | - | 881,462 | - | 881,462 |
| Inventories | 24,530 | - | - | - | - | - | 24,530 |
| Prepaid items | 124,757 | - | - | - | - | - | 124,757 |
| Restricted assets | | | | | | | |
| Temporary restricted | | | | | | | |
| Cash and cash equivalents | 1,896 | 20,739 | 80 | - | - | 100 | 22,815 |
| Total assets | <u>\$ 1,243,875</u> | <u>\$ 184,037</u> | <u>\$ 230,958</u> | <u>\$ 159,220</u> | <u>\$ 2,067,369</u> | <u>\$ 426,656</u> | <u>\$ 4,312,115</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 424,797 | - | 104,418 | 96 | 4,791 | 12,701 | 546,803 |
| Accrued liabilities | 46,264 | - | - | - | - | - | 46,264 |
| Due to other funds | 251,669 | - | 181,916 | - | - | 106,540 | 540,125 |
| Due to component units | - | - | - | 152,610 | - | - | 152,610 |
| Total liabilities | <u>722,730</u> | <u>-</u> | <u>286,334</u> | <u>152,706</u> | <u>4,791</u> | <u>119,241</u> | <u>1,285,802</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue- property taxes | 57,193 | 65,102 | - | - | - | - | 122,295 |
| Unavailable revenue- grants | 404,128 | - | 230,878 | - | - | 5,537 | 640,543 |
| Unavailable revenue- other | 108,717 | - | - | - | - | - | 108,717 |
| Total deferred inflows of resources | <u>570,038</u> | <u>65,102</u> | <u>230,878</u> | <u>-</u> | <u>-</u> | <u>5,537</u> | <u>871,555</u> |
| FUND BALANCES (DEFICIT) | | | | | | | |
| Non-spendable fund balances: | | | | | | | |
| Inventories | 24,530 | - | - | - | - | - | 24,530 |
| Prepaid items | 124,757 | - | - | - | - | - | 124,757 |
| Restricted fund balances: | | | | | | | |
| Retirement of long-term debt | - | 118,935 | - | - | - | - | 118,935 |
| Tax increment reinvestment zone | - | - | - | - | - | 301,112 | 301,112 |
| Capital projects | - | - | - | 6,514 | 2,062,578 | 1,000 | 2,070,092 |
| Community Development Programs | - | - | - | - | - | 5,135 | 5,135 |
| Assigned | - | - | - | - | - | 68 | 68 |
| Unassigned | (198,180) | - | (286,254) | - | - | (5,437) | (489,871) |
| Total fund balance (deficit) | <u>(48,893)</u> | <u>118,935</u> | <u>(286,254)</u> | <u>6,514</u> | <u>2,062,578</u> | <u>301,878</u> | <u>2,154,758</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 1,243,875</u> | <u>\$ 184,037</u> | <u>\$ 230,958</u> | <u>\$ 159,220</u> | <u>\$ 2,067,369</u> | <u>\$ 426,656</u> | <u>\$ 4,312,115</u> |

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

City of La Feria, Texas
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 September 30, 2013

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Fund balance -- total governmental funds | \$ 2,154,758 |
| 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. | 13,897,384 |
| Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore not reported in the funds: | |
| Deferred inflows of resources (unavailable resources in funds) | 871,555 |
| Note receivable from recipients related to TCF note payable | 568,763 |
| Long term note receivable including current portion included as part of due from component units | 4,581,916 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities consist of: | |
| Bonds payable | (13,614,000) |
| Note payable - TCF | (568,763) |
| Note payable - other | (310,858) |
| Net pension obligation | (67,867) |
| Compensated absences | <u>(31,537)</u> |
| Net position of governmental activities | <u>\$ 7,481,351</u> |

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

City of La Feria, Texas
**STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the year ended September 30, 2013

Exhibit 5

| | General Fund | Debt Service Fund | B.H.D. Memorial Library Fund | La Feria Recreation Center Fund | Certificates of Obligation Series 2011 Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|----------------------|---------------------------------|---------------------------------------|--|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ 571,472 | \$ 674,606 | \$ - | \$ - | \$ - | \$ 26,793 | \$ 1,272,871 |
| Sales | 531,277 | - | - | - | - | - | 531,277 |
| Franchise | 315,995 | - | - | - | - | - | 315,995 |
| Other | - | - | - | - | - | 23,887 | 23,887 |
| Licenses and permits | 29,419 | - | - | - | - | - | 29,419 |
| Intergovernmental | 2,399,818 | - | 241,719 | - | - | 10,402 | 2,651,939 |
| Fees and charges | 250,485 | - | - | - | - | 42,292 | 292,777 |
| Fines | 137,582 | - | - | - | - | - | 137,582 |
| Interest income | 193 | 14 | 12 | 6 | 2,437 | - | 2,662 |
| Contributions and donations | 25,645 | - | 8,881 | - | - | 12,137 | 46,663 |
| Other | 269,756 | 28,436 | 25 | 3,136 | - | 35,764 | 337,117 |
| Total revenues | <u>4,531,642</u> | <u>703,056</u> | <u>250,637</u> | <u>3,142</u> | <u>2,437</u> | <u>151,275</u> | <u>5,642,189</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | 1,045,141 | - | 33,517 | 46,050 | 201,032 | 127,333 | 1,453,073 |
| Public safety | 1,187,241 | - | - | - | - | - | 1,187,241 |
| Highways and streets | 300,660 | - | - | - | - | - | 300,660 |
| Health and welfare | 61,232 | - | - | - | - | - | 61,232 |
| Culture and recreation | 279,324 | - | 100,513 | - | - | 89,203 | 469,040 |
| Debt service | | | | | | | |
| Principal retirement | 9,142 | 685,000 | - | - | - | - | 694,142 |
| Interest and fiscal agent fees | 12,458 | 503,643 | - | - | - | - | 516,101 |
| Capital outlay | 2,373,788 | - | 659,503 | - | 928,394 | 399,778 | 4,361,463 |
| Total expenditures | <u>5,268,986</u> | <u>1,188,643</u> | <u>793,533</u> | <u>46,050</u> | <u>1,129,426</u> | <u>616,314</u> | <u>9,042,952</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(737,344)</u> | <u>(485,587)</u> | <u>(542,896)</u> | <u>(42,908)</u> | <u>(1,126,989)</u> | <u>(465,039)</u> | <u>(3,400,763)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 570,230 | 603,158 | 72,000 | 46,044 | - | 275,965 | 1,567,397 |
| Transfers (out) | (802,167) | (100,810) | - | - | (587,243) | (7,828) | (1,498,048) |
| Sale of general capital assets | 2,500 | - | - | - | - | - | 2,500 |
| Issuance of debt | 320,000 | - | - | - | - | 379,000 | 699,000 |
| Total other financing sources (uses) | <u>90,563</u> | <u>502,348</u> | <u>72,000</u> | <u>46,044</u> | <u>(587,243)</u> | <u>647,137</u> | <u>770,849</u> |
| Net change in fund balances | (646,781) | 16,761 | (470,896) | 3,136 | (1,714,232) | 182,098 | (2,629,914) |
| Fund balances - beginning | <u>597,888</u> | <u>102,174</u> | <u>184,642</u> | <u>3,378</u> | <u>3,776,810</u> | <u>119,780</u> | <u>4,784,672</u> |
| Fund balances, ending | <u>\$ (48,893)</u> | <u>\$ 118,935</u> | <u>\$ (286,254)</u> | <u>\$ 6,514</u> | <u>\$ 2,062,578</u> | <u>\$ 301,878</u> | <u>\$ 2,154,758</u> |

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, 2013

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net change in fund balances -- total governmental funds | \$ (2,629,914) |
| 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 \$4,361,463 exceeded depreciation expense of (\$882,667) and capital asset disposals of (\$41,076) in the current period. | 3,437,720 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (757,883) |
| 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. | 7,927 |
| 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. | (573) |
| Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 9,142 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 685,000 |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. | (699,000) |
| Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. | <u>1,229,858</u> |
| Change in net position of governmental activities | <u>\$ 1,282,277</u> |

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

City of La Feria, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2013

| | Business-type Activities |
|--|------------------------------------|
| ASSETS | Waste Disposal Fund |
| Current assets | |
| Cash and cash equivalents | \$ 321,208 |
| Service receivable, net | <u>78,615</u> |
| Total current assets | 399,823 |
| Noncurrent assets: | |
| Capital assets | |
| Machinery and equipment | 1,182,707 |
| Less accumulated depreciation | <u>(817,701)</u> |
| Total capital assets (net of accumulated depreciation) | <u>365,006</u> |
| TOTAL ASSETS | <u>\$ 764,829</u> |
| LIABILITIES AND NET POSITION | |
| Non current liabilities | |
| Net pension obligation | \$ 4,428 |
| Total non current liabilities | <u>4,428</u> |
| Total liabilities | <u>4,428</u> |
| Net position | |
| Net investment in capital assets | 365,006 |
| Unrestricted | <u>395,395</u> |
| Total net position | <u>760,401</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 764,829</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 POSITION
 PROPRIETARY FUND**

For the year ended September 30, 2013

| | Business-type Activities |
|---------------------------------|-----------------------------|
| | Waste Disposal Fund |
| Operating revenues | |
| Charges for services | \$ 771,427 |
| Total operating revenues | 771,427 |
| Operating expenses | |
| Personnel services | 78,232 |
| Contractual services | 241,548 |
| Materials, supplies and repairs | 51,858 |
| Heat, light and power | 65,513 |
| Depreciation | 81,987 |
| Total operating expense | 519,138 |
| Income before transfers | 252,289 |
| | |
| Transfers in (out) | (69,349) |
| Change in net position | 182,940 |
| Net position--beginning | 577,461 |
| Total net position, end of year | \$ 760,401 |

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, 2013

| | Business-type Activities |
|---|-----------------------------|
| | Waste Disposal Fund |
| Cash flows from operating activities | |
| Receipts from customers and users | \$ 765,579 |
| Payments to suppliers | (358,919) |
| Payments to employees | (78,195) |
| Net cash provided (used) by operations | 328,465 |
| Cash flows from (to) noncapital financing activities | |
| Transfers in from other funds | 251,457 |
| Transfer out | (320,806) |
| Net cash provided (used) by noncapital financing activities | (69,349) |
| Cash flows from capital and related financing activities | |
| Capital asset purchases | (258,715) |
| Net cash used by capital and related financing activities | (258,715) |
| Net increase (decrease) in cash and cash equivalents | 401 |
| Cash and cash equivalents, beginning of year | 320,807 |
| Cash and cash equivalents, end of year | \$ 321,208 |
| Reconciliation of operating income to net cash provided | |
| by operating activities: | |
| Operating income (loss) | \$ 252,289 |
| Adjustments to reconcile net income from operations to net cash from operating activities | |
| Depreciation expense | 81,987 |
| Effect of increases and decreases in current assets and liabilities | |
| Decrease (increase) in receivables | (5,848) |
| Increase (decrease) in net pension obligation | 37 |
| Total adjustments | 76,176 |
| Net cash provided (used) by operations | \$ 328,465 |
| <i>Supplemental disclosure of noncash activities</i> | \$ - |

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

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

| | <u>Waterworks and Sewer System</u> | <u>La Feria Industrial Development Corporation</u> | <u>La Feria Economic Development Corporation</u> | <u>Totals</u> |
|--|--|--|--|----------------------|
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 112,103 | \$ - | \$ 149,340 | \$ 261,443 |
| Receivables | | | | |
| Service | 223,295 | - | - | 223,295 |
| Other | 86,693 | 3,453 | - | 90,146 |
| Intergovernmental | - | 19,305 | 171,915 | 191,220 |
| Current portion of note receivable | - | 29,393 | 1,554 | 30,947 |
| Inventories | 31,661 | - | - | 31,661 |
| Restricted assets: | | | | |
| Temporarily restricted: | | | | |
| Cash and cash equivalents | <u>15,394,391</u> | <u>245,265</u> | <u>-</u> | <u>15,639,656</u> |
| Total current assets | <u>15,848,143</u> | <u>297,416</u> | <u>322,809</u> | <u>16,468,368</u> |
| NOTES RECEIVABLE | - | 639,116 | 149,364 | 788,480 |
| CAPITAL ASSETS | | | | |
| Depreciable | | | | |
| Buildings | - | 1,817,881 | - | 1,817,881 |
| Water distribution system | 14,025,189 | - | - | 14,025,189 |
| Sewer distribution system | 21,644,020 | - | - | 21,644,020 |
| Furniture, fixture and equipment | 3,582,097 | 24,184 | - | 3,606,281 |
| Vehicles | <u>157,641</u> | <u>-</u> | <u>-</u> | <u>157,641</u> |
| | <u>39,408,947</u> | <u>1,842,065</u> | <u>-</u> | <u>41,251,012</u> |
| Less accumulated depreciation | <u>(7,459,624)</u> | <u>(336,110)</u> | <u>-</u> | <u>(7,795,734)</u> |
| | <u>31,949,323</u> | <u>1,505,955</u> | <u>-</u> | <u>33,455,278</u> |
| Non depreciable | | | | |
| Land | 340,496 | 2,704,730 | - | 3,045,226 |
| Easements | 82,807 | - | - | 82,807 |
| Certificate of Convenience and Necessity | 114,478 | - | - | 114,478 |
| Construction in Progress | <u>646,317</u> | <u>-</u> | <u>-</u> | <u>646,317</u> |
| | <u>1,184,098</u> | <u>2,704,730</u> | <u>-</u> | <u>3,888,828</u> |
| Total capital assets (net of accumulated depreciation) | 33,133,421 | 4,210,685 | - | 37,344,106 |
| Total noncurrent assets | <u>33,133,421</u> | <u>4,210,685</u> | <u>-</u> | <u>37,344,106</u> |
| Total Assets | <u>\$ 48,981,564</u> | <u>\$ 5,147,217</u> | <u>\$ 472,173</u> | <u>\$ 54,600,954</u> |

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

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

| | Waterworks and Sewer System | La Feria Industrial Development Corporation | La Feria Economic Development Corporation | Totals |
|--|-----------------------------------|--|--|----------------------|
| <u>LIABILITIES</u> | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 18,858 | \$ 967 | \$ 500 | \$ 20,325 |
| Accrued expenses and liabilities | 4,027 | 2,400 | - | 6,427 |
| Unearned revenues | 14,958,319 | - | - | 14,958,319 |
| Due to primary government | 285,409 | 881,717 | - | 1,167,126 |
| Current portion of revenue bonds payable | <u>165,000</u> | <u>55,712</u> | <u>-</u> | <u>220,712</u> |
| Total current liabilities | <u>15,431,613</u> | <u>940,796</u> | <u>500</u> | <u>16,372,909</u> |
| Current liabilities payable from restricted assets | | | | |
| Meter deposits | <u>148,683</u> | <u>-</u> | <u>-</u> | <u>148,683</u> |
| Total current liabilities payable from restricted | <u>148,683</u> | <u>-</u> | <u>-</u> | <u>148,683</u> |
| Noncurrent liabilities | | | | |
| Net post-employment benefit liability | 38,518 | - | - | 38,518 |
| Notes payable | 4,296,973 | 398,839 | - | 4,695,812 |
| Revenue bonds payable (net of current portion) | <u>3,210,000</u> | <u>-</u> | <u>-</u> | <u>3,210,000</u> |
| Total noncurrent liabilities | <u>7,545,491</u> | <u>398,839</u> | <u>-</u> | <u>7,944,330</u> |
| Total liabilities | <u>23,125,787</u> | <u>1,339,635</u> | <u>500</u> | <u>24,465,922</u> |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 25,176,448 | 2,873,450 | - | 28,049,898 |
| Restricted for debt service | 287,389 | - | - | 287,389 |
| Restricted for capital projects | - | 913,774 | - | 913,774 |
| Unrestricted: | <u>391,940</u> | <u>20,358</u> | <u>471,673</u> | <u>883,971</u> |
| Total net position | <u>\$ 25,855,777</u> | <u>\$ 3,807,582</u> | <u>\$ 471,673</u> | <u>\$ 30,135,032</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, 2013

| <u>Component units</u> | <u>Expenses</u> | Program revenues | | |
|------------------------------------|-----------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Waterworks and Sewer System | \$ 2,976,695 | \$ 2,348,068 | \$ 486,887 | \$ 7,870 |
| Industrial Development Corporation | 361,690 | 138,800 | - | - |
| Economic Development Corporation | 153,388 | - | - | - |
| Total net assets | \$ 3,491,773 | \$ 2,486,868 | \$ 486,887 | \$ 7,870 |

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Other non operating revenue

Total general revenues and transfers

Change in net position

Net position--beginning

Net position--ending

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

| Component units | | | |
|--|---|---|----------------------|
| Net (Expense) revenue change in Net Assets | | | |
| <u>Waterworks and Sewer System</u> | <u>Industrial Development Corporation</u> | <u>Economic Development Corporation</u> | <u>Totals</u> |
| \$ (133,870) | \$ - | \$ - | \$ (133,870) |
| - | (222,890) | - | (222,890) |
| - | - | (153,388) | (153,388) |
| <u>(133,870)</u> | <u>(222,890)</u> | <u>(153,388)</u> | <u>(510,148)</u> |
| - | 265,638 | 265,638 | 531,276 |
| 679 | 10,745 | 4,421 | 15,845 |
| - | 344 | - | 344 |
| <u>679</u> | <u>276,727</u> | <u>270,059</u> | <u>547,465</u> |
| (133,191) | 53,837 | 116,671 | 37,317 |
| <u>25,988,968</u> | <u>3,753,745</u> | <u>355,002</u> | <u>30,097,715</u> |
| <u>\$ 25,855,777</u> | <u>\$ 3,807,582</u> | <u>\$ 471,673</u> | <u>\$ 30,135,032</u> |

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2013

| | Waterworks and Sewer System | La Feria Industrial Development Corporation | La Feria Economic Development Corporation | Totals |
|--|-----------------------------------|--|--|--------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 2,340,260 | \$ 408,784 | \$ 268,445 | \$ 3,017,489 |
| Miscellaneous revenues | - | 344 | - | 344 |
| Payments to suppliers | (825,772) | (273,848) | (55,634) | (1,155,254) |
| Payments to employees | (887,500) | - | - | (887,500) |
| Net cash provided (used) by operations | <u>626,988</u> | <u>135,280</u> | <u>212,811</u> | <u>975,079</u> |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from intergovernmental | 1,802,040 | - | - | 1,802,040 |
| Payments (to) from primary government | (109,950) | 213,324 | (249,865) | (146,491) |
| Increase in meter deposits | 4,188 | - | - | 4,188 |
| Principal paid on long-term debt | (369,645) | (60,009) | - | (429,654) |
| Interest paid on capital debt | (126,693) | (29,886) | - | (156,579) |
| Net cash provided (used) by capital and related financing activities | <u>1,199,940</u> | <u>123,429</u> | <u>(249,865)</u> | <u>1,073,504</u> |
| Cash flows from investing activities | | | | |
| Purchase/construction of capital assets | (2,554,938) | (141,032) | - | (2,695,970) |
| Issuance of note receivable | - | (48,445) | - | (48,445) |
| Payment on note receivable | - | 40,611 | 1,384 | 41,995 |
| Interest and dividends received | 679 | 10,745 | 4,421 | 15,845 |
| Net cash provided (used) by investing activities | <u>(2,554,259)</u> | <u>(138,121)</u> | <u>5,805</u> | <u>(2,686,575)</u> |

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

City of La Feria, Texas
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF CASH FLOWS - CONTINUED
For the year ended September 30, 2013

| | Waterworks and Sewer System | La Feria Industrial Development Corporation | La Feria Economic Development Corporation | Totals |
|--|-----------------------------------|--|--|----------------------|
| Net increase (decrease) in cash and cash equivalents | \$ (727,331) | \$ 120,588 | \$ (31,250) | \$ (637,992) |
| Cash and cash equivalents, beginning of year | <u>16,233,825</u> | <u>124,677</u> | <u>180,589</u> | <u>16,539,091</u> |
| Cash and cash equivalents, end of year | <u>\$ 15,506,494</u> | <u>\$ 245,265</u> | <u>\$ 149,339</u> | <u>\$ 15,901,099</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (391,984) | \$ 80,127 | \$ 209,505 | \$ (102,352) |
| Adjustments to reconcile net income from operations to net cash from operating activities | | | | |
| Depreciation expense | 1,009,956 | 48,080 | - | 1,058,036 |
| (Increase) decrease in receivables | (7,807) | 4,346 | 2,806 | (655) |
| (Increase) decrease in inventories | 10,431 | - | - | 10,431 |
| Increase (decrease) in accounts payable and liabilities | 10,541 (4,473) | 967 1,416 | 500 - | 12,008 (3,057) |
| Miscellaneous revenues | - | 344 | - | 344 |
| Increase (decrease) in net pension obligation | <u>324</u> | <u>-</u> | <u>-</u> | <u>324</u> |
| Total adjustments | <u>1,018,972</u> | <u>55,153</u> | <u>3,306</u> | <u>1,077,431</u> |
| Net cash provided by operating activities | <u>\$ 626,988</u> | <u>\$ 135,280</u> | <u>\$ 212,811</u> | <u>\$ 975,079</u> |
| <i>Supplemental cash flow information:</i> | | | | |
| <i>Noncash investing and financing activities:</i> | | | | |
| <i>Capital assets contributed from Capital Projects Fund</i> | <u>\$ 7,870</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,950</u> |



NOTES TO FINANCIAL STATEMENTS

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 a 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

2. Government-Wide and Fund Financial Statements

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

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

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

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The 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 as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The City reports the following major governmental funds:

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

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

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

The La Feria Recreation Center Fund was established to account for the donations, grants, and other funding received and expenditures for operating the City's recreation center.

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

4. Fund Balances Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

a. Cash and Cash Equivalents

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

b. Deposits, Investments and Investment Policies

Investment Accounting Policy

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

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, 2013, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$1,458,444. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013 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, 2013 are maintained at Compass Bank and totaled \$1,458,444 and \$4,107,542 at September 30, 2013 and 2012, 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 \$5,582,312 and occurred during the month of October 2012.

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interest Rate Risk

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

| <u>Description</u> | <u>Rate</u> | <u>Amount</u> | <u>Maturity</u> | <u>Days</u> |
|------------------------|-------------|---------------|-------------------|-------------|
| Certificate of Deposit | 0.22% | \$ 75,000 | November 26, 2013 | 91 |

Credit Risk

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

Concentration of Credit Risk

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

Public Funds Investment Pools

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

c. Receivables and Payables

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

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

d. Inventories and Prepaid Items

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

e. *Restricted Assets*

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

f. *Capital Assets*

The capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interests incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

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

| Assets | Years |
|-----------------------------------|----------------|
| Building and system | 25 to 50 years |
| Improvements other than buildings | 3 to 10 years |
| Machinery and equipment | 5 to 10 years |
| Infrastructure | 5 to 25 years |

g. *Compensated Absences*

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Vacation time may not be accrued for more than that allowed in a one-year period. Compensatory time (i.e., overtime for work performed beyond normal working hours) must be used within 30 workdays of being accrued. As a result, although unused vacation and compensatory time is payable to the employee upon termination, the accumulated amount at September 30, 2013 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 \$23,610, this year's liability due within a year is \$31,537. This amount is included under Accounts payable and current liabilities.

h. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Fund Equity

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

i. *Fund Equity - Continued*

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

j. *Estimates*

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

k. *Net Position*

The City's Net Position is classified as follows:

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

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

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

l. *Deferred Outflows and Inflows of Resources*

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the City's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the City's acquisition of net position applicable to a future reporting period.

Effective for fiscal years beginning after December 15, 2012, the City early adopted GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, beginning net position was restated by \$134,161 and \$132,852 in the primary government and component unit, respectively.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. *Budgetary Information*

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

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

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

2. *Excess of Expenditures over Appropriations*

For the year ended September 30, 2013, expenditures exceeded appropriations in the capital outlay function of the general fund by \$1,297,725. The variance was caused by capital outlay expenditures from the Hazard Mitigation Grant Program (HMGP) and the drainage improvements funded through the Texas General Land Office (GLO). These expenditures are primarily funded through those grants, and amounts spent are either reimbursed or pending reimbursement to the City.

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.

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|--------------------------------------|-------------------------|----------------------------------|------------------|
| Gross property taxes receivable | \$134,085 | \$123,349 | \$257,434 |
| Less allowance for doubtful accounts | <u>(46,598)</u> | <u>(41,486)</u> | <u>(88,084)</u> |
| Net property taxes receivable | <u>\$ 87,487</u> | <u>\$ 81,863</u> | <u>\$169,350</u> |

2. *Service Receivable*

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services. At September 30, 2013, the City reflected service receivables of the following:

| | |
|----------------------------|------------------|
| Primary Government | |
| Waste disposal services | \$ 78,615 |
| Component Units Activities | |
| Water services | 122,695 |
| Sewer services | <u>100,600</u> |
| | 223,295 |
| Other | <u>63,118</u> |
| | <u>\$286,413</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

3. Governmental Activities

Receivables for governmental activities at September 30, 2013, consisted of the following:

| | General | Debt Service | Bailey H. Dunlap Memorial Library Fund | La Feria Recreation Center Fund | Certificates of Obligation Series 2011 | Nonmajor | Total |
|-----------------------------------|---------------------|------------------|--|---------------------------------------|--|-------------------|---------------------|
| Receivables: | | | | | | | |
| Property Taxes | \$ 134,085 | \$ 123,349 | \$ - | \$ - | \$ - | \$ - | \$ 257,434 |
| Other taxes | 44,247 | - | - | - | - | - | 44,247 |
| Accounts | 57,127 | - | - | - | - | - | 57,127 |
| Special Assessments | 28,601 | - | - | - | - | - | 28,601 |
| Intergovernmental | 794,237 | - | 230,878 | 153,500 | - | 126,065 | 1,304,680 |
| Gross receivables | 1,058,297 | 123,349 | 230,878 | 153,500 | - | 126,065 | 1,692,089 |
| Less allowance for uncollectibles | (46,598) | (41,486) | - | - | - | - | (88,084) |
| Net total receivables | <u>\$ 1,011,699</u> | <u>\$ 81,863</u> | <u>\$ 230,878</u> | <u>\$ 153,500</u> | <u>\$ -</u> | <u>\$ 126,065</u> | <u>\$ 1,604,005</u> |

B. Restricted Assets

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

Sales tax receivable is restricted for special uses; therefore, they become restricted assets. In addition, the City of La Feria Waterworks and Sewer System is required under the terms of its bond indentures to maintain certain reserve funds. The System has invested in certificates of deposit and money market accounts that are secured and held in the System's name to comply with these requirements. In addition, the System has funds restricted for customers' meter deposits. At September 30, 2013, the balances in these funds are as indicated as follows:

Governmental Funds

General Fund

| | |
|--|------------------|
| Cash – seized by police department for future capital improvements | \$ 1,896 |
| Debt Service Fund | 20,739 |
| BHD Memorial Library Fund | 80 |
| Other funds | 100 |
| | <u>\$ 22,815</u> |

Component Units

Enterprise Funds

| | |
|---|---------------------|
| LFIDC Revolving Loan Fund – business loans | \$ 245,265 |
| Debt Service Reserve | 287,389 |
| Meter deposits | 148,683 |
| Texas Water Development – grant/loan forgiveness escrow | 15,394,391 |
| | <u>\$16,075,728</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

C. Net Position

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

| | 2013 | 2012 |
|---|--------------|--------------|
| Long-term assets | | |
| Capital assets, net of accumulated depreciation | \$13,897,384 | \$10,459,664 |
| Less related liabilities (bonds and notes payable) | (9,032,027) | (9,068,027) |
| Restricted investments (unexpended bond proceeds) | 2,062,578 | 3,776,810 |
| Net investment in capital assets | 6,927,935 | 5,168,447 |
| <i>Restricted Net Position consists of the following:</i> | | |
| Debt service | 118,935 | 47,345 |
| Tax Increment Reinvestment Zone | 301,112 | 79,792 |
| Unrestricted net position | 133,369 | 1,037,651 |
| Total net position | \$ 7,481,351 | \$ 6,333,235 |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

D. Capital Assets

Capital assets activity for the year ended September 30, 2013 was as follows:

Primary Government

| | <u>Beginning Balance</u> <u>October 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Ending Balance</u> <u>September 30, 2013</u> |
|--|--|--------------------|------------------|------------------|--|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 672,657 | \$ 585,136 | \$ - | \$ - | \$ 1,257,793 |
| Construction in progress | <u>-</u> | <u>872,341</u> | <u>-</u> | <u>-</u> | <u>872,341</u> |
| Total capital assets, not being depreciated | 672,657 | 1,457,477 | - | - | 2,130,134 |
| Capital assets, being depreciated | | | | | |
| Buildings and systems | 4,835,331 | 906,440 | - | - | 5,741,771 |
| Improvements other than buildings | 13,465,139 | 1,231,386 | - | - | 14,696,525 |
| Machinery and equipment | <u>2,983,641</u> | <u>766,160</u> | <u>41,076</u> | <u>-</u> | <u>3,708,725</u> |
| Total capital assets, being depreciated | 21,284,111 | 2,903,986 | 41,076 | - | 24,147,021 |
| Less accumulated depreciation for | | | | | |
| Buildings and systems | (1,253,449) | (84,063) | - | - | (1,337,512) |
| Improvements other than buildings | (7,879,148) | (640,353) | - | - | (8,519,501) |
| Machinery and equipment | <u>(2,364,507)</u> | <u>(158,251)</u> | <u>-</u> | <u>-</u> | <u>(2,522,758)</u> |
| Total accumulated depreciation | <u>(11,497,104)</u> | <u>(882,667)</u> | <u>-</u> | <u>-</u> | <u>(12,379,771)</u> |
| Total capital assets, being depreciated, net | <u>9,787,007</u> | <u>2,021,319</u> | <u>41,076</u> | <u>-</u> | <u>11,767,250</u> |
| Governmental activities capital assets, net | <u>\$10,459,664</u> | <u>\$3,478,796</u> | <u>\$ 41,076</u> | <u>\$ -</u> | <u>\$13,897,384</u> |
| Business-type Activities | | | | | |
| Capital assets, being depreciated | | | | | |
| Machinery and equipment | \$ 923,992 | \$ 258,715 | \$ - | \$ - | \$ 1,182,707 |
| Total capital assets, being depreciated | 923,992 | 258,715 | - | - | 1,182,707 |
| Less accumulated depreciation for | | | | | |
| machinery and equipment | <u>(735,715)</u> | <u>(81,986)</u> | <u>-</u> | <u>-</u> | <u>(817,701)</u> |
| Total accumulated depreciation | <u>(735,715)</u> | <u>(81,986)</u> | <u>-</u> | <u>-</u> | <u>(817,701)</u> |
| Total capital assets being depreciated, net | <u>188,277</u> | <u>176,729</u> | <u>-</u> | <u>-</u> | <u>365,006</u> |
| Business-type activities capital assets, net | <u>\$ 188,277</u> | <u>\$ 176,729</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 365,006</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

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 | \$ 63,100 |
| Public safety | 106,717 |
| Highways and streets | 478,666 |
| Health and welfare | 5,108 |
| Culture and recreation | <u>229,076</u> |
| Total depreciation expense – governmental activities | <u>\$882,667</u> |
| Business-type activities | |
| Sanitation | <u>\$ 81,986</u> |
| Total depreciation expense – business-type activities | <u>\$ 81,986</u> |

Discretely Presented Component Units

| | Beginning Balance <u>October 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | Ending Balance <u>September 30, 2013</u> |
|--|---|---------------------|------------------|------------------|---|
| Waterworks and Sewer System | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 338,496 | \$ 2,000 | \$ - | \$ - | \$ 340,496 |
| Easement | 62,609 | 20,198 | - | - | 82,807 |
| CCN | 110,808 | 3,670 | - | - | 114,478 |
| Construction in progress | <u>406,495</u> | <u>479,507</u> | <u>-</u> | <u>(239,685)</u> | <u>646,317</u> |
| Total capital assets, not being depreciated | 918,408 | 505,375 | - | (239,685) | 1,184,098 |
| Capital assets, being depreciated | | | | | |
| Machinery and equipment | 3,700,926 | 38,811 | - | - | 3,739,737 |
| Infrastructure | <u>35,367,113</u> | <u>62,412</u> | <u>-</u> | <u>239,685</u> | <u>35,669,210</u> |
| Total capital assets, being depreciated | 39,068,039 | 101,223 | - | 239,685 | 39,408,947 |
| Less accumulated depreciation: | | | | | |
| Machinery | (708,936) | (161,576) | - | - | (870,512) |
| Infrastructure | <u>(5,740,732)</u> | <u>(848,380)</u> | <u>-</u> | <u>-</u> | <u>(6,589,112)</u> |
| Total accumulated depreciation | <u>(6,449,668)</u> | <u>(1,009,956)</u> | <u>-</u> | <u>-</u> | <u>(7,459,624)</u> |
| Total capital assets, being depreciated, net | <u>32,618,371</u> | <u>(908,733)</u> | <u>-</u> | <u>239,685</u> | <u>31,949,323</u> |
| Waterworks and Sewer System activities capital assets, net | <u>\$33,536,779</u> | <u>\$ (403,358)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$33,133,421</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

| | <u>Beginning Balance</u> <u>October 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Ending Balance</u> <u>September 30, 2013</u> |
|--|--|------------------|------------------|------------------|--|
| Industrial Development Corporation | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$2,704,730 | \$ _____ | \$ _____ | \$ _____ | \$2,704,730 |
| Total capital assets not being depreciated | 2,704,730 | - | - | - | 2,704,730 |
| Capital assets being depreciated | | | | | |
| Buildings | 1,676,849 | 141,032 | - | - | 1,817,881 |
| Machinery and equipment | <u>24,184</u> | <u>_____</u> | <u>_____</u> | <u>_____</u> | <u>24,184</u> |
| Total capital assets being depreciated | <u>1,701,033</u> | <u>141,032</u> | <u>_____</u> | <u>_____</u> | <u>1,842,065</u> |
| Less accumulated depreciation for | | | | | |
| Building | (263,846) | (48,080) | - | - | (311,926) |
| Machinery and equipment | <u>(24,184)</u> | <u>_____</u> | <u>_____</u> | <u>_____</u> | <u>(24,184)</u> |
| Total accumulated depreciation | <u>(288,030)</u> | <u>(48,080)</u> | <u>_____</u> | <u>_____</u> | <u>(336,110)</u> |
| Total capital assets being depreciated, net | <u>1,413,003</u> | <u>92,952</u> | <u>_____</u> | <u>_____</u> | <u>1,505,955</u> |
| Industrial Development Corporation activities capital assets, net | <u>\$4,117,733</u> | <u>\$ 92,952</u> | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$4,210,685</u> |

Construction Commitments

At September 30, 2013, the City was a party to the following contracts:

Waterworks and Sewer System:

| <u>Projects</u> | <u>Estimated</u> <u>Projected</u> <u>Costs</u> | <u>Expended</u> <u>to Date</u> | <u>Completed</u> <u>to Date</u> | <u>Construction</u> <u>in Progress</u> | <u>Estimated</u> <u>Amount</u> <u>Remaining</u> |
|------------------------|--|-----------------------------------|------------------------------------|---|---|
| CIP Sewer Improvements | 8,381,340 | 293,772 | \$ - | \$ 293,772 | \$ 8,087,568 |
| CIP Water Improvements | 7,167,700 | 352,545 | - | 352,545 | 6,815,155 |
| Total Projects | <u>\$15,549,040</u> | <u>\$ 646,317</u> | <u>\$ -</u> | <u>\$ 646,317</u> | <u>\$14,902,723</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

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

On May 4, 2011, the Texas Water Development Board (TWDB) also approved an \$8,381,340 loan forgiveness grant from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements. The proposed project includes extending first-time sanitary sewer service to several disadvantaged areas by constructing and installing approximately 31,550 feet of pipe, three lift stations and manholes and related appurtenances. Also included in the project is the purchase and installation of a SCADA system at the System’s wastewater treatment plant. Construction on this project is expected to start in April 2014 and is expected to be completed by the end of 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, 2013 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.

Bailey H. Dunlap Memorial Library Fund:

| | Estimated Projected Costs | Expended to Date | Estimated Amount Remaining |
|---|--|-----------------------------|---|
| Construction Project - Library Expansion | \$ 1,245,762 | \$ 1,040,038 | \$ 205,724 |

The library expansion project started in September 2012 and is expected to be completed in April 2014. The library expansion will add service to the residents of La Feria and has an estimated cost of \$1.245M. Funding was obtained from a combination of grants, donations, and a long term loan. The United States Department of Agriculture (USDA) is a federal agency providing funding assistance in the form of a grant in the amount of \$464,431 and a loan in the amount of \$379,000. Total expenditures to date are \$1,040,038. Of this amount, \$872,341 is construction in progress; the remainder is equipment purchased, most of which has already been placed into service.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS – Continued

E. Inter-fund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2013:

| | General Fund | Bailey H. Dunlap Memorial Library Fund | Non-major Governmental 4681 | Total |
|--------------------------|-------------------|--|-----------------------------------|-------------------|
| General Fund | \$ - | \$ 202 | \$ 4,681 | \$ 4,883 |
| C.O. Bonds - Series 2011 | - | 181,714 | 101,859 | 283,573 |
| Non-major Governmental | 251,669 | - | - | 251,669 |
| | <u>\$ 251,669</u> | <u>\$ 181,916</u> | <u>\$ 106,540</u> | <u>\$ 540,125</u> |

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

Transfers

Inter-fund transfers for the year ended September 30, 2013, are as follows:

| Transfer Out | Transfer In | | | | | | Total |
|------------------------------|-------------------|-------------------|--|---------------------------------------|---------------------------|-----------------------------|---------------------|
| | General Fund | Debt Service | Bailey H. Dunlap Memorial Library Fund | La Feria Recreation Center Fund | Non-major Governmental | Business-type Activities | |
| General Fund | \$ - | \$ 603,158 | \$ 72,000 | \$ 46,044 | \$ 80,965 | \$ - | \$ 802,167 |
| Debt Service Fund | 100,810 | - | - | - | - | - | 100,810 |
| COs, Series 2011 Fund | 140,786 | - | - | - | 195,000 | 251,457 | 587,243 |
| Non-major governmental Funds | 7,828 | - | - | - | - | - | 7,828 |
| | <u>249,424</u> | <u>603,158</u> | <u>72,000</u> | <u>46,044</u> | <u>275,965</u> | <u>251,457</u> | <u>1,498,048</u> |
| Business-type Activities | <u>320,806</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(251,457)</u> | <u>69,349</u> |
| | <u>\$ 570,230</u> | <u>\$ 603,158</u> | <u>\$ 72,000</u> | <u>\$ 46,044</u> | <u>\$ 275,965</u> | <u>\$ -</u> | <u>\$ 1,567,397</u> |

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT - Continued

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

Long-term notes payable at September 30, 2013 consist of the following:

City of La Feria

Note payable to *D.A. Werlla and A.G. Diesing* dated January 13, 2013, original principal amount of \$320,000, payable in fifty-nine monthly installments of \$2,700 (including interest) and a final payment due at maturity on January 18, 2018 in the amount of any unpaid principal and accrued unpaid interest. The note is secured by land being financed, a 24.041 acre tract of land purchased for the City's future economic development project and payable from general fund revenues. The balance at September 30, 2013 was \$310,858.

Discretely Presented Component Units

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

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

| | Original Loan | Rate | Loan Date | Balance September 30, | | Current Term Portion | Long- Term Portion |
|-------------------------------|------------------|-------|------------------|-----------------------|------------------|----------------------------|--------------------------|
| | | | | 2013 | 2012 | | |
| Land – 19.52 acres | \$ 99,000 | 4.50% | January 2005 | \$ - | \$ 48,995 | \$ - | \$ - |
| Access Point #1 | 220,000 | 4.50% | April 2005 | - | 66,037 | - | - |
| Public Works Warehouse & Land | 340,000 | 6.50% | July 2007 & 2008 | 166,917 | 196,160 | 31,399 | 135,518 |
| FM 506 & Dodd Lane | 153,000 | 6.25% | July 2008 | - | 100,189 | - | - |
| LF Lions Villa | 643,919 | 6.38% | January 2007 | - | 103,179 | - | - |
| First Community Bank | 303,467 | 5.50% | January 2013 | <u>287,634</u> | - | <u>24,313</u> | <u>263,321</u> |
| | | | | <u>\$454,551</u> | <u>\$514,560</u> | <u>\$ 55,712</u> | <u>\$398,839</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT

2. *Certificates of Obligation Bonds*

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

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

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

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

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

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

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT - Continued

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

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

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

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

| Year Ending September 30, | Due to Primary Government - GO Refunding Series 2011 | | | Due to Primary Government - CO Series 2011 | | | Total Requirements |
|------------------------------|---|-------------------|---------------------|---|-------------------|---------------------|-----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2014 | \$ 285,000 | \$ 134,640 | \$ 419,640 | \$ - | \$ 26,130 | \$ 26,130 | \$ 445,770 |
| 2015 | 300,000 | 124,950 | 424,950 | - | 26,130 | 26,130 | 451,080 |
| 2016 | 305,000 | 114,750 | 419,750 | - | 26,130 | 26,130 | 445,880 |
| 2017 | 310,000 | 104,380 | 414,380 | - | 26,130 | 26,130 | 440,510 |
| 2018 | 290,000 | 93,840 | 383,840 | 35,000 | 26,130 | 61,130 | 444,970 |
| 2019-2023 | 1,585,000 | 315,520 | 1,900,520 | 190,000 | 109,590 | 299,590 | 2,200,110 |
| 2024-2028 | 836,973 | 68,340 | 905,313 | 230,000 | 69,810 | 299,810 | 1,205,123 |
| 2029-2032 | - | - | - | 215,000 | 21,255 | 236,255 | 236,255 |
| | <u>\$ 3,911,973</u> | <u>\$ 956,420</u> | <u>\$ 4,868,393</u> | <u>\$ 670,000</u> | <u>\$ 331,305</u> | <u>\$ 1,001,305</u> | <u>\$ 5,869,698</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT - Continued

Certificates of obligation bonds currently outstanding as of September 30, 2013 are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|-----------------------|---------------------|
| <i>Certificates of obligation bonds</i> | | |
| Governmental activities | 3.40 – 4.00% | <u>\$13,614,000</u> |

3. Revenue Bonds issued by Component Units

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

The System, for the purpose of financing partially the improvements and extensions to the combined waterworks and sanitary sewer system, has revenue bonds, 2004-A, and 2009 at a 4.4% average interest rate with a maturity date of September 15, 2032. The bonds are secured by a lien on and pledge of the net revenues of the System. The principal balance outstanding on these bonds at September 30, 2013 was \$3,375,000. City of La Feria, Texas Utility System Revenue Bonds, Series 2004 in the amount of \$4,450,000 were retired with proceeds from the City of La Feria, Texas GO Refunding Series 2011.

Revenue bonds currently outstanding consist of the following:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|----------------------------|-----------------------|--------------------|
| Water/sewer infrastructure | | |
| Waterworks & Sewer System | 0.00% -5.26% | <u>\$3,375,000</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT - Continued

4. Changes in Long-Term Debt

During the year ended September 30, 2013, the following changes occurred:

| | <u>Beginning Balance 10/1/2012</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance 9/30/2013</u> | <u>Due Within One Year</u> |
|---|--|--------------------|--------------------|---|--------------------------------|
| Governmental Activities | | | | | |
| <i>Certificate of Obligation Bonds</i> | | | | | |
| Texas Tax and Limited Pledge Revenue Certificate of Obligation - Series 2004 | \$ 1,445,000 | \$ - | \$ 170,000 | \$ 1,275,000 | \$ 175,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation – Series 2011 | 5,005,000 | - | 35,000 | 4,970,000 | 35,000 |
| General Obligation Refunding Bonds- Series 2011 | 7,470,000 | - | 480,000 | 6,990,000 | 500,000 |
| Combination Tax and Limited Pledge Certificates of Obligation – Series 2012A | <u>-</u> | <u>379,000</u> | <u>-</u> | <u>379,000</u> | <u>8,000</u> |
| | 13,920,000 | 379,000 | 685,000 | 13,614,000 | 718,000 |
| Notes Payable | - | 888,763 | 9,142 | 879,621 | 203,965 |
| Net Pension Obligation | 67,294 | 573 | - | 67,867 | - |
| Compensated Absences | <u>23,610</u> | <u>29,116</u> | <u>21,189</u> | <u>31,537</u> | <u>31,537</u> |
| Total Governmental Activities | 14,010,904 | 1,297,452 | 715,331 | 14,593,025 | 953,502 |
| Business-type Activities | | | | | |
| Net Pension Obligation | <u>4,391</u> | <u>37</u> | <u>-</u> | <u>4,428</u> | <u>-</u> |
| Total Business-type Activities | 4,391 | 37 | - | 4,428 | - |
| Component Units Activities | | | | | |
| Revenue Bonds | | | | | |
| Water and Sewer Infrastructure Revenue Bonds | 3,475,000 | - | 100,000 | 3,375,000 | 165,000 |
| Notes Payable | 514,560 | 303,467 | 363,476 | 454,551 | 55,712 |
| Net Pension Obligation | <u>38,194</u> | <u>324</u> | <u>-</u> | <u>38,518</u> | <u>-</u> |
| Total Component Units Activities | <u>4,027,757</u> | <u>303,791</u> | <u>463,476</u> | <u>3,868,069</u> | <u>220,712</u> |
| Total Government-Wide Long-Term Obligations | <u>\$18,043,049</u> | <u>\$1,601,280</u> | <u>\$1,178,807</u> | <u>\$18,465,522</u> | <u>\$1,174,214</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE D – LONG-TERM DEBT – Continued

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.

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

| Year Ending September 30, | Governmental Activities Primary Government | | | Component Units Activities | | | Total Requirements |
|------------------------------|---|--------------------------------|---------------------|----------------------------|--------------------|--------------------|-----------------------|
| | General Obligation Bonds | General Obligation Bonds | Total | Revenue Bonds | Revenue Bonds | Total | |
| | Principal | Interest | | Principal | Interest | | |
| 2014 | \$ 718,000 | \$ 489,378 | \$ 1,207,378 | \$ 165,000 | \$ 122,389 | \$ 287,389 | \$ 1,494,767 |
| 2015 | 753,000 | 463,365 | 1,216,365 | 165,000 | 116,926 | 281,926 | 1,498,291 |
| 2016 | 778,000 | 435,910 | 1,213,910 | 175,000 | 111,448 | 286,448 | 1,500,358 |
| 2017 | 798,000 | 407,308 | 1,205,308 | 185,000 | 105,436 | 290,436 | 1,495,744 |
| 2018 | 594,000 | 377,483 | 971,483 | 190,000 | 99,054 | 289,054 | 1,260,537 |
| 2019-2023 | 4,438,000 | 1,430,811 | 5,868,811 | 1,075,000 | 383,861 | 1,458,861 | 7,327,672 |
| 2024-2028 | 3,733,000 | 690,345 | 4,423,345 | 1,220,000 | 154,542 | 1,374,542 | 5,797,887 |
| 2029-2033 | 1,639,000 | 164,315 | 1,803,315 | 200,000 | - | 200,000 | 2,003,315 |
| 2034-2038 | 84,000 | 21,350 | 105,350 | - | - | - | 105,350 |
| 2039-2042 | <u>79,000</u> | <u>5,583</u> | <u>84,583</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>84,583</u> |
| | <u>\$13,614,000</u> | <u>\$4,485,848</u> | <u>\$18,099,848</u> | <u>\$3,375,000</u> | <u>\$1,093,656</u> | <u>\$4,468,656</u> | <u>\$22,568,504</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 \$383,000,000 (as of September 30, 2013, 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, 2013

NOTE F – DEFERRED INFLOWS OF RESOURCES

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

| | |
|--|------------------|
| Governmental Funds | |
| Delinquent property taxes receivable | \$122,295 |
| Grants and other | <u>749,260</u> |
| Total deferred inflows of resources for governmental funds | <u>\$871,555</u> |

NOTE G – COMMITMENTS AND CONTINGENCIES

1. *Litigation*

At September 30, 2013, 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.

- a. On November 19, 2009, the City of La Feria and the Texas Department of Agriculture (TDA) entered into Texas Capital Fund (TCF) Contract No. 729082 in which the City was required to perform certain economic development activities, i.e., infrastructure activities in the form of water, sewer, road and drainage as well as engineering and administration activities, in support of Allied Waste of the Rio Grande Valley (Company). The City was also required to ensure that the Company constructed three buildings at a site specified in the contract and create 30 permanent full-time equivalent jobs, of which 51% or 16 jobs must be held by low to moderate income persons. The TCF Contract No. 729082 expired on November 18, 2012, and although the City had completed the public infrastructure activities required pursuant to the contract, the Company failed to perform other necessary activities required by the contract and failed to create any jobs at the location by the required date of performance. Pursuant to the TCF rules and guidelines and by the Contract No. 729082, the City is required to pay repay all contract funds received to date, totaling \$301,942 for failure to meet contractual obligations and de-obligate any remaining funds.

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE G – COMMITMENTS AND CONTINGENCIES - Continued

- b. On September 23, 2009, the City of La Feria and TDA entered into TCF Contract No. 729102 in which the City was required to perform certain economic development activities, i.e., real estate activities in the form of acquisition and building construction as well as engineering and administration activities, in support of Little Lighthouse Children’s Rehab (Company). The City was also required to ensure that the Company created and retained 27 permanent full-time equivalent jobs, of which 51% or 14 jobs must be held by low to moderate income persons. The TCF Contract 729102 expired on September 22, 2012 and the City had completed the real estate activities required pursuant to the contract; however, the Company had only created and retained 15 of the required 27 permanent full-time jobs. Pursuant to the TCF rules and guidelines and by Contract No. 729102, the City is required to repay contract funds for jobs that were not created by the Company, which amount to \$266,821.

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

| <u>TCF Contract</u> | <u>Project</u> | <u>Amount due to TDA</u> |
|---------------------|-------------------|------------------------------|
| 729082 | Allied Waste | \$301,942 |
| 729102 | Little Lighthouse | <u>266,821</u> |
| Total | | <u>\$568,763</u> |

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

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, 2013

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 2012</u> | <u>Plan Year 2013</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) | \$125,238 | \$ 65,556 |
| Interest on net pension obligation | 5,018 | 2,673 |
| Adjustment to the ARC | <u>(4,409)</u> | <u>(2,349)</u> |
| Annual Pension Cost (APC) | 125,847 | 65,880 |
| Contributions made | <u>(125,238)</u> | <u>(65,556)</u> |
| Increase (decrease) in net pension obligation | 610 | 324 |
| Net pension obligation/(asset), beginning of year | <u>71,685</u> | <u>38,194</u> |
| Net pension obligation/(asset), end of year | <u>\$ 72,295</u> | <u>\$ 38,518</u> |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

**PRIMARY GOVERNMENT
 THREE YEAR TREND INFORMATION**

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contribution Made | Percentage of APC Contributed | Net Pension Obligation/(Asset) |
|-----------------------|---------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| 2011 | 129,993 | 107,517 | 82.71% | 67,431 |
| 2012 | 124,861 | 120,607 | 96.59% | 71,685 |
| 2013 | 125,847 | 125,238 | 99.52% | 72,295 |

**COMPONENT UNIT
 THREE YEAR TREND INFORMATION**

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contribution Made | Percentage of APC Contributed | Net Pension Obligation/(Asset) |
|-----------------------|---------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| 2011 | 70,690 | 58,478 | 82.72% | 35,858 |
| 2012 | 65,715 | 63,379 | 96.45% | 38,194 |
| 2013 | 65,881 | 65,556 | 99.51% | 38,518 |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE H - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS - Continued

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

| <u>Valuation Date</u> | <u>12/31/2010</u> | <u>12/31/2011</u> | <u>12/31/2012</u> |
|-------------------------------|---------------------------|---------------------------|---------------------------|
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| Remaining Amortization Period | 27.2 years; closed period | 26.1 years; closed period | 25.1 years; closed period |
| Asset Valuation Method | 10-year Smoothed Market | 10-year Smoothed Market | 10-year Smoothed Market |

Actuarial Assumptions:

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

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

PRIMARY GOVERNMENT

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> (1) | <u>Actuarial Accrued Liability (AAL)</u> (2) | <u>Funded Ratio</u> (3) | <u>Unfunded AAL (UAAL)</u> (4) | <u>Covered Payroll</u> (5) | <u>UAAL as a Percentage of Covered Payroll</u> (6) |
|---------------------------------|---|---|----------------------------|-----------------------------------|-------------------------------|---|
| | | | (1)/(2) | (2)-(1) | | (4)/(5) |
| 12/31/2012 | <u>\$2,219,173</u> | <u>\$3,081,085</u> | 72.0% | <u>\$861,912</u> | <u>\$1,300,418</u> | 66.3% |

COMPONENT UNIT

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> (1) | <u>Actuarial Accrued Liability (AAL)</u> (2) | <u>Funded Ratio</u> (3) | <u>Unfunded AAL (UAAL)</u> (4) | <u>Covered Payroll</u> (5) | <u>UAAL as a Percentage of Covered Payroll</u> (6) |
|---------------------------------|---|---|----------------------------|-----------------------------------|-------------------------------|---|
| | | | (1)/(2) | (2)-(1) | | (4)/(5) |
| 12/31/2012 | <u>\$1,194,940</u> | <u>\$1,659,045</u> | 72.0% | <u>\$464,105</u> | <u>\$770,225</u> | 60.3% |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

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 2013, 2012, and 2011 were \$3,809, \$3,570, and \$3,755, 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 |
|---------------------------|--|--|-------------------------------------|
| 2011 | 0.04% | 0.04% | 100.0% |
| 2012 | 0.05% | 0.05% | 100.0% |
| 2013 | 0.06% | 0.06% | 100.0% |

City of La Feria, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE J – DEFERRED COMPENSATION PLAN

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

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

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

NOTE K – TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On August 27, 2013, the City Commission authorized the transfer of \$195,000 to the TIRZ fund for future economic incentives. The \$195,000 included \$75,000 of the TIRZ's fund portion of Certificate of Obligation, Series 2011 and an additional \$120,000 from the Certificate of Obligation-Series 2011 Capital projects fund. As of September 30, 2013, the TIRZ fund balance was at \$301,112.

NOTE L – ADJUSTMENT TO BEGINNING NET POSITION

Due to the early implementation of GASB Statement No. 65, as discussed in Note A, item 1, most issuance costs for debt are no longer capitalized and amortized but rather expensed as incurred. This statement, then, requires removal of deferred charges for issuance costs previously capitalized and reduces the beginning net position in the amounts of \$134,161 and \$132,852 in the primary government and component unit, respectively.



**REQUIRED SUPPLEMENTARY
INFORMATION**

City of La Feria, Texas
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) |
|--|---|---|---|--------------------------|---------------------------|--|
| 12/31/2003 | 921,244 | 1,671,939 | (750,695) | 55.1% | 1,185,749 | 63.3% |
| 12/31/2004 | 1,088,937 | 1,868,209 | (779,272) | 58.3% | 1,289,882 | 60.4% |
| 12/31/2005 | 1,230,354 | 2,075,294 | (844,940) | 59.3% | 1,257,737 | 67.2% |
| 12/31/2006 | 1,328,266 | 2,186,740 | (858,474) | 60.7% | 1,414,714 | 60.7% |
| 12/31/2007 | 1,511,219 | 2,754,573 | (1,243,354) | 54.9% | 1,407,829 | 88.3% |
| 12/31/2008 | 1,762,814 | 3,079,843 | (1,317,029) | 57.2% | 1,623,659 | 81.1% |
| 12/31/2009 | 2,073,349 | 3,515,585 | (1,442,236) | 59.0% | 1,725,382 | 83.6% |
| 12/31/2010 | 2,645,493 | 4,026,539 | (1,381,046) | 65.7% | 1,869,308 | 73.9% |
| 12/31/2011 | 3,032,875 | 4,422,511 | (1,389,636) | 68.6% | 1,886,492 | 73.7% |
| 12/31/2012 | 3,414,113 | 4,740,130 | (1,326,017) | 72.0% | 2,000,643 | 66.3% |

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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - |
|--|-------------------------|-------------------|---------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive/ (Negative) |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 627,721 | \$ 600,797 | \$ 571,472 | \$ (29,325) |
| Sales | 487,292 | 532,256 | 531,277 | (979) |
| Franchise | 311,644 | 310,304 | 315,995 | 5,691 |
| Licenses and permits | 51,000 | 25,902 | 29,419 | 3,517 |
| Intergovernmental | 3,041,424 | 1,740,538 | 2,399,818 | 659,280 |
| Fees and charges | 292,547 | 247,990 | 250,485 | 2,495 |
| Fines | 150,000 | 138,038 | 137,582 | (456) |
| Interest income | 100 | 176 | 193 | 17 |
| Contributions and donations | 4,000 | 25,645 | 25,645 | - |
| Other | <u>227,800</u> | <u>273,308</u> | <u>269,756</u> | <u>(3,552)</u> |
| Total revenues | 5,193,528 | 3,894,954 | 4,531,642 | 636,688 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| General government | 1,063,892 | 1,088,047 | 1,045,141 | 42,906 |
| Public safety | 1,239,292 | 1,263,726 | 1,187,241 | 76,485 |
| Highways and streets | 343,986 | 306,343 | 300,660 | 5,683 |
| Health and welfare | 52,633 | 62,818 | 61,232 | 1,586 |
| Culture and recreation | 375,761 | 287,540 | 279,324 | 8,216 |
| Debt service: | | | | |
| Principal | 24,503 | 9,200 | 9,142 | 58 |
| Interest | 19,000 | 12,548 | 12,458 | 90 |
| Capital outlay | <u>1,676,962</u> | <u>1,076,063</u> | <u>2,373,788</u> | <u>(1,297,725)</u> |
| Total expenditures | <u>4,796,029</u> | <u>4,106,285</u> | <u>5,268,986</u> | <u>(1,162,701)</u> |
| Excess (deficiency) of revenues over (under) expenditures | 397,499 | (211,331) | (737,344) | (526,013) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 107,828 | 553,166 | 570,230 | 17,064 |
| Transfers (out) | (726,158) | (805,636) | (802,167) | 3,469 |
| Sale of general capital assets | - | - | 2,500 | 2,500 |
| Bond/ Loan Proceeds | <u>-</u> | <u>-</u> | <u>320,000</u> | <u>320,000</u> |
| Total other financing sources and uses | <u>(618,330)</u> | <u>(252,470)</u> | <u>90,563</u> | <u>343,033</u> |
| Net change in fund balance | (220,831) | (463,801) | (646,781) | (182,980) |
| Fund balances - beginning | <u>597,888</u> | <u>597,888</u> | <u>597,888</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 377,057</u> | <u>\$ 134,087</u> | <u>\$ (48,893)</u> | <u>\$ (182,980)</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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - |
|--|-------------------------|--------------------|---------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Positive/ (Negative)</u> |
| REVENUES | | | | |
| Intergovernmental | \$ 557,406 | \$ 646,516 | \$ 241,719 | \$ (404,797) |
| Interest Income | 5 | 7 | 12 | 5 |
| Other | 465 | 25 | 25 | - |
| Contributions and Donations | 13,234 | 8,881 | 8,881 | - |
| Total revenues | <u>571,110</u> | <u>655,429</u> | <u>250,637</u> | <u>(404,792)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 6,520 | 9,335 | 33,517 | (24,182) |
| Culture and recreation | 111,240 | 109,074 | 100,513 | 8,561 |
| Capital outlay | <u>567,424</u> | <u>837,207</u> | <u>659,503</u> | <u>177,704</u> |
| Total expenditures | <u>685,184</u> | <u>955,616</u> | <u>793,533</u> | <u>162,083</u> |
| Excess (deficiency) of revenues over (under) expenditures | (114,074) | (300,187) | (542,896) | (242,709) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>48,000</u> | <u>72,000</u> | <u>72,000</u> | <u>-</u> |
| Net change in fund balance | (66,074) | (228,187) | (470,896) | (242,709) |
| Fund balances - beginning | <u>184,642</u> | <u>184,642</u> | <u>184,642</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 118,568</u> | <u>\$ (43,545)</u> | <u>\$ (286,254)</u> | <u>\$ (242,709)</u> |

City of La Feria, Texas
LA FERIA RECREATION CENTER FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/ (Negative) |
|--|------------------|-----------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Interest Income | \$ - | \$ 6 | \$ 6 | \$ - |
| Donations | 50,000 | - | - | - |
| Other | <u>1,500</u> | <u>-</u> | <u>3,136</u> | <u>3,136</u> |
| Total revenues | 51,500 | 6 | 3,142 | 3,136 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | <u>101,500</u> | <u>46,300</u> | <u>46,050</u> | <u>250</u> |
| Excess (deficiency) of revenues over (under) expenditures | (50,000) | (46,294) | (42,908) | 3,386 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>50,000</u> | <u>46,294</u> | <u>46,044</u> | <u>(250)</u> |
| Net change in fund balance | - | - | 3,136 | 3,136 |
| Fund balances - beginning | <u>3,378</u> | <u>3,378</u> | <u>3,378</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 3,378</u> | <u>\$ 3,378</u> | <u>\$ 6,514</u> | <u>\$ 3,136</u> |

City of La Feria, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2013

Stewardship, compliance, and accountability

Budgetary information

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

City of La Feria, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

| | Special Revenue Funds | | | |
|---|---------------------------|-----------------------|----------------------|---------------------|
| | Tax | | | Community |
| | Increment | Texas | Home | Development |
| | Reinvestment Zone Fund | Capital Fund | Grant Fund | Block Grant Fund |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 41,029 | \$ 201 | \$ 100 | \$ 100 |
| Other receivables | 8,467 | 101,659 | 15,939 | - |
| Due from other funds | <u>251,616</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 301,112</u> | <u>\$ 101,860</u> | <u>\$ 16,039</u> | <u>\$ 100</u> |
| LIABILITIES | | | | |
| Liabilities | | | | |
| Accounts payable | - | 1 | 11,558 | - |
| Due to other funds | <u>-</u> | <u>101,859</u> | <u>4,381</u> | <u>100</u> |
| Total liabilities | <u>-</u> | <u>101,860</u> | <u>15,939</u> | <u>100</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - grants | <u>-</u> | <u>-</u> | <u>5,537</u> | <u>-</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>5,537</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted fund balances: | | | | |
| Tax increment reinvestment zone | 301,112 | - | - | - |
| Capital projects | - | - | - | - |
| Community development programs | - | - | - | - |
| Committed | | | | |
| Assigned | - | - | - | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>(5,437)</u> | <u>-</u> |
| Total fund balances | <u>301,112</u> | <u>-</u> | <u>(5,437)</u> | <u>-</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 301,112</u> | <u>\$ 101,860</u> | <u>\$ 16,039</u> | <u>\$ 100</u> |

| Special Revenue Funds - Continued | | | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--|----------------------------------|-------------------|-----------------------------------|-----------------------------------|-----------------|--|
| La FERIA Baseball / Football Fund | Promotion of La FERIA Fund | Total | C.O. Bond Series 2012A Fund | C.O. Bond Series 2012B Fund | Total | |
| \$ 1,210 | \$ 5,135 | \$ 47,775 | \$ 1,100 | \$ 100 | \$ 1,200 | \$ 48,975 |
| - | - | 126,065 | - | - | - | 126,065 |
| - | - | 251,616 | - | - | - | 251,616 |
| <u>\$ 1,210</u> | <u>\$ 5,135</u> | <u>\$ 425,456</u> | <u>\$ 1,100</u> | <u>\$ 100</u> | <u>\$ 1,200</u> | <u>\$ 426,656</u> |
| 1,142 | - | 12,701 | - | - | - | 12,701 |
| - | - | 106,340 | 100 | 100 | 200 | 106,540 |
| <u>1,142</u> | <u>-</u> | <u>119,041</u> | <u>100</u> | <u>100</u> | <u>200</u> | <u>119,241</u> |
| - | - | 5,537 | - | - | - | 5,537 |
| - | - | 5,537 | - | - | - | 5,537 |
| - | - | 301,112 | - | - | - | 301,112 |
| - | - | - | 1,000 | - | 1,000 | 1,000 |
| - | 5,135 | 5,135 | - | - | - | 5,135 |
| 68 | - | 68 | - | - | - | 68 |
| - | - | (5,437) | - | - | - | (5,437) |
| <u>68</u> | <u>5,135</u> | <u>300,878</u> | <u>1,000</u> | <u>-</u> | <u>1,000</u> | <u>301,878</u> |
| <u>\$ 1,210</u> | <u>\$ 5,135</u> | <u>\$ 425,456</u> | <u>\$ 1,100</u> | <u>\$ 100</u> | <u>\$ 1,200</u> | <u>\$ 426,656</u> |

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

For the year ended September 30, 2013

| | Special Revenue Funds | | | |
|--|---|--------------------------|-----------------------|---|
| | Tax Increment Reinvestment Zone Fund | Texas Capital Fund | Home Grant Fund | Community Development Block Grant Fund |
| Revenues | | | | |
| Property taxes | \$ 26,793 | \$ - | \$ - | \$ - |
| Hotel / Motel tax | - | - | - | - |
| Intergovernmental | - | - | 10,402 | - |
| Fees and charges | - | - | - | - |
| Contributions and donations | - | - | - | - |
| Other | 7,355 | - | - | - |
| Total revenues | <u>34,148</u> | <u>-</u> | <u>10,402</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | - | - |
| General Government | - | 40,203 | - | - |
| Culture and recreation | - | - | 20,586 | - |
| Capital outlay | <u>-</u> | <u>21,678</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>61,881</u> | <u>20,586</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 34,148 | (61,881) | (10,184) | - |
| Other financing sources (uses) | | | | |
| Transfers in | 195,000 | 61,881 | 4,647 | - |
| Transfers out | (7,828) | - | - | - |
| Bond/loan proceeds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>187,172</u> | <u>61,881</u> | <u>4,647</u> | <u>-</u> |
| Net change in fund balances | 221,320 | - | (5,537) | - |
| Fund balances, beginning | <u>79,792</u> | <u>-</u> | <u>100</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 301,112</u> | <u>\$ -</u> | <u>\$ (5,437)</u> | <u>\$ -</u> |

| Special Revenue Funds - Continued | | | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--|----------------------------------|-------------------|-----------------------------------|-----------------------------------|-----------------|--|
| La Feria Baseball / Football Fund | Promotion of La Feria Fund | Total | C.O. Bond Series 2012A Fund | C.O. Bond Series 2012B Fund | Total | |
| \$ - | \$ - | \$ 26,793 | \$ - | \$ - | \$ - | \$ 26,793 |
| - | 16,532 | 16,532 | - | - | - | 16,532 |
| - | - | 10,402 | - | - | - | 10,402 |
| 42,043 | 249 | 42,292 | - | - | - | 42,292 |
| 12,137 | - | 12,137 | - | - | - | 12,137 |
| - | 35,744 | 43,099 | 10 | 10 | 20 | 43,119 |
| <u>54,180</u> | <u>52,525</u> | <u>151,255</u> | <u>10</u> | <u>10</u> | <u>20</u> | <u>151,275</u> |
| - | 86,210 | 126,413 | 910 | 10 | 920 | 127,333 |
| 68,617 | - | 89,203 | - | - | - | 89,203 |
| <u>-</u> | <u>-</u> | <u>21,678</u> | <u>378,100</u> | <u>-</u> | <u>378,100</u> | <u>399,778</u> |
| <u>68,617</u> | <u>86,210</u> | <u>237,294</u> | <u>379,010</u> | <u>10</u> | <u>379,020</u> | <u>616,314</u> |
| (14,437) | (33,685) | (86,039) | (379,000) | - | (379,000) | (465,039) |
| 14,437 | - | 275,965 | - | - | - | 275,965 |
| - | - | (7,828) | - | - | - | (7,828) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>379,000</u> | <u>-</u> | <u>379,000</u> | <u>379,000</u> |
| <u>14,437</u> | <u>-</u> | <u>268,137</u> | <u>379,000</u> | <u>-</u> | <u>379,000</u> | <u>647,137</u> |
| - | (33,685) | 182,098 | - | - | - | 182,098 |
| <u>68</u> | <u>38,820</u> | <u>118,780</u> | <u>1,000</u> | <u>-</u> | <u>1,000</u> | <u>119,780</u> |
| <u>\$ 68</u> | <u>\$ 5,135</u> | <u>\$ 300,878</u> | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ 1,000</u> | <u>\$ 301,878</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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive/ (Negative) |
|--|-------------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 23,383 | \$ 26,793 | \$ 26,793 | \$ - |
| Other | <u>6,418</u> | <u>7,355</u> | <u>7,355</u> | <u>-</u> |
| Total revenues | 29,801 | 34,148 | 34,148 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | <u>-</u> | <u>290,000</u> | <u>-</u> | <u>290,000</u> |
| Excess (deficiency) of revenues over (under) expenditures | 29,801 | (255,852) | 34,148 | 290,000 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 75,000 | 195,000 | 195,000 | - |
| Transfers (out) | <u>(82,828)</u> | <u>(7,828)</u> | <u>(7,828)</u> | <u>-</u> |
| Total other financing sources and uses | <u>(7,828)</u> | <u>187,172</u> | <u>187,172</u> | <u>-</u> |
| Net change in fund balance | 21,973 | (68,680) | 221,320 | 290,000 |
| Fund balances - beginning | <u>79,792</u> | <u>79,792</u> | <u>79,792</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 101,765</u> | <u>\$ 11,112</u> | <u>\$ 301,112</u> | <u>\$ 290,000</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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/ (Negative) |
|--|------------------|----------|-------------------|--|
| | Original | Final | | |
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 40,203 | 40,203 | - |
| Capital outlay | - | 21,678 | 21,678 | - |
| Total expenditures | - | 61,881 | 61,881 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | (61,881) | (61,881) | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 61,881 | 61,881 | - |
| Net change in fund balance | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balance - ending | \$ - | \$ - | \$ - | \$ - |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/ (Negative) |
|--|------------------|---------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 540,800 | \$ 30,000 | \$ 10,402 | \$ (19,598) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 30,800 | 1,000 | - | 1,000 |
| Culture and recreation | <u>520,000</u> | <u>30,000</u> | <u>20,586</u> | <u>9,414</u> |
| Total expenditures | <u>550,800</u> | <u>31,000</u> | <u>20,586</u> | <u>10,414</u> |
| Excess (deficiency) of revenues over (under) expenditures | (10,000) | (1,000) | (10,184) | (9,184) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>10,000</u> | <u>1,000</u> | <u>4,647</u> | <u>3,647</u> |
| Net change in fund balance | - | - | (5,537) | (5,537) |
| Fund balances - beginning | <u>100</u> | <u>100</u> | <u>100</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ (5,437)</u> | <u>\$ (5,537)</u> |

City of La Feria, Texas
LA FERIA BASEBALL/FOOTBALL FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
 For the year ended September 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive/ (Negative) |
|--|-------------------------|---------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Fees and charges | \$ 34,700 | \$ 41,688 | \$ 42,043 | \$ 355 |
| Contributions and donations | 12,900 | 12,138 | 12,137 | (1) |
| Other | 400 | - | - | - |
| Total revenues | <u>48,000</u> | <u>53,826</u> | <u>54,180</u> | <u>354</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Cultural and recreation | <u>63,000</u> | <u>70,197</u> | <u>68,617</u> | <u>1,580</u> |
| Excess (deficiency) of revenues over (under) expenditures | (15,000) | (16,371) | (14,437) | 1,934 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>15,000</u> | <u>16,303</u> | <u>14,437</u> | <u>(1,866)</u> |
| Net change in fund balance | - | (68) | - | 68 |
| Fund balances - beginning | <u>68</u> | <u>68</u> | <u>68</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 68</u> | <u>\$ -</u> | <u>\$ 68</u> | <u>\$ 68</u> |

City of La Feria, Texas
PROMOTION OF LA FERIA FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - |
|--|-------------------------|-----------------|---------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive/ (Negative) |
| REVENUES | | | | |
| Hotel/ Motel Tax | \$ 19,000 | \$ 16,532 | \$ 16,532 | \$ - |
| Fees and Charges | 2,200 | 249 | 249 | - |
| Other | <u>37,200</u> | <u>35,735</u> | <u>35,744</u> | <u>9</u> |
| Total revenues | 58,400 | 52,516 | 52,525 | 9 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | <u>83,500</u> | <u>85,846</u> | <u>86,210</u> | <u>(364)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (25,100) | (33,330) | (33,685) | (355) |
| Fund balances - beginning | <u>38,820</u> | <u>38,820</u> | <u>38,820</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 13,720</u> | <u>\$ 5,490</u> | <u>\$ 5,135</u> | <u>\$ (355)</u> |

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2012A
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2013

| | Budget | | Actual | Variance with Final Budget - Positive/ (Negative) |
|--|---------------------|-----------------|-----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Other | - | 10 | 10 | - |
| Total revenues | - | 10 | 10 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 220 | 910 | 910 | - |
| Capital outlay | 378,740 | 378,100 | 378,100 | - |
| Total expenditures | 378,960 | 379,010 | 379,010 | - |
| Excess (deficiency) of revenues over (under) expenditures | (378,960) | (379,000) | (379,000) | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds | - | 379,000 | 379,000 | - |
| Net change in fund balance | (378,960) | - | - | - |
| Fund balance, beginning | 1,000 | 1,000 | 1,000 | - |
| Fund balance, ending | <u>\$ (377,960)</u> | <u>\$ 1,000</u> | <u>\$ 1,000</u> | <u>\$ -</u> |

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2012B
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the year ended September 30, 2013

| | <u>Budget</u> | | <u>Actual</u> | Variance with Final Budget - Positive/ (Negative) |
|--|--------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Other | <u>\$ -</u> | <u>\$ 10</u> | <u>\$ 10</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | <u>-</u> | <u>10</u> | <u>10</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balance, beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, ending | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

City of La Feria, Texas
CERTIFICATES OF OBLIGATION - SERIES 2011
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2013

| | <u>Budget</u> | | <u>Actual</u> | Variance with Final Budget - Positive/ (Negative) |
|--|--------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Interest income | \$ 1,000 | \$ 2,163 | \$ 2,437 | \$ 274 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 201,032 | 201,032 | - |
| Capital outlay | <u>3,391,559</u> | <u>1,692,708</u> | <u>928,394</u> | <u>764,314</u> |
| Total expenditures | <u>3,391,559</u> | <u>1,893,740</u> | <u>1,129,426</u> | <u>764,314</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,390,559)</u> | <u>(1,891,577)</u> | <u>(1,126,989)</u> | <u>764,588</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(240,000)</u> | <u>(597,464)</u> | <u>(587,243)</u> | <u>10,221</u> |
| Net change in fund balance | (3,630,559) | (2,489,041) | (1,714,232) | 774,809 |
| Fund balance, beginning | <u>3,776,810</u> | <u>3,776,810</u> | <u>3,776,810</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 146,251</u> | <u>\$ 1,287,769</u> | <u>\$ 2,062,578</u> | <u>\$ 774,809</u> |

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, 2013

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget - |
|--|-------------------------|-------------------|-------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive/ (Negative) |
| REVENUES | | | | |
| Property taxes | \$ 698,066 | \$ 659,600 | \$ 674,606 | \$ 15,006 |
| Interest Income | 10,000 | 10 | 14 | 4 |
| Other | - | - | 28,436 | 28,436 |
| Total revenues | <u>708,066</u> | <u>659,610</u> | <u>703,056</u> | <u>43,446</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 687,000 | 685,000 | 685,000 | - |
| Interest | <u>584,224</u> | <u>504,243</u> | <u>503,643</u> | <u>600</u> |
| Total expenditures | <u>1,271,224</u> | <u>1,189,243</u> | <u>1,188,643</u> | <u>600</u> |
| Excess (deficiency) of revenues over (under) expenditures | (563,158) | (529,633) | (485,587) | 44,046 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 603,158 | 603,158 | 603,158 | - |
| Transfers (out) | <u>-</u> | <u>(73,525)</u> | <u>(100,810)</u> | <u>(27,285)</u> |
| Total other financing sources and uses | <u>603,158</u> | <u>529,633</u> | <u>502,348</u> | <u>(27,285)</u> |
| Net change in fund balance | 40,000 | - | 16,761 | 16,761 |
| Fund balances - beginning | <u>102,174</u> | <u>102,174</u> | <u>102,174</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 142,174</u> | <u>\$ 102,174</u> | <u>\$ 118,935</u> | <u>\$ 16,761</u> |

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

City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
 September 30, 2013

| | 2013 | 2012 |
|---|--------------|--------------|
| Governmental funds capital assets: | | |
| Land | \$ 1,257,793 | \$ 672,657 |
| Construction in progress | 872,341 | - |
| Buildings | 5,741,771 | 4,835,331 |
| Improvements other than buildings | 14,696,525 | 13,465,139 |
| Machinery and equipment | 3,708,725 | 2,983,641 |
| Total governmental funds capital assets | \$26,277,155 | \$21,956,768 |
| | | |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$24,646,410 | \$21,363,626 |
| Special revenue fund | 1,630,745 | 593,142 |
| | \$26,277,155 | \$21,956,768 |

City of La Feria, Texas
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2013

| Function and Activity | Land | Buildings | Improvements Other than Buildings | Machinery and Equipment | Total |
|---|---------------------|---------------------|---|----------------------------|----------------------|
| General government: | | | | | |
| City hall | \$ 324,125 | \$ 1,737,087 | \$ - | \$ 142,711 | \$ 2,203,923 |
| Municipal court | - | 136,683 | - | 2,475 | 139,158 |
| Management information | - | - | - | 228,514 | 228,514 |
| Administration | 377,661 | 291,306 | - | 356,535 | 1,025,502 |
| Shop | - | 42,667 | - | 58,230 | 100,897 |
| Total general government | <u>701,786</u> | <u>2,207,743</u> | <u>-</u> | <u>788,465</u> | <u>3,697,994</u> |
| Public safety: | | | | | |
| Police | - | 293,477 | - | 726,023 | 1,019,500 |
| Fire | - | 364,536 | - | 1,036,160 | 1,400,696 |
| Total public safety | <u>-</u> | <u>658,013</u> | <u>-</u> | <u>1,762,183</u> | <u>2,420,196</u> |
| Highways and street: | | | | | |
| Engineering | - | - | 1,045,877 | 87,499 | 1,133,376 |
| Streets and alleys | 207,475 | - | 9,479,993 | 977,521 | 10,664,989 |
| Total highways and street | <u>207,475</u> | <u>-</u> | <u>10,525,870</u> | <u>1,065,020</u> | <u>11,798,365</u> |
| Health and welfare | <u>96,207</u> | <u>139,715</u> | <u>-</u> | <u>-</u> | <u>235,922</u> |
| Culture and recreation: | | | | | |
| Library | - | 758,404 | - | - | 758,404 |
| Construction in progress - library | - | 872,341 | - | - | 872,341 |
| Parks | 252,325 | - | 4,170,655 | 75,389 | 4,498,369 |
| Recreation Center | - | 1,977,896 | - | 17,668 | 1,995,564 |
| Total culture and recreation | <u>252,325</u> | <u>3,608,641</u> | <u>4,170,655</u> | <u>93,057</u> | <u>8,124,678</u> |
| Total governmental funds capital assets | <u>\$ 1,257,793</u> | <u>\$ 6,614,112</u> | <u>\$ 14,696,525</u> | <u>\$ 3,708,725</u> | <u>\$ 26,277,155</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, 2013

| <u>Function and Activity</u> | <u>2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>2013</u> |
|---|----------------------|---------------------|--------------------|----------------------|
| General government: | | | | |
| City hall | \$ 1,534,447 | \$ 669,476 | \$ - | \$ 2,203,923 |
| Municipal court | 139,158 | - | - | 139,158 |
| Management information | 192,922 | 35,592 | - | 228,514 |
| Administration | 629,773 | 395,729 | - | 1,025,502 |
| Shop | <u>95,981</u> | <u>4,916</u> | <u>-</u> | <u>100,897</u> |
| Total general government | <u>2,592,281</u> | <u>1,105,713</u> | <u>-</u> | <u>3,697,994</u> |
| Public safety: | | | | |
| Police | 954,777 | 64,723 | - | 1,019,500 |
| Fire | <u>1,224,866</u> | <u>175,830</u> | <u>-</u> | <u>1,400,696</u> |
| Total public safety | <u>2,179,643</u> | <u>240,553</u> | <u>-</u> | <u>2,420,196</u> |
| Highways and streets: | | | | |
| Engineering | 234,633 | 898,743 | - | 1,133,376 |
| Streets and alleys | <u>9,776,405</u> | <u>929,660</u> | <u>(41,076)</u> | <u>10,664,989</u> |
| Total highways and streets | <u>10,011,038</u> | <u>1,828,403</u> | <u>(41,076)</u> | <u>11,798,365</u> |
| Health and welfare | <u>235,922</u> | <u>-</u> | <u>-</u> | <u>235,922</u> |
| Culture and recreation: | | | | |
| Library | 593,142 | 1,037,603 | - | 1,630,745 |
| Parks | 4,458,237 | 40,132 | - | 4,498,369 |
| Recreation center | <u>1,886,505</u> | <u>109,059</u> | <u>-</u> | <u>1,995,564</u> |
| Total culture and recreation | <u>6,937,884</u> | <u>1,186,795</u> | <u>-</u> | <u>8,124,679</u> |
| Total governmental funds capital assets | <u>\$ 21,956,768</u> | <u>\$ 4,361,463</u> | <u>\$ (41,076)</u> | <u>\$ 26,277,155</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

120-133

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

135-144

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

145-149

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

151-155

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

Operating Information

156-159

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.

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

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

(Continued)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
| \$ 2,997,272 | \$ 11,441,826 | \$ 8,388,672 | \$ 2,125,512 | \$ 1,800,398 | \$ 1,835,803 |
| 1,105,053 | 1,029,596 | 1,045,841 | 1,212,459 | 1,254,198 | 1,293,958 |
| 262,740 | 196,164 | 270,103 | 336,097 | 805,222 | 779,326 |
| 140,347 | 70,948 | 75,084 | 89,491 | 52,974 | 66,340 |
| 417,116 | 525,389 | 598,040 | 757,048 | 677,435 | 698,116 |
| 152,375 | 285,534 | 272,070 | 258,012 | 427,928 | 516,101 |
| <u>5,074,903</u> | <u>13,549,457</u> | <u>10,649,810</u> | <u>4,778,619</u> | <u>5,018,155</u> | <u>5,189,644</u> |
| 260,653 | 226,590 | 549,628 | 561,215 | 207,570 | 205,633 |
| 133,182 | 108,477 | 162,722 | 198,684 | 233,991 | 182,434 |
| 525 | - | - | 125 | - | - |
| 45,291 | 62,055 | 33,914 | 34,657 | 74,018 | 29,419 |
| 72,361 | 82,545 | 83,917 | 87,353 | 71,703 | 78,036 |
| 502,170 | 454,866 | 491,957 | 1,049,134 | 339,900 | 125,310 |
| <u>1,284,283</u> | <u>10,658,565</u> | <u>6,205,122</u> | <u>1,193,054</u> | <u>1,323,050</u> | <u>2,538,597</u> |
| <u>2,298,465</u> | <u>11,593,098</u> | <u>7,527,260</u> | <u>3,124,222</u> | <u>2,250,232</u> | <u>3,159,429</u> |
| <u>(2,776,438)</u> | <u>(1,956,359)</u> | <u>(3,122,550)</u> | <u>(1,654,397)</u> | <u>(2,767,923)</u> | <u>(2,030,215)</u> |
| 1,095,191 | 1,306,404 | 1,222,966 | 1,276,207 | 1,232,089 | 1,281,494 |
| 475,947 | 458,202 | 440,569 | 464,453 | 530,912 | 531,277 |
| 271,695 | 286,201 | 296,476 | 321,325 | 313,713 | 315,995 |
| 23,761 | 23,348 | 19,259 | 17,564 | 19,326 | 16,532 |
| - | - | - | - | - | 2,500 |
| 56,218 | 48,243 | 1,133 | 243 | 6,182 | 2,661 |
| 410,297 | 448,226 | 479,214 | 488,201 | 1,149,548 | 1,092,684 |
| - | (88,200) | 405,472 | 532,213 | 262,003 | 69,349 |
| <u>2,333,109</u> | <u>2,482,424</u> | <u>2,865,089</u> | <u>3,100,206</u> | <u>3,513,773</u> | <u>3,312,492</u> |
| <u>\$ (443,329)</u> | <u>\$ 526,065</u> | <u>\$ (257,461)</u> | <u>\$ 1,445,809</u> | <u>\$ 745,850</u> | <u>\$ 1,282,277</u> |

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

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

(Continued)

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------|---------------------|---------------------|-------------------|-------------------|
| <u>\$ 436,121</u> | <u>\$ 464,939</u> | <u>\$ 462,764</u> | <u>\$ 455,225</u> | <u>\$ 519,138</u> |
| <u>436,121</u> | <u>464,939</u> | <u>462,764</u> | <u>455,225</u> | <u>519,138</u> |
| | | | | |
| <u>645,828</u> | <u>688,370</u> | <u>707,360</u> | <u>747,393</u> | <u>771,427</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>645,828</u> | <u>688,370</u> | <u>707,360</u> | <u>747,393</u> | <u>771,427</u> |
| | | | | |
| <u>209,707</u> | <u>223,431</u> | <u>244,596</u> | <u>292,168</u> | <u>252,289</u> |
| | | | | |
| <u>88,200</u> | <u>(405,472)</u> | <u>(532,213)</u> | <u>(262,003)</u> | <u>(69,349)</u> |
| <u>88,200</u> | <u>(405,472)</u> | <u>(532,213)</u> | <u>(262,003)</u> | <u>(69,349)</u> |
| | | | | |
| <u>\$ 297,907</u> | <u>\$ (182,041)</u> | <u>\$ (287,617)</u> | <u>\$ 30,165</u> | <u>\$ 182,940</u> |

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

| Source | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses: | | | | | |
| Waterworks and Sewer System | \$ 1,101,723 | \$ 1,388,770 | \$ 2,474,350 | \$ 1,773,744 | \$ 1,963,145 |
| Industrial Development Corporation | 123,959 | 217,925 | 792,165 | 688,556 | 598,107 |
| Economic Development Corporation | 20,713 | 187,429 | 47,524 | 361,908 | 337,509 |
| Total Expenses | <u>1,246,395</u> | <u>1,794,124</u> | <u>3,314,039</u> | <u>2,824,208</u> | <u>2,898,761</u> |
| Program Revenues: | | | | | |
| Charges for services: | | | | | |
| Waterworks and Sewer System | 1,246,542 | 1,367,017 | 1,477,871 | 1,399,591 | 1,579,026 |
| Industrial Development Corporation | 72,730 | 67,061 | - | - | 142,509 |
| Economic Development Corporation | 227 | - | - | - | - |
| Operating Grants and Contributions | - | 367,906 | 590,837 | 478,976 | 848,145 |
| Capital Grants and Contributions | - | 1,728,494 | 4,133,560 | 2,982,453 | 1,228,761 |
| Total program revenues | <u>1,319,499</u> | <u>3,530,478</u> | <u>6,202,268</u> | <u>4,861,020</u> | <u>3,798,441</u> |
| Net (expense) revenue | <u>73,104</u> | <u>1,736,354</u> | <u>2,888,229</u> | <u>2,036,812</u> | <u>899,680</u> |
| General revenues and transfers: | | | | | |
| Sales taxes | 347,064 | 399,200 | 405,676 | 432,206 | 475,948 |
| Unrestricted investment earnings | 14,823 | 176,084 | 268,078 | 332,940 | 155,306 |
| Gain on sale of capital assets | 38,978 | 8,168 | 865,421 | 317,011 | 81,866 |
| Other non operating revenue | 457,238 | 1,000,000 | 112,956 | 158,450 | 26,557 |
| Total general revenues and transfers | <u>858,103</u> | <u>1,583,452</u> | <u>1,652,131</u> | <u>1,240,607</u> | <u>739,677</u> |
| Change in net position | <u>\$ 931,207</u> | <u>\$ 3,319,806</u> | <u>\$ 4,540,360</u> | <u>\$ 3,277,419</u> | <u>\$ 1,639,357</u> |

(Continued)

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

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

| Source | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
| Expenses: | | | | | |
| Governmental activities ¹ | \$ 2,610,850 | \$ 4,921,782 | \$ 7,183,609 | \$ 5,727,184 | \$ 5,074,903 |
| Business-type activities ² | <u>315,693</u> | <u>324,926</u> | <u>376,032</u> | <u>416,136</u> | <u>464,093</u> |
| 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> |
| Program Revenues: | | | | | |
| Governmental activities ¹ | 1,289,384 | 2,198,835 | 4,906,995 | 4,332,507 | 2,298,465 |
| Business-type activities ² | <u>510,896</u> | <u>552,736</u> | <u>528,184</u> | <u>616,358</u> | <u>627,251</u> |
| 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> |
| 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> |
| General revenues and transfers: | | | | | |
| Governmental activities ¹ | 1,117,836 | 2,075,591 | 1,985,950 | 2,107,110 | 2,333,109 |
| Business-type activities ² | <u>(59,606)</u> | <u>(209,992)</u> | <u>(159,474)</u> | <u>-</u> | <u>-</u> |
| Total general revenues and transfers | <u>1,058,230</u> | <u>1,865,599</u> | <u>1,826,476</u> | <u>2,107,110</u> | <u>2,333,109</u> |
| Change in net position | <u>\$ (68,033)</u> | <u>\$ (629,538)</u> | <u>\$ (297,986)</u> | <u>\$ 912,655</u> | <u>\$ (280,171)</u> |

¹See Table Changes in Net Position - Governmental Activities

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

(Continued)

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------------|---------------------|---------------------|--------------------|---------------------|
| \$ 13,549,457 | \$ 10,649,810 | \$ 4,778,619 | \$ 5,018,155 | \$ 5,189,644 |
| <u>436,121</u> | <u>464,939</u> | <u>462,764</u> | <u>455,225</u> | <u>519,138</u> |
| <u>13,985,578</u> | <u>11,114,749</u> | <u>5,241,383</u> | <u>5,473,380</u> | <u>5,708,782</u> |
| 11,593,098 | 7,527,260 | 3,124,222 | 2,250,232 | 3,159,429 |
| <u>645,828</u> | <u>688,370</u> | <u>707,360</u> | <u>747,393</u> | <u>771,427</u> |
| <u>12,238,926</u> | <u>8,215,630</u> | <u>3,831,582</u> | <u>2,997,625</u> | <u>3,930,856</u> |
| <u>(1,746,652)</u> | <u>(2,899,119)</u> | <u>(1,409,801)</u> | <u>(2,475,755)</u> | <u>(1,777,926)</u> |
| 2,482,424 | 2,865,089 | 3,100,206 | 3,513,773 | 3,312,492 |
| <u>88,200</u> | <u>(405,472)</u> | <u>(532,213)</u> | <u>(262,003)</u> | <u>(69,349)</u> |
| <u>2,570,624</u> | <u>2,459,617</u> | <u>2,567,993</u> | <u>3,251,770</u> | <u>3,243,143</u> |
| <u>\$ 823,972</u> | <u>\$ (439,502)</u> | <u>\$ 1,158,192</u> | <u>\$ 776,015</u> | <u>\$ 1,465,217</u> |

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

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 3,684,418 | \$ 1,864,540 | \$ 829,298 | \$ 1,792,539 | \$ 2,198,242 |
| Restricted | 49,285 | 62,664 | 320,768 | 848,680 | 32,443 |
| Unrestricted | <u>1,646,317</u> | <u>2,805,458</u> | <u>2,459,983</u> | <u>1,494,154</u> | <u>893,211</u> |
| Subtotal governmental activities net position | <u><u>5,380,020</u></u> | <u><u>4,732,662</u></u> | <u><u>3,610,049</u></u> | <u><u>4,135,373</u></u> | <u><u>3,123,896</u></u> |
| Business-type activities | | | | | |
| Net investment in capital assets | 131,671 | 225,926 | 218,444 | 194,069 | 185,049 |
| Unrestricted | <u>135,597</u> | <u>59,160</u> | <u>59,319</u> | <u>361,820</u> | <u>533,998</u> |
| Subtotal business-type activities net position | <u><u>267,268</u></u> | <u><u>285,086</u></u> | <u><u>277,763</u></u> | <u><u>555,889</u></u> | <u><u>719,047</u></u> |
| Primary government | | | | | |
| Net investment in capital assets | 3,816,089 | 2,090,466 | 1,047,742 | 1,986,608 | 2,383,291 |
| Restricted | 49,285 | 62,664 | 320,768 | 848,680 | 32,443 |
| Unrestricted | <u>1,781,914</u> | <u>2,864,618</u> | <u>2,519,302</u> | <u>1,855,974</u> | <u>1,427,209</u> |
| Total primary government net position | <u><u>\$ 5,647,288</u></u> | <u><u>\$ 5,017,748</u></u> | <u><u>\$ 3,887,812</u></u> | <u><u>\$ 4,691,262</u></u> | <u><u>\$ 3,842,943</u></u> |

(Continued)

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

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

| Source | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|-----------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | |
| Taxes | \$ 1,390,746 | \$ 1,560,644 | \$ 1,645,473 | \$ 1,718,228 | \$ 1,876,055 |
| Licenses and permits | 32,353 | 45,226 | 4,523 | 31,701 | 45,291 |
| Intergovernmental | 575,094 | 1,637,713 | 4,295,586 | 2,959,869 | 1,759,054 |
| Fees and charges | 250,483 | 255,148 | 441,878 | 385,470 | 243,859 |
| Fines | 179,809 | 103,359 | 128,510 | 139,408 | 186,819 |
| Special assessments | 3,483 | 640 | 210 | - | - |
| Interest income | 39,277 | 66,065 | 74,458 | 91,762 | 55,906 |
| Contributions and donations | 34,316 | 25,453 | 34,607 | 313,722 | 27,400 |
| Other | 213,845 | 1,786,557 | 145,256 | 338,943 | 446,651 |
| Total Revenues | <u>2,719,406</u> | <u>5,480,805</u> | <u>6,770,501</u> | <u>5,979,103</u> | <u>4,641,035</u> |
| Expenditures: | | | | | |
| General Government | 851,549 | 635,632 | 4,580,687 | 3,569,327 | 2,600,740 |
| Public safety | 634,049 | 731,594 | 772,960 | 781,204 | 941,925 |
| Highways and streets | 214,238 | 225,954 | 215,775 | 207,518 | 225,666 |
| Health and welfare | 42,704 | 44,678 | 421,979 | 61,905 | 118,102 |
| Culture and recreation | 287,539 | 458,840 | 353,045 | 321,181 | 357,796 |
| Debt Service | | | | | |
| Principal retirement | 284,364 | 314,560 | 374,415 | 359,264 | 375,202 |
| Interest and fiscal agent fees | 107,832 | 197,239 | 186,222 | 170,692 | 152,375 |
| Bond costs and fees | - | - | - | - | 75,000 |
| Capital outlay | 113,827 | 4,798,714 | 211,554 | 1,281,103 | 1,253,889 |
| Total Expenditures | <u>2,536,102</u> | <u>7,407,211</u> | <u>7,116,637</u> | <u>6,752,194</u> | <u>6,100,695</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>183,304</u> | <u>(1,926,406)</u> | <u>(346,136)</u> | <u>(773,091)</u> | <u>(1,459,660)</u> |
| Other financing sources (uses) | | | | | |
| Transfer in | 485,634 | 483,133 | - | 536,380 | 477,664 |
| Transfers (out) | (883,266) | (273,141) | 373,535 | (63,750) | (477,664) |
| Gain on sale of capital assets | 177,800 | 7,876 | (214,061) | 14,900 | - |
| Issuance of Debt | 2,560,077 | 149,998 | - | - | 3,275,000 |
| Other non-operating revenues | - | 231,014 | - | - | - |
| Total other financing sources (uses) | <u>2,340,245</u> | <u>598,880</u> | <u>159,474</u> | <u>487,530</u> | <u>3,275,000</u> |
| Net change in fund balances | <u>\$ 2,523,549</u> | <u>\$ (1,327,526)</u> | <u>\$ (186,662)</u> | <u>\$ (285,561)</u> | <u>\$ 1,815,340</u> |
| Debt Service as a % of non-capital expenditures | 16.2% | 19.6% | 8.1% | 9.7% | 10.9% |

(Continued)

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| \$ 2,011,691 | \$ 1,956,457 | \$ 2,048,549 | \$ 2,202,142 | \$ 2,144,030 |
| 62,055 | 33,914 | 34,657 | 74,018 | 29,419 |
| 11,089,124 | 6,501,245 | 1,304,602 | 2,264,491 | 2,651,939 |
| 230,805 | 290,901 | 317,498 | 339,798 | 292,777 |
| 153,148 | 164,375 | 173,534 | 139,423 | 137,582 |
| - | - | - | - | - |
| 48,241 | 1,133 | 243 | 6,183 | 2,662 |
| 122,618 | 204,200 | 942,985 | 88,488 | 46,663 |
| 383,576 | 501,778 | 542,560 | 493,561 | 337,117 |
| <u>14,101,258</u> | <u>9,654,003</u> | <u>5,364,628</u> | <u>5,608,104</u> | <u>5,642,189</u> |
| 10,783,766 | 7,758,697 | 1,639,921 | 6,457,372 | 1,453,073 |
| 971,757 | 969,899 | 981,067 | 1,120,826 | 1,187,241 |
| 185,144 | 250,490 | 271,955 | 286,571 | 300,660 |
| 66,962 | 69,632 | 72,412 | 48,547 | 61,232 |
| 495,874 | 554,614 | 448,555 | 541,126 | 469,040 |
| 396,186 | 437,218 | 453,300 | 4,114,434 | 694,142 |
| 276,510 | 268,320 | 254,262 | 498,334 | 516,101 |
| 5,274 | - | - | - | - |
| <u>2,592,502</u> | <u>1,113,839</u> | <u>2,174,422</u> | <u>2,168,749</u> | <u>4,361,463</u> |
| <u>15,773,975</u> | <u>11,422,709</u> | <u>6,295,894</u> | <u>15,235,959</u> | <u>9,042,952</u> |
| <u>(1,672,717)</u> | <u>(1,768,706)</u> | <u>(931,266)</u> | <u>(9,627,855)</u> | <u>(3,400,763)</u> |
| 1,379,182 | 1,088,077 | 1,347,641 | 4,505,256 | 1,567,397 |
| (1,467,382) | (372,545) | (518,842) | (4,243,253) | (1,498,048) |
| - | - | - | - | 2,500 |
| - | - | - | 12,975,000 | 699,000 |
| - | - | - | - | - |
| <u>(88,200)</u> | <u>715,532</u> | <u>828,799</u> | <u>13,237,003</u> | <u>770,849</u> |
| <u>\$ (1,760,917)</u> | <u>\$ (1,053,174)</u> | <u>\$ (102,467)</u> | <u>\$ 3,609,148</u> | <u>\$ (2,629,914)</u> |
| 5.1% | 6.8% | 17.2% | 35.3% | 25.9% |

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

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | |
| Pre GASB 54 | | | | | |
| Reserved | \$ 18,294 | \$ 25,204 | \$ 34,452 | \$ 33,526 | \$ 38,645 |
| Unreserved | <u>3,883,332</u> | <u>2,512,747</u> | <u>2,350,139</u> | <u>1,347,672</u> | <u>(86,152)</u> |
| Subtotal General Fund Pre GASB 54 | <u>\$ 3,901,626</u> | <u>\$ 2,537,951</u> | <u>\$ 2,384,591</u> | <u>\$ 1,381,198</u> | <u>\$ (47,507)</u> |
| General Fund | | | | | |
| Post GASB 54 | | | | | |
| Nonspendable fund balance: | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ - | \$ - |
| Prepaid Items | - | - | - | - | - |
| Committed fund balance: | | | | | |
| Home program | - | - | - | - | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal General Fund Post GASB 54 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| All other governmental funds | | | | | |
| Pre GASB 54 | | | | | |
| Reserved | \$ 30,991 | \$ 37,460 | \$ 67,244 | \$ 48,551 | \$ 32,443 |
| Unreserved | | | | | |
| Special revenue funds | 286,023 | 315,686 | 253,524 | 800,129 | 266,369 |
| Capital projects funds | <u>906</u> | <u>923</u> | <u>-</u> | <u>-</u> | <u>3,225,764</u> |
| Subtotal all other Governmental Funds Pre GASB 54 | <u>\$ 317,920</u> | <u>\$ 354,069</u> | <u>\$ 320,768</u> | <u>\$ 848,680</u> | <u>\$ 3,524,576</u> |
| All other governmental funds | | | | | |
| Post GASB 54 | | | | | |
| Restricted fund balances: | | | | | |
| State funds grant restrictions | \$ - | \$ - | \$ - | \$ - | \$ - |
| Retirement of long-term debt | - | - | - | - | - |
| Tax increment reinvestment zone | | | | | |
| Capital projects | - | - | - | - | - |
| Community development programs | - | - | - | - | - |
| Committed fund balances: | | | | | |
| Library | - | - | - | - | - |
| Assigned fund balances: | | | | | |
| Other | - | - | - | - | - |
| Unassigned fund balances: | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal all other Governmental Funds Post GASB 54 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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



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

| Fiscal Year | Property Taxes | Sales Tax | Franchise Tax | Hotel/Motel Tax | Total |
|--------------------|-----------------------|------------------|----------------------|------------------------|--------------|
| 2004 | 801,077 | 355,536 | 207,619 | 26,515 | 1,390,747 |
| 2005 | 900,244 | 399,202 | 234,834 | 26,364 | 1,560,644 |
| 2006 | 951,618 | 405,405 | 262,070 | 25,135 | 1,644,228 |
| 2007 | 1,010,197 | 432,207 | 251,716 | 24,108 | 1,718,228 |
| 2008 | 1,104,652 | 475,947 | 271,695 | 23,761 | 1,876,055 |
| 2009 | 1,194,546 | 458,202 | 286,201 | 23,348 | 1,962,297 |
| 2010 | 1,200,153 | 440,569 | 296,476 | 19,259 | 1,956,457 |
| 2011 | 1,245,207 | 464,453 | 321,325 | 17,564 | 2,048,549 |
| 2012 | 1,338,191 | 530,912 | 313,713 | 19,326 | 2,202,142 |
| 2013 | 1,272,871 | 531,277 | 315,995 | 23,887 | 2,144,030 |

| | | | | | |
|------------------------------------|---------------|--------------|--------------|--------------|--------------|
| Percentage change over 10 years | <u>58.89%</u> | <u>49.4%</u> | <u>52.2%</u> | <u>-9.9%</u> | <u>54.2%</u> |
|------------------------------------|---------------|--------------|--------------|--------------|--------------|

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

Amounts

| Fiscal Year Ended September 30, | Real Residential Single Family | Real Residential Multi-Family | Real Vacant Lots/ Tracts | Real Acreage (Land Only) | Undeveloped Non AG | Real Farm & Ranch Improvements | Real Commercial & Industrial | Real & Tangible Personal Utilities |
|---------------------------------|--------------------------------|-------------------------------|--------------------------|--------------------------|--------------------|--------------------------------|------------------------------|------------------------------------|
| 2003 | 64,492,154 | 2,225,400 | 3,908,710 | 1,237,147 | 438,059 | 795,505 | 16,793,917 | 4,760,231 |
| 2004 | 66,551,474 | 2,161,303 | 3,887,727 | 1,363,375 | 925,626 | 1,003,364 | 17,131,161 | 5,444,177 |
| 2005 | 70,970,086 | 2,682,285 | 3,993,080 | 1,681,999 | 968,611 | 1,680,155 | 17,481,437 | 4,873,833 |
| 2006 | 80,876,599 | 2,624,206 | 5,973,996 | 2,400,855 | 1,575,726 | 1,656,027 | 19,104,704 | 4,768,474 |
| 2007 | 95,180,337 | 4,249,581 | 8,655,353 | 4,018,098 | 1,738,327 | 2,534,911 | 23,505,260 | 4,221,260 |
| 2008 | 105,175,409 | 4,221,420 | 11,011,702 | 5,425,314 | 2,332,445 | 2,737,220 | 25,357,848 | 4,722,243 |
| 2009 | 106,808,517 | 4,297,098 | 10,347,817 | 4,562,575 | 1,773,141 | 2,599,271 | 26,230,312 | 4,392,153 |
| 2010 | 107,495,910 | 4,475,749 | 10,251,861 | 5,517,909 | 2,393,149 | 2,451,374 | 27,932,586 | 3,958,043 |
| 2011 | 107,996,343 | 4,462,444 | 9,798,096 | 6,886,872 | 2,326,547 | 2,532,297 | 30,420,355 | 3,524,353 |
| 2012 | 108,663,603 | 4,449,133 | 8,592,932 | 6,386,552 | 2,377,117 | 3,035,128 | 30,890,952 | 3,389,473 |
| 2013 | 110,680,705 | 7,380,804 | 8,107,818 | 6,606,512 | 2,334,722 | 3,004,193 | 31,850,683 | 4,199,193 |

Percentages

| | | | | | | | | |
|------|-----|----|----|----|----|----|-----|----|
| 2003 | 59% | 2% | 4% | 1% | 0% | 1% | 15% | 4% |
| 2004 | 57% | 2% | 3% | 1% | 1% | 1% | 15% | 5% |
| 2005 | 57% | 2% | 3% | 1% | 1% | 1% | 14% | 4% |
| 2006 | 60% | 2% | 4% | 2% | 1% | 1% | 14% | 4% |
| 2007 | 58% | 3% | 5% | 2% | 1% | 2% | 14% | 3% |
| 2008 | 57% | 2% | 6% | 3% | 1% | 1% | 14% | 3% |
| 2009 | 57% | 2% | 6% | 2% | 1% | 1% | 14% | 2% |
| 2010 | 57% | 2% | 5% | 3% | 1% | 1% | 15% | 2% |
| 2011 | 57% | 2% | 5% | 4% | 1% | 1% | 16% | 2% |
| 2012 | 57% | 2% | 5% | 3% | 1% | 2% | 16% | 2% |
| 2013 | 58% | 4% | 4% | 3% | 1% | 2% | 17% | 2% |

Source: Cameron Appraisal District

(Continued)

Amounts-Continued

| 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 |
|--|---------------------------------|-------------------------|---------------------|-----------------------|--------------------------|------------------------------|-----------------------|-----------------|
| 11,004,930 | 2,794,777 | 626,081 | 7,972,337 | 117,049,248 | 7,972,337 | 109,076,911 | 0.70 | 11% |
| 14,405,935 | 2,874,035 | 639,407 | 8,460,602 | 124,848,186 | 8,460,602 | 116,387,584 | 0.70 | 7% |
| 13,364,679 | 3,072,557 | 2,671,928 | 8,870,132 | 132,310,782 | 8,870,132 | 123,440,650 | 0.70 | 6% |
| 10,480,222 | 3,243,740 | 1,205,929 | 11,873,719 | 145,784,197 | 11,873,719 | 133,910,478 | 0.70 | 8% |
| 15,915,875 | 3,575,618 | 1,242,556 | 13,541,989 | 178,379,165 | 13,541,989 | 164,837,176 | 0.70 | 23% |
| 19,028,847 | 3,690,761 | 1,459,979 | 13,559,181 | 198,722,369 | 13,559,181 | 185,163,188 | 0.70 | 12% |
| 20,705,793 | 3,565,978 | 1,349,496 | 13,827,856 | 200,460,007 | 13,827,856 | 186,632,151 | 0.70 | 1% |
| 17,324,904 | 3,456,503 | 2,047,011 | 16,268,610 | 203,573,609 | 16,268,610 | 187,304,999 | 0.70 | 0.4% |
| 17,777,442 | 2,567,694 | 1,488,573 | 18,811,649 | 208,592,665 | 18,811,649 | 189,781,016 | 0.70 | 1.3% |
| 18,630,470 | 2,637,206 | 1,897,564 | 19,110,597 | 210,060,727 | 19,110,597 | 190,950,130 | 0.70 | 0.6% |
| 12,871,894 | 2,748,466 | 348,867 | 20,150,414 | 210,284,271 | 20,150,414 | 190,133,857 | 0.71 | -0.4% |

Percentages- Continued

| | | | | | | | | |
|-----|----|----|---|---|---|---|---|---|
| 10% | 3% | 1% | - | - | - | - | - | - |
| 12% | 2% | 1% | - | - | - | - | - | - |
| 11% | 2% | 2% | - | - | - | - | - | - |
| 8% | 2% | 1% | - | - | - | - | - | - |
| 10% | 2% | 1% | - | - | - | - | - | - |
| 10% | 2% | 1% | - | - | - | - | - | - |
| 11% | 2% | 1% | - | - | - | - | - | - |
| 9% | 2% | 1% | - | - | - | - | - | - |
| 9% | 1% | 1% | - | - | - | - | - | - |
| 10% | 1% | 1% | - | - | - | - | - | - |
| 7% | 1% | 0% | - | - | - | - | - | - |

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

| 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 | | | |
| 2004 | 0.36130 | 0.33870 | 0.70000 | 0.35819 | 1.54400 | 2.60219 |
| 2005 | 0.33000 | 0.37000 | 0.70000 | 0.35819 | 1.54400 | 2.60219 |
| 2006 | 0.33000 | 0.37000 | 0.70000 | 0.35819 | 1.60900 | 2.66719 |
| 2007 | 0.34180 | 0.35820 | 0.70000 | 0.34319 | 1.28500 | 2.32819 |
| 2008 | 0.35700 | 0.34300 | 0.70000 | 0.35319 | 1.34000 | 2.39319 |
| 2009 | 0.35480 | 0.34520 | 0.70000 | 0.36319 | 1.33600 | 2.39919 |
| 2010 | 0.34250 | 0.35750 | 0.70000 | 0.36429 | 1.33600 | 2.40029 |
| 2011 | 0.35770 | 0.34230 | 0.70000 | 0.38429 | 1.33600 | 2.42029 |
| 2012 | 0.33390 | 0.36610 | 0.70000 | 0.38429 | 1.30000 | 2.38429 |
| 2013 | 0.28320 | 0.42611 | 0.70931 | 0.38429 | 1.29910 | 2.39270 |

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 |
|------------------------------|-------------------|----------------------------|---|----------------------------------|--------------------------|---|------------------------------------|---|
| 2004 | 772,083 | 719,762 | 93.2% | 45,651 | 765,413 | 79.2% | 194,127 | 25.1% |
| 2005 | 845,870 | 754,375 | 89.2% | 89,444 | 843,819 | 81.0% | 196,361 | 23.2% |
| 2006 | 897,825 | 823,056 | 91.7% | 88,658 | 911,714 | 84.3% | 184,039 | 20.5% |
| 2007 | 954,322 | 880,956 | 92.3% | 76,128 | 957,084 | 83.5% | 191,977 | 20.1% |
| 2008 | 1,098,261 | 1,005,311 | 91.5% | 57,107 | 1,062,418 | 81.0% | 213,880 | 19.5% |
| 2009 | 1,225,216 | 1,118,718 | 91.3% | 75,391 | 1,194,109 | 81.2% | 245,938 | 20.1% |
| 2010 | 1,250,289 | 1,128,857 | 90.3% | 71,215 | 1,200,072 | 78.8% | 273,388 | 21.9% |
| 2011 | 1,243,364 | 1,134,748 | 91.3% | 110,248 | 1,244,996 | 77.6% | 361,790 | 29.1% |
| 2012 | 1,250,265 | 1,155,603 | 92.4% | 138,750 | 1,294,353 | 82.6% | 315,894 | 25.3% |
| 2013 | 1,261,963 | 1,169,741 | 92.7% | 139,345 | 1,309,086 | 89.5% | 201,007 | 15.9% |

Source: City of La Feria Property Tax Reports

City of La Feria, Texas
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2013 and September 30, 2004

| Name of Taxpayer | Type of Business | 2013 | | |
|-------------------------------------|------------------------------|--------------------|------|--|
| | | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
| Innovative Block of South Texas | Building Materials Suppliers | \$ 2,394,218 | 1 | 1.2% |
| Compass Bank | Banking Institution | 1,756,346 | 2 | 0.8% |
| Camarillo, Maria S | Rental Properties | 1,704,747 | 3 | 0.8% |
| D&J Investments LTD | Real Estate Developers | 1,415,663 | 4 | 0.7% |
| AEP Texas Central CO | Electricity Utility | 1,415,260 | 5 | 0.7% |
| Verizon Southwest | Telephone Utility | 1,335,840 | 6 | 0.6% |
| First National Bank | Banking Institution | 1,327,860 | 7 | 0.6% |
| La Feria Development Investments LP | Real Estate Developers | 1,185,442 | 8 | 0.6% |
| Hanson Pipe & Products | Pipe & Concrete Manufacturer | 1,106,755 | 9 | 0.5% |
| Hertz Equipment Rental Corporation | Equipment Rental | 1,004,010 | 10 | 0.5% |
| Total Principal Taxpayers | | \$ 14,646,141 | | 7% |
| All Other Taxpayers | | 193,175,828 | | 93% |
| Total | | \$ 207,821,969 | | 100% |

Source: Cameron Appraisal District

(Continued)

| Name of Taxpayer | Type of Business | 2004 | | Percentage of Total Taxable Assessed Value |
|--------------------------------------|---------------------------|-----------------------|------|--|
| | | Assessed Valuation | Rank | |
| Hertz Equipment Rental | Equipment Rental | \$ 5,302,567 | 1 | 4.0% |
| CMH Homes, Inc. | Home Construction | 2,260,691 | 2 | 1.7% |
| AEP Texas Central Co | Electric Utility | 1,886,650 | 3 | 1.4% |
| Verizon Southwest, Inc | Telephone Utility | 1,773,080 | 4 | 1.3% |
| La Feria Industrial Development Corp | 4A Non-profit Corporation | 1,051,491 | 5 | 0.8% |
| Kenwood RV & Mobile Home Plaza | RV & Mobile Home Park | 937,209 | 6 | 0.7% |
| Camarillo, Inez & Maria | Rental Properties | 830,993 | 7 | 0.6% |
| System Capital Real Property Co. | Fast Food Restaurant | 829,177 | 8 | 0.6% |
| REE, Inc. | Restaurant Corporation | 773,230 | 9 | 0.6% |
| W. T. Liston Co. | Concrete Construction | 593,096 | 10 | 0.4% |
| | | <hr/> | | |
| | | \$ 16,238,184 | | 12% |
| | | <hr/> | | |
| | | 116,072,598 | | 88% |
| | | <hr/> | | |
| | | <u>\$ 132,310,782</u> | | <u>100%</u> |

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

| Fiscal Year | Direct City of La Feria | Overlapping State of Texas | Total Direct, Overlapping and Underlying Rate |
|----------------|-------------------------------|----------------------------------|---|
| 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% |
| 2012 | 2.00% | 6.25% | 8.25% |
| 2013 | 2.00% | 6.25% | 8.25% |

Source: Office of the Texas Comptroller

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

| | 2004 | | 2005 | | 2006 | |
|---|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| North American Industry Classification System (NAICS) | | | | | | |
| Construction | \$ 4,722,153 | 22.41% | \$ 1,349,350 | 5.78% | \$ 1,632,966 | 6.45% |
| Manufacturing | 146,349 | 0.69% | 214,885 | 0.92% | 1,762,768 | 6.96% |
| Wholesale Trade | 1,099,006 | 5.22% | 801,625 | 3.43% | 270,765 | 1.07% |
| Retail Trade | 8,242,884 | 39.11% | 9,258,461 | 39.67% | 9,429,814 | 37.24% |
| Information | 63,014 | 0.30% | 62,947 | 0.27% | 57,863 | 0.23% |
| Finance/Insurance | - | 0.00% | - | 0.00% | 262,971 | 1.04% |
| Real Estate/Rental/Leasing | 57,323 | 0.27% | 3,393,994 | 14.54% | 3,262,535 | 12.88% |
| Professional/Scientific/Technical Services | - | 0.00% | 2,949 | 0.01% | 1,944 | 0.01% |
| Admin/Support/Waste Mgmt/Remediation Services | 146,971 | 0.70% | 44,090 | 0.19% | 8,934 | 0.04% |
| Accommodation/Food Services | 5,697,048 | 27.04% | 6,719,295 | 28.78% | 7,432,199 | 29.35% |
| Other Services (except Public Administration) | 897,734 | 4.26% | 1,495,495 | 6.41% | 1,198,577 | 4.73% |
| Total | \$ 21,072,482 | 100.00% | \$ 23,343,091 | 100.00% | \$ 25,321,336 | 100.00% |

| | 2007 | | 2008 | | 2009 | |
|---|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| North American Industry Classification System (NAICS) | | | | | | |
| Construction | \$ 1,269,697 | 4.57% | \$ 1,414,705 | 4.78% | \$ 1,664,728 | 5.67% |
| Manufacturing | 3,672,695 | 13.22% | 4,770,290 | 16.10% | 3,292,952 | 11.22% |
| Wholesale Trade | 317,446 | 1.14% | 531,886 | 1.80% | 813,960 | 2.77% |
| Retail Trade | 9,774,451 | 35.19% | 10,245,932 | 34.58% | 11,197,171 | 38.15% |
| Information | 52,634 | 0.19% | 131,955 | 0.45% | 164,511 | 0.56% |
| Finance/Insurance | 347,218 | 1.25% | 324,351 | 1.09% | 320,221 | 1.09% |
| Real Estate/Rental/Leasing | 3,577,311 | 12.88% | 1,791,847 | 6.05% | 830,428 | 2.83% |
| Professional/Scientific/Technical Services | - | 0.00% | - | 0.00% | - | 0.00% |
| Admin/Support/Waste Mgmt/Remediation Services | 6,150 | 0.02% | 10,376 | 0.04% | 158,221 | 0.54% |
| Accommodation/Food Services | 7,285,026 | 26.22% | 7,327,638 | 24.73% | 7,339,210 | 25.01% |
| Other Services (except Public Administration) | 1,479,234 | 5.32% | 3,076,262 | 10.38% | 3,139,638 | 10.70% |
| Public Administration* | - | 0.00% | - | 0.00% | 429,643 | 1.46% |
| Total | \$ 27,781,862 | 100.00% | \$ 29,625,242 | 100.00% | \$ 29,350,683 | 100.00% |

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

TAXABLE SALES BY CATEGORY
CALENDAR YEAR

| | 2010 | | 2011 | | 2012 | | 2013** | |
|---|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| North American Industry Classification System (NAICS) | | | | | | | | |
| Construction | \$ 1,766,125 | 6.01% | \$ 2,023,297 | 6.37% | \$ 2,045,062 | 6.04% | \$ 1,412,780 | 5.34% |
| Manufacturing | 2,506,102 | 8.53% | 2,470,410 | 7.77% | 1,977,367 | 5.84% | 1,496,886 | 5.66% |
| Wholesale Trade | 513,537 | 1.75% | 408,778 | 1.29% | 522,377 | 1.54% | 271,234 | 1.03% |
| Retail Trade | 11,942,608 | 40.64% | 13,274,689 | 41.76% | 15,004,240 | 44.30% | 12,860,403 | 48.64% |
| Information | 460,063 | 1.57% | 461,595 | 1.45% | 676,570 | 2.00% | 623,246 | 2.36% |
| Finance/Insurance | 358,794 | 1.22% | 374,591 | 1.18% | 305,881 | 0.90% | 189,296 | 0.72% |
| Real Estate/Rental/Leasing | 193,181 | 0.66% | 401,342 | 1.26% | 483,380 | 1.43% | - | 0.00% |
| Professional/Scientific/Technical Services | 7,434 | 0.025% | 16,878 | 0.05% | 61,869 | 0.18% | 17,305 | 0.07% |
| Admin/Support/Waste Mgmt/Remediation Services | 281,791 | 0.96% | 357,044 | 1.12% | 67,468 | 0.20% | 304,759 | 1.15% |
| Accommodation/Food Services | 8,060,079 | 27.43% | 8,794,062 | 27.67% | 9,544,238 | 28.18% | 7,406,729 | 28.02% |
| Other Services (except Public Administration) | 2,840,424 | 9.67% | 3,040,410 | 9.57% | 3,180,895 | 9.39% | 1,854,165 | 7.01% |
| Public Administration | 448,584 | 1.53% | 161,190 | 0.51% | - | 0.00% | - | 0.00% |
| Total | \$ 29,378,722 | 100.00% | \$ 31,784,286 | 100.00% | \$ 33,869,347 | 100.00% | \$ 26,436,803 | 100.00% |

Source: Office of the Texas Comptroller
**Data available through third quarter

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

| Fiscal Year | Governmental - Activities | | | Business Type - Activities | | Percentage of Personal Income | Estimated Population | Per Capita | |
|-------------|----------------------------------|----------------|---------------|----------------------------|---------------|-------------------------------|----------------------|------------|-------|
| | Certificates of Obligation Bonds | Capital Leases | Notes Payable | Total | Notes Payable | | | | Total |
| 2004 | 4,275,000 | - | - | 4,275,000 | - | - | 5.17% | 6,563 | 651 |
| 2005 | 4,005,000 | - | 175,018 | 4,180,018 | - | - | 4.86% | 6,680 | 626 |
| 2006 | 3,675,000 | - | 130,603 | 3,805,603 | - | - | 4.26% | 6,800 | 560 |
| 2007 | 3,333,500 | - | 111,339 | 3,444,839 | - | - | 3.71% | 6,922 | 498 |
| 2008 | 6,255,000 | - | 91,137 | 6,346,137 | 77,425 | 77,425 | 6.66% | 7,046 | 912 |
| 2009 | 5,880,000 | - | 69,951 | 5,949,951 | 37,754 | 37,754 | 5.98% | 7,172 | 835 |
| 2010 | 5,465,000 | - | 47,734 | 5,512,734 | - | - | 5.26% | 7,302 | 755 |
| 2011 | 5,035,000 | - | 24,434 | 5,059,434 | - | - | 4.63% | 7,433 | 681 |
| 2012 | 13,920,000 | - | - | 13,920,000 | - | - | 12.91% | 7,566 | 1,840 |
| 2013 | 13,614,000 | - | 310,858 | 13,924,858 | - | - | 14.44% | 7,701 | 1,808 |

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, 2013

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| City Direct Debt | 13,614,000 | 100% | 13,614,000 |
| Overlapping debt | | | |
| Cameron County | 87,710,074 | 2% | \$ 1,754,201 |
| La Feria Independent School District | 31,015,000 | 90% | <u>27,913,500</u> |
| Subtotal, overlapping debt | | | 29,667,701 |
| Total direct and overlapping debt | | | <u>\$ 43,281,701</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

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assessed Value | <u>\$ 132,310,782</u> | <u>\$ 145,784,197</u> | <u>\$ 156,170,318</u> | <u>\$ 172,794,502</u> | <u>\$ 192,205,418</u> |
| Economic Debt Margin | | | | | |
| *Debt Limit (5% of assessed valuation assessed value) | <u>\$ 6,615,539</u> | <u>\$ 7,289,210</u> | <u>\$ 7,808,516</u> | <u>\$ 8,639,725</u> | <u>\$ 9,610,271</u> |
| Debt applicable to limit: | | | | | |
| General obligation bonds | 4,275,000 | 4,005,000 | 3,675,000 | 3,335,000 | 6,255,000 |
| Less: Amount reserved for repayment of general obligation debt | <u>30,991</u> | <u>37,460</u> | <u>38,822</u> | <u>40,757</u> | <u>186</u> |
| Less: Amount to be paid by Component Unit** | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total debt applicable to limit | <u>4,244,009</u> | <u>3,967,540</u> | <u>3,636,178</u> | <u>3,294,243</u> | <u>6,254,814</u> |
| Economic debt margin | <u>\$ 2,371,530</u> | <u>\$ 3,321,670</u> | <u>\$ 4,172,338</u> | <u>\$ 5,345,482</u> | <u>\$ 3,355,457</u> |
| As a percentage of debt limit | <u>35.85%</u> | <u>45.57%</u> | <u>53.43%</u> | <u>61.87%</u> | <u>34.92%</u> |

Notes:

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

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

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

(Continued)

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



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 |
|------|-------------------------|--------------------|-------------------------|---------------|----------------------|----------------------|
| 2004 | 6,563 | 85,970,604 | 13,099 | 34.5 | 2,842 | 8.0% |
| 2005 | 6,680 | 89,323,458 | 13,372 | 34.5 | 2,842 | 7.0% |
| 2006 | 6,800 | 92,807,073 | 13,648 | 34.5 | 2,682 | 6.3% |
| 2007 | 6,922 | 96,426,549 | 13,930 | 34.5 | 3,130 | 5.9% |
| 2008 | 7,046 | 100,187,184 | 14,219 | 34.5 | 3,162 | 7.3% |
| 2009 | 7,172 | 100,207,221 | 13,972 | 34.5 | 3,307 | 10.1% |
| 2010 | 7,302 | 104,736,587 | 14,344 | 34.5 | 3,468 | 11.2% |
| 2011 | 7,433 | 109,376,418 | 14,715 | 32.6 | 3,579 | 11.8% |
| 2012 | 7,566 | 113,948,352 | 15,061 | 32.6 | 3,712 | 10.1% |
| 2013 | 7,701 | 101,926,801 | 13,236 | 30.6 | 3,588 | 9.1% |

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

City of La Feria, Texas
PRINCIPAL EMPLOYERS
For the fiscal years ended September 30, 2013 and 2004

| 2013 | | | |
|--------------------------------------|------------------------|------|---|
| Employer | Number of Employees | Rank | Percentage of Total City Employment |
| La Feria Independent School District | 565 | 10 | 27.3% |
| City of La Feria, Texas | 62 | 9 | 3.0% |
| Innovative Block of South Texas | 46 | 8 | 2.2% |
| Cab-Cos Contractors, Inc. | 44 | 7 | 2.1% |
| Whataburger, Inc. | 40 | 6 | 1.9% |
| El Centro Foods | 34 | 5 | 1.6% |
| Ben E. Keith Co. | 30 | 4 | 1.5% |
| Precision Mold & Tool | 29 | 3 | 1.4% |
| La Feria Contractors | 26 | 2 | 1.3% |
| McDonald's Fast Food Restaurant | 25 | 1 | 1.2% |
| | | | |
| Total Principal Employers | 901 | | 43.5% |
| | | | |
| Other Employers | 1,166 | | 56.5% |
| | | | |
| Total Employers | 2,067 | | 100.0% |

Source: City of La Feria, Texas

(Continued)

| 2004 | | | |
|---------------------------------|------------------------|------|---|
| Employer | Number of Employees | Rank | Percentage of Total City Employment |
| La Feria ISD | 451 | 1 | 23.7% |
| Time Warner Comm & Const | 90 | 2 | 4.7% |
| Closner Construction | 65 | 3 | 3.4% |
| City of La Feria | 54 | 4 | 2.8% |
| Whataburger, Inc. | 23 | 5 | 1.2% |
| El Centro Foods | 41 | 6 | 2.2% |
| McDonald's Fast Food Restaurant | 27 | 7 | 1.4% |
| La Feria Water District | 22 | 8 | 1.2% |
| City Market | 20 | 9 | 1.1% |
| Hertz Rental Equipment | 17 | 10 | 0.9% |
| Total Principal Employers | 810 | | 42.6% |
| Other Employers | 1,093 | | 57.4% |
| Total Employers | 1,903 | | 100.0% |

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

| <u>Function/program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Finance</u> | | | | | | | | | | |
| Cashier | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Utility Billing Clerk | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Finance Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Financial Accountant | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total Finance | 5 | 5 | 5 | 6 | 6 | 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 | - | - | - | - | 0.5 | 1 | - |
| Planning Director | 1 | 1 | 1 | 0.5 | 0.5 | 0.5 | 1 | 1 | 1 | 1 |
| Public Works Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Custodial Technician | 1 | 1 | 1 | 1 | 1 | 1.5 | 1.5 | 1.5 | 2 | 1 |
| Administrative Technician | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 2 |
| Total Administration | 8 | 8 | 8 | 7 | 8 | 9 | 9 | 9 | 10 | 7 |
| <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 | 8 | 8.5 | 8.5 | 8.5 | 7.5 | 8 | 7 |
| Patrol Supervisor | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Warrant Officer | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sergeant Communications | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Communications Officer | 3 | 3 | 3 | 3 | 3.5 | 3.5 | 3.5 | 3.5 | 4 | 4 |
| Total Police Department | 15 | 15 | 15 | 17 | 18 | 18 | 18 | 17 | 18 | 17 |
| <u>Waste/Sanitation Department</u> | | | | | | | | | | |
| Street Maintenance | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Total Waste/Sanitation Department | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| <u>Street Department</u> | | | | | | | | | | |
| Street Maintenance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Total Street Maintenance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| <u>Parks and Recreation</u> | | | | | | | | | | |
| Parks and Recreation | 3 | 3 | 3 | 2 | 4 | 4 | 4 | 3 | 5 | 7 |
| Total Parks and Recreation | 3 | 3 | 3 | 2 | 4 | 4 | 4 | 3 | 5 | 7 |

(Continued)

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Function/program</u> | | | | | | | | | | |
| <u>Animal Control</u> | | | | | | | | | | |
| Animal Control Officer | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total Animal Control | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| <u>Shop - Maintenance</u> | | | | | | | | | | |
| Shop Mechanic | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total Shop - Maintenance | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| <u>Library</u> | | | | | | | | | | |
| Library Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library Assistant | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total Library | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| <u>Boys and Girls Club</u> | | | | | | | | | | |
| Program Manager | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>2</u> | <u>2</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>1</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| <u>Water Distribution</u> | | | | | | | | | | |
| Utility Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Utility Maintenance | <u>2</u> | <u>1</u> | <u>1</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>3</u> | <u>3</u> |
| Total Water Distribution | <u>3</u> | <u>2</u> | <u>2</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>4</u> | <u>4</u> |
| <u>Water Plant</u> | | | | | | | | | | |
| Water Plant Supervisor | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water Plant Operator | <u>1</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>3</u> | <u>2</u> | <u>3</u> | <u>3</u> | <u>2</u> |
| Total Water Plant | <u>2</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>4</u> | <u>3</u> | <u>4</u> | <u>4</u> | <u>3</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>3</u> | <u>3</u> | <u>3</u> | <u>4</u> |
| Total Wastewater Plant | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>4</u> |
| Total City Employees by Function/Program | <u>48</u> | <u>48</u> | <u>48</u> | <u>51</u> | <u>56</u> | <u>58</u> | <u>59</u> | <u>58</u> | <u>64</u> | <u>61</u> |

Source: City payroll records

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

| Function/program | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------------|--------|--------|--------|--------|--------|
| Fire | | | | | |
| Emergency responses | 138 | 176 | 245 | 156 | 246 |
| Fires extinguished | 130 | 171 | 204 | 140 | 249 |
| Inspection | 16 | 13 | 17 | 16 | 17 |
| Refuse collection | | | | | |
| Refuse collected (tons per day) | 13.78 | 13.96 | 13.96 | 14.97 | 15.86 |
| Library | | | | | |
| Volumes in collection | 28,500 | 29,500 | 31,500 | 32,250 | 32,100 |
| Total volumes borrowed | 10,047 | 9,765 | 10,426 | 9,960 | 11,963 |

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

(Continued)

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|
| 274 | 236 | 285 | 212 | 221 |
| 273 | 232 | 375 | 214 | 221 |
| 24 | 12 | 15 | 17 | 34 |
| 16.77 | 16.26 | 16.07 | 16.31 | 21.23 |
| 32,650 | 33,800 | 34,500 | 34,600 | 34,800 |
| 8,655 | 14,032 | 14,657 | 14,535 | 13,778 |

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

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

Source: City of La Feria

(Continued)

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



COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of La Feria, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of La Feria's basic financial statements, and have issued our report thereon dated April 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of La Feria, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of La Feria, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of La Feria, Texas' internal control.

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

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

Compliance and Other Matters

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

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 29, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited City of La Feria, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of La Feria, Texas' major federal programs for the year ended September 30, 2013. City of La Feria, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of La Feria, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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Report on Internal Control Over Compliance

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

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

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

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 29, 2014

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City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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 none reported

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 none reported

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

Any audit findings disclosed that are required to
 be reported in accordance with Section 510(a)
 of Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.039
 14.228
 10.766

Hazard Mitigation Grant Program
 Community Development Block Grants
 Community Facilities Loans and Grants

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
Year Ended September 30, 2013

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, 2013

No findings were reported for the fiscal year ended September 30, 2013.

City of La Feria, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2013

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

City of La Feria, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Exhibit F-1

| (01) | (02) | (02A) | (03) |
|---|---------------------|--|------------------|
| Federal Grantor/Pass/Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures |
| <u>FEDERAL FINANCIAL ASSISTANCE</u> | | | |
| U. S. Department of Housing and Urban Development | | | |
| Passed through the General Land Office Community Development Block Grant Disaster Recovery Program | 14.228 | DRS210089 | 1,361,064 |
| Passed through the Texas Department of Housing and Community Affairs Home Investment Partnership Program - Owner Occupied Housing Assistance | 14.239 | 1001442 | <u>15,939</u> |
| Total U. S. Department of Housing and Urban Development | | | <u>1,377,003</u> |
| U. S. Department of Agriculture | | | |
| Passed through the Office of Rural Development ARRA - Community Facilities Loans and Grants Program | 10.766 | Loan #01/02 | 379,000 |
| Passed through the Office of Rural Development ARRA - Community Facilities Loans and Grants Program | 10.766 | Case#49-031 | <u>322,332</u> |
| Total U. S. Department of Agriculture | | | <u>701,332</u> |
| U.S. Department of Transportation | | | |
| Office of Federal Highway Administration Passed through the Texas Department of Transportation ARRA - Highway Planning and Construction | 20.205 | CSJ#0921-06-247 | <u>15,875</u> |
| Total U.S. Department of Transportation | | | <u>15,875</u> |
| U.S. Department of Homeland Security | | | |
| Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP) | 97.039 | DR 1780-005 | 100,616 |
| Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP) | 97.039 | DR 1791-354 | 67,172 |
| Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP) | 97.039 | DR 1791-355 | 87,296 |
| Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP) | 97.039 | DR 1931-001 | 273,063 |
| Passed through the Texas Department of Public Safety Hazard Mitigation Grant (HMGP) | 97.039 | DR 1931-010 | 84,428 |
| Passed through the Texas Department of Public Safety & Cameron County Operation Stone Garden | 97.067 | - | <u>37,787</u> |
| Total U.S. Department of Homeland Security | | | 650,362 |
| U.S. Department of Justice | | | |
| Office of Community Oriented Policing Services (COPS) ARRA - Public Safety Partnership and Community Policing Grant | 16.710 | G2010UMWX0303 | <u>35,419</u> |
| Total U.S. Department of Justice | | | <u>35,419</u> |

City of La Feria, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
 For the Year Ended September 30, 2013

Exhibit F-1 (continued)

| (01) | (02) | (02A) | (03) |
|---|------------------------|---|---------------------|
| Federal Grantor/Pass/Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures |
| U.S. Environmental Protection Agency | | | |
| Passed through the Texas Water Development Board Clean Water State Revolving Fund-Disadvantaged Community Loan Forgiveness Grant Program | 66.458 | G110014 | 241,973 |
| Passed through the Texas Water Development Board Drinking Water State Revolving Fund-Disadvantaged Community Loan Forgiveness Grant Program | 66.468 | G110026 | <u>244,914</u> |
| Total U.S. Environmental Protection Agency | | | <u>486,887</u> |
| Total Federal Awards Expended | | | <u>3,266,878</u> |
| Total Federal Financial Assistance Expended | | | <u>\$ 3,266,878</u> |

See accompanying notes on accounting policies for Federal awards.

City of La Feria, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
Year Ended September 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal 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 unearned revenues until earned.

City of La Feria, Texas
EXIT CONFERENCE
Year Ended September 30, 2013

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.