CITY OF LA FERIA, TEXAS

FINANCIAL STATEMENTS

September 30, 2018



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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, 2018, 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, 2018, 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

Adoption of New Accounting Pronouncement

As described in Note 14 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which resulted in a cumulative effect of change in accounting principle of (\$80,170), (\$3,923), and (\$47,235) to the September 30, 2017 net position for governmental activities, business-type activities and component units, respectively. Our opinions are 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, budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 7-20, 78-79, 80-82, and 83 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.

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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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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.

Other Reporting Required by Government Auditing Standards

Can, Rigge & Ingram, L.L.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of La Feria, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Feria, Texas's internal control over financial reporting and compliance.

Harlingen, Texas August 27, 2019

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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, 2018.

Financial Highlights

- The assets and deferred outflows of the City's primary government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$18,877,231 (net position). Of this amount, \$1,909,143 is unrestricted net position.
- The assets of the City's discretely presented component units exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$40,068,027 (net position). Unrestricted net position of \$20,648 is the result of the IDC having unrestricted net position of 488,804, and unrestricted net position of \$(468,156) in the Water and Sewer System.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$921,333, a decrease of \$3,554 from the prior year.
- At the end of the current fiscal year, the fund balance for the general fund had a deficit balance of \$3,081,680 primarily due to substantial delays in receiving grant reimbursements.
- The City's total debt (excluding component unit debt) decreased by \$1,308,491 (7.6%) during the current fiscal year.

Overview of the Financial Statements

The Annual Financial Report is composed of primarily the Financial Section. The Financial Section of this 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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.

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 and the Waterworks and Sewer System.

The government-wide financial statements begin on page 23 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 three major and six non-major governmental funds. Information for the General Fund, Debt Service Fund, and the Certificates of Obligation Series 2015 Fund, all of which are considered to be 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

Data from the non-major governmental funds are combined into a single, aggregated presentation.

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

The City's governmental fund financial statements begin on page 26 of this report.

Proprietary Funds

The City maintains two proprietary funds, the Waste Disposal Fund and Economic Development Corporation, which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Waste Disposal fund accounts for its collection of waste and the pick-up of brush the Economic Development Corporation accounts for economic development activities of the corporation. 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 and Economic Development Corporation. The EDC is considered a blended component unit and presented as a propriety fund within the City.

The basic proprietary fund financial statements begin on page 30 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, and a board that is composed primarily of members other than City commissioners. The units also maintain a September 30 fiscal year end. There are two discretely presented component units.

The discretely presented component unit's financial statements begin on page 34 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 39 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 and other post employment benefits to its employees. The City also presents a schedule of revenues, expenditures, and changes in fund balances – Budget and Actual for the general fund.

Required supplementary information begins on page 78 of this report.

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 begin on page 86 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 and deferred outflows exceeded liabilities and deferred inflows by \$18,877,231 at the close of the most recent fiscal year.

	Governmental Activities		Business-ty	Business-type Activities T		otal	Component I	Component Unit Activities	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017	
Current and other assets	\$ 6,391,246	\$ 7,165,951	\$ 1,461,353	\$ 905,824	\$ 7,852,599	\$ 8,071,775	\$ 3,888,603	\$ 7,393,816	
Capital assets	28,705,200	29,981,994	1,331,082	1,484,804	30,036,282	31,466,798	46,862,279	45,915,443	
Total assets	35,096,446	37,147,945	2,792,435	2,390,628	37,888,881	39,538,573	50,750,882	53,309,259	
Deferred outflows of resources	117,727	244,025	2,748	8,928	120,475	250,964	53,956	128,367	
Long-term liabilities outstanding	17,326,709	18,717,266	439,489	559,752	17,766,198	19,190,936	6,142,482	6,804,857	
Other liabilities	844,075	962,638	396,927	356,879	1,241,002	1,319,517	4,524,467	7,794,367	
Total liabilities	18,170,784	19,679,904	836,416	916,631	19,007,200	20,510,453	10,666,949	14,599,224	
Deferred inflows of resources	119,351	14,375	5,574	437	124,925	14,812	69,862	8,012	
Net position									
Net investment in capital assets	15,160,689	15,287,148	618,578	619,028	15,779,267	15,906,176	39,698,253	38,166,318	
Restricted	1,188,895	875,184	-	-	1,188,895	875,184	349,126	526,199	
Unrestricted	574,454	1,535,359	1,334,615	863,460	1,909,069	2,482,912	20,648	137,873	
	\$ 16,924,038	\$ 17,697,691	\$1,953,193	\$ 1,482,488	\$18,877,231	\$ 19,264,272	\$ 40,068,027	\$ 38,830,390	

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

An additional portion of the City's net position, \$1,188,895 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,909,143, 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 discretely presented component units' net position increased \$1,237,637 during the current fiscal year which can be attributed to capital project activities and related grant receipts.

Governmental Activities

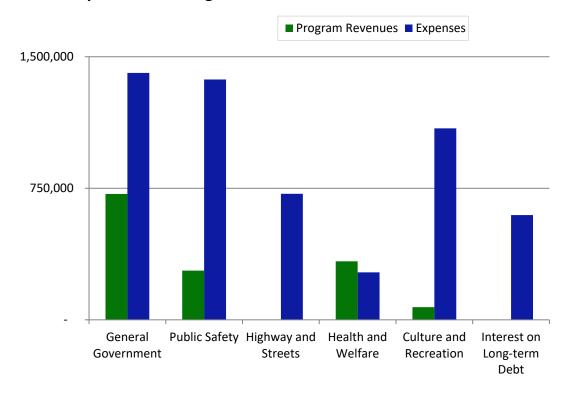
Governmental activities decreased the City's net position by \$773,653. The key elements of this decrease are primarily related to increased depreciation on long-term assets and the implantation of GASB 75, which required the City to record a total OPEB liability for its TMRS supplemental death benefit.

Capital improvements in the general government were lower this year resulting in a decrease to net investment in capital assets, while unrestricted net position decreased slightly. The decrease in unrestricted net position was primarily the result of the total OPEB liability increase and the increase in depreciation.

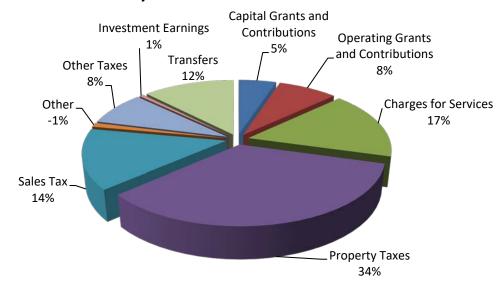
	Government	al Activities	Business-type Activities		Total		Component Unit Activities	
	09/30/18	09/30/17	09/30/18	09/30/17	09/30/18	09/30/17	09/30/18	09/30/17
Revenues:								
Program revenues								
Charges for services	\$ 781,462 \$	687,690	\$ 980,042	\$ 944,103	\$ 1,761,504	\$ 1,631,793	\$ 2,422,246	\$ 2,612,214
Operating grants and								
contributions	381,139	403,869	44,212	44,192	425,351	448,061		-
Capital grants and								
contributions	241,426	1,413,992	-	-	241,426	1,413,992	1,875,809	2,588,919
General revenues								
Property tax	1,635,770	1,620,093	-	-	1,635,770	1,620,093		-
Other taxes	1,076,188	1,020,788	342,566	308,526	1,418,754	1,329,314	342,566	308,526
Other	441,786	583,085	18,587	1,413	460,373	584,498	71,256	19,013
Total revenues	4,557,771	5,729,517	1,385,407	1,298,234	5,943,178	7,027,751	4,711,877	5,528,672
Expenses								
General Government	1,407,658	2,227,946		-	1,407,658	2,227,946	-	-
Public safety	1,370,227	1,375,970		-	1,370,227	1,375,970	-	-
Highways/streets	718,756	805,013		-	718,756	805,013	-	-
Health and welfare	270,773	361,137		-	270,773	361,137	-	-
Culture and recreation	1,091,632	1,244,121		-	1,091,632	1,244,121	-	-
Interest on long-term debt	597,136	610,056	23,653	26,646	620,789	636,702	-	-
Sanitation	-	-	645,030	546,542	645,030	546,542	-	-
Economic development	-	-	121,261	107,977	121,261	107,977	-	-
Waterworks system	-	-		-	-	-	3,072,549	3,000,354
IDC	-	-		-	-	-	401,691	419,490
Total program expenses	5,456,182	6,624,243	789,944	681,165	6,246,126	7,305,408	3,474,240	3,419,844
Increase/(decrease) in net								
assets before transfers	(898,411)	(894,726)	595,463	617,069	(302,948)	(277,657)	1,237,637	2,108,828
Transfers	124,758	616,887	(124,758)	(616,887)	-	-	-	-
Increase (decrease) in net position	(773,653)	(277,839)	470,705	182	(302,948)	(277,657)	1,237,637	2,108,828
Net position - beginning	17,697,691	18,055,700	1,482,488	1,486,229	19,180,179	19,541,929	38,830,390	36,768,797
Prior period adjustment	<u>-</u>	(80,170)		(3,923)		(84,093)		(47,235)
Net position - ending	\$ 16,924,038	17,697,691	\$ 1,953,193	\$ 1,482,488	\$ 18,877,231	\$ 19,180,179	\$ 40,068,027	\$ 38,830,390

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

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



Business-Type Activities

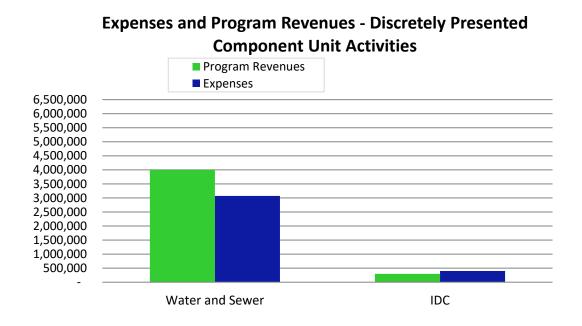
Business-type activities consist of operating expenses of \$789,944, transfers-out totaling \$124,758, and revenues of \$1,385,407 resulting in an increase in net position of \$470,705

Discretely Presented Component Units

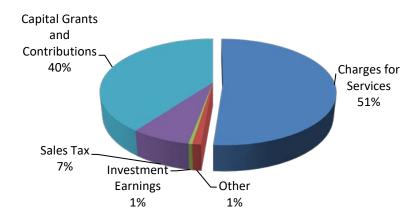
Component unit's activities increased their net position by \$1,237,637, accounting for approximately 3.09% of the total ending net position. Key elements of this increase are as follows:

- The Waterworks and Sewer System's net position increased by \$932,611. The key factor in this increase is due to the ongoing capital projects for the System which are being funded by the Texas Water Development Board (TWDB) in the form of forgivable loans.
- The La Feria Industrial Development Corporation's net position increased by \$305,026 during the current fiscal year and is attributed to increases in sales tax and lease revenues compared to the prior year.

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



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, an unassigned 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, 2018 and 2017.

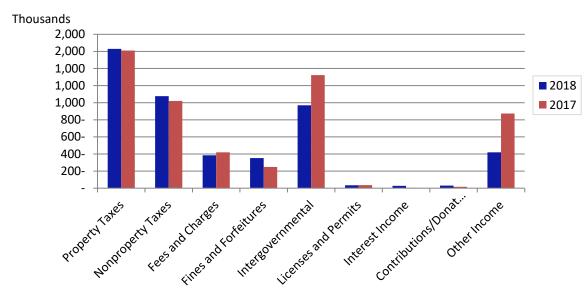
Revenues: General, Special Revenue, Debt Service and Capital Projects Funds

				Increase	Percent of
2018	Percent of	2017	Percent of	(Decrease)	Increase
Amount	2018 Total	Amount	2017 Total	Over 2017	(Decrease)
\$1,629,830	30.25%	\$1,609,682	29.01%	\$ 20,148	1.25%
1,076,188	19.98%	1,020,788	18.39%	55,400	5.43%
385,216	7.15%	420,024	7.57%	(34,808)	-8.29%
352,470	6.54%	247,900	4.47%	104,570	42.18%
969,677	18.00%	1,322,520	23.83%	(352,843)	-26.68%
34,102	0.63%	35,413	0.64%	(1,311)	-3.70%
27,370	0.51%	3,262	0.06%	24,108	739.06%
29,815	0.55%	16,572	0.30%	13,243	79.91%
882,536	16.38%	873,251	15.74%	9,285	1.06%
\$5,387,204	100.00%	5,549,412	100.00%	\$ (162,208)	-2.92%
	\$1,629,830 1,076,188 385,216 352,470 969,677 34,102 27,370 29,815 882,536	Amount 2018 Total \$1,629,830 30.25% 1,076,188 19.98% 385,216 7.15% 352,470 6.54% 969,677 18.00% 34,102 0.63% 27,370 0.51% 29,815 0.55% 882,536 16.38%	Amount 2018 Total Amount \$1,629,830 30.25% \$1,609,682 1,076,188 19.98% 1,020,788 385,216 7.15% 420,024 352,470 6.54% 247,900 969,677 18.00% 1,322,520 34,102 0.63% 35,413 27,370 0.51% 3,262 29,815 0.55% 16,572 882,536 16.38% 873,251	Amount 2018 Total Amount 2017 Total \$1,629,830 30.25% \$1,609,682 29.01% 1,076,188 19.98% 1,020,788 18.39% 385,216 7.15% 420,024 7.57% 352,470 6.54% 247,900 4.47% 969,677 18.00% 1,322,520 23.83% 34,102 0.63% 35,413 0.64% 27,370 0.51% 3,262 0.06% 29,815 0.55% 16,572 0.30% 882,536 16.38% 873,251 15.74%	2018 Amount Percent of 2018 Total 2017 Amount Percent of 2017 Total (Decrease) Over 2017 \$1,629,830 30.25% \$1,609,682 29.01% \$20,148 1,076,188 19.98% 1,020,788 18.39% 55,400 385,216 7.15% 420,024 7.57% (34,808) 352,470 6.54% 247,900 4.47% 104,570 969,677 18.00% 1,322,520 23.83% (352,843) 34,102 0.63% 35,413 0.64% (1,311) 27,370 0.51% 3,262 0.06% 24,108 29,815 0.55% 16,572 0.30% 13,243 882,536 16.38% 873,251 15.74% 9,285

Revenues from governmental funds decreased by \$625,506 or 11.27% compared to the prior year. Key elements of this decrease shown above are as follows:

- Intergovernmental revenues decreased by \$352,843 or 26.68% compared to last year. The intergovernmental revenues consisted mostly of grant funds for capital projects which are now mostly complete and therefore had less activity in the current year compared to prior years.
- Revenue from property and non-property taxes increased by 2.87%; reflecting increases in business activity in the community.
- Fees, charges, and fines and forfeitures increased about 10.44% compared to the prior year.

Governmental Revenues



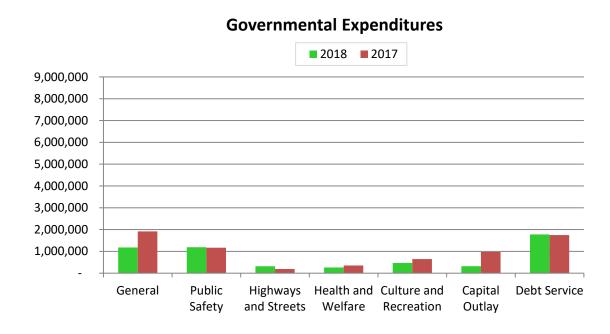
The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund expenditures for the years ended September 30, 2018 and 2017.

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

					Increase	Percent of
	2018	Percent of	2017	Percent of	(Decrease)	Increase
	Amount	2018 Total	Amount	2017 Total	Over 2017	(Decrease)
Expenditures						
General	\$ 1,178,143	21.36%	\$ 1,916,709	27.39%	\$ (738,566)	-38.53%
Public safety	1,190,025	21.58%	1,168,251	16.70%	\$ 21,774	1.86%
Highways and streets	198,698	3.60%	192,779	2.75%	\$ 5,919	3.07%
Health and welfare	263,207	4.77%	352,231	5.03%	\$ (89,024)	-25.27%
Culture and recreation	584,697	10.60%	647,342	9.25%	\$ (62,645)	-9.68%
Capital outlay	321,823	5.83%	972,921	13.90%	\$ (651,098)	-66.92%
Debt service	1,778,923	32.25%	1,747,271	24.97%	\$ 31,652	1.81%
	\$ 5,515,516	100.00%	\$ 6,997,504	100.00%	\$ (1,481,988)	-21.18%

Governmental funds incurred expenditures of \$5,515,516, approximately 21.18% less expenditures for the City of La Feria, Texas compared to last year. Key elements of this decrease are as follows:

- General expenditures decreased by \$738,566 due to decreased expenses for the drainage project which includes locations outside of the City limits.
- Capital outlay expenditures decreased by \$651,098 compared to last year due to decreased activity in capital projects. Capital outlay was for drainage improvements and other various capital additions in the prior year. 2018 capital outlay was to finalize some of the pervious projects plus additional routine additions. These expenditures are primarily funded by capital grants and proceeds from the 2015 Certificates of Obligation.



Governmental Fund Balances

The General Fund's fund balance began as a deficit of \$2,779,287 and further decreased by \$302,393 in fiscal year 2017-2018. This was due to substantial expenditures in capital improvements as well as general government expenditures for the drainage project. These projects were being funded with federal grants on a reimbursement basis, but there was also a required local match, which contributed to the decrease in fund balance. The following are the primary factors which can specifically account for the decrease in fund balance:

The drainage project being funded by both HMGP and GLO incurred expenditures to complete
various phases of those projects, but certain projects allowable budgets were maxed out which
resulted in cost overruns in those projects which were not considered eligible for reimbursement.
The City had to cover these costs.

As described below in the discussion of the Certificates of Obligation Series 2015 Fund (the Bond Fund), the General Fund and other funds expended significant amounts of cash from the Bond Fund in prior years in order to pay for expenditures necessary for the projects noted above. These funds were also needed for general operations, due to the fact that the General Fund was already operating in a deficit. This resulted in the general fund and other funds owing the amounts spent back to the bond fund.

The Debt Service Fund's fund balance increased by \$246,701 in fiscal year 2017-2018 due primarily to an increase in interest income when compared to interest income for the 2016-2017 fiscal year.

The Certificates of Obligation Series 2015 Fund's fund balance began with \$2,815,955, and decreased by \$27,543, which is the result of spending the proceeds of those bonds on capital projects which was to fund the local match for the final phase of the City Dome Shelters.

Enterprise Funds – Business-Type Activities, Enterprise.

The City's business-type activities include the collection of waste (garbage and brush and economic development activities). Operating revenue from these activities increased by \$69,999 during 2018. 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 \$111,772 or 17.08%.

<u>Component Units Funds – Waterworks and Sewer System & Industrial Development Corp.</u>

The City's Component Units' activities' revenues decreased by \$816,795 compared to the prior year, a 15% decrease. Key elements of this decrease are as follows:

Capital grants and contributions decreased by 28% from the prior year due to decreased activity
in the Water and Sewer System capital projects for which are being funded by the Texas Water
Development Board (TWDB) in the form of forgivable loans.

Component Units' activities' expenses increased by a net amount of \$54,396, a 16% increase. Increase in expenditures is attributed to the water & sewer having created an allowance for doubtful accounts in the current year in addition to an increase in raw water purchases during the current year.

General Fund Budgetary Highlights

The original adopted budget had projected a net decrease in fund balance of \$964,185; the final amended budget resulted in a projected net decrease of \$964,185 in fund balance. The final actual change in fund balance was a decrease in fund balance of \$278,782. However, expenditures did not exceed budgeted appropriations. Revenues collected were less than budgeted

Revenues

• Actual property tax revenues were \$45,436 less than budgeted. Revenues were over budgeted. Intergovernmental revenues were \$395,399 less than budgeted due significant delays in collection of grant reimbursements. This is reflected in the balance of deferred inflows for grants in the general fund.

Expenditures

• General government expenditures were \$790,984 lower than budgeted due to substantially less expenditures being incurred for the GLO drainage project, the primary portion of which was to be reflected under "general government" expenditures.

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, 2018, amounts to \$30,036,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment as well as construction in progress. The total decrease in the City's investments in capital assets for the current fiscal year was \$1,430,516 or approximately 4.55%.

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

- Purchase of police and fire equipment
- Drainage project improvement

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

	Governmen	Governmental Activities		ype Activities	Total	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Land	\$ 1,721,963	\$ 1,849,418	\$ 388,558	\$ 388,558	\$ 2,110,521	\$ 2,237,976
Building and systems	13,633,641	14,067,267	521,348	543,298	14,154,989	14,610,565
Improvements and other					-	-
than buildings	153,303	776,123	-	-	153,303	776,123
Machinery and equipment	1,222,469	1,454,360	421,176	552,948	1,643,645	2,007,308
Construction in progress	11,973,824	11,834,826	-	-	11,973,824	11,834,826
						_
	\$ 28,705,200	\$ 29,981,994	\$ 1,331,082	\$ 1,484,804	\$30,036,282	\$ 31,466,798

Additional information on the City's capital assets can be found in Note 3 beginning on page 54 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include \$15,473,000 of (limited) revenue certificates of obligation bonds, \$396,425 of tax notes, and \$2,495,000 of water and wastewater revenue bonds. The City's total long-term debt had a net decrease of \$2,087,113 during this fiscal year. The key factor in the net increase was the timely repayment of debt maturities.

Additional information on the City's long-term debt begins in Note 4 on page 59 of this report.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the government's central business district is estimated to have remained at 91%.
- Sales tax increased by 10.2% compared to prior year's decrease of 4.0%. The sales tax revenue is expected to increase by 2.0% 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 2018-19 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.



City of La Feria, Texas 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 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 levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

Capital projects fund: The Certificates of Obligation Series 2015 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

BUSINESS-TYPE FUNDS

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

Proprietary fund: 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. The Corporation is a blended component unit due to its governance structure and is presented as a proprietary fund.

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.

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City of La Feria, Texas Statement of Net Position

September 30, 2018

	P			
	Governmental Activities	Business - type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 121,630	\$ 392,775	\$ 514,405	\$ 92,0
Investments	528,469	190,796	719,265	388,8
Receivables (net of allowance for uncollectible)	1,882,445	120,158	2,002,603	509,8
Internal balances	(714,809)	714,809	-	-
Due from primary government	-	-	-	69,2
Due from component units	1,461,778	-	1,461,778	-
Inventories	25,218	-	25,218	40,3
Prepaid assets	21,945	-	21,945	-
Asset held for sale	-	-	-	-
Restricted assets:				
Cash and cash equivalents	7,655	-	7,655	2,481,8
Notes receivable	3,056,914	42,815	3,099,729	306,4
Capital assets (net of accumulated depreciation)				
Land	1,721,963	388,558	2,110,521	3,039,1
Building and system	13,633,641	521,348	14,154,989	6,076,9
Improvements other than buildings	153,303	-	153,303	-,-: 0,5
Machinery and equipment	•		1,643,645	95,8
	1,222,469	421,176	1,043,043	-
Infrastructure	-	-	-	23,614,6
Easements	-	-	-	117,7
Certificate of convenience and necessity	-	-	-	115,9
Construction in progress	11,973,824	-	11,973,824	13,801,9
Total assets	35,096,445	2,792,435	37,888,880	50,750,8
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	109,778	2,358	112,136	49,2
Deferred outflows related to OPEB	7,949	390	8,339	4,6
Total deferred outflows of resources	117,727	2,748	120,475	53,9
LIABILITIES				
Accounts payable and other	642 502	C2 FC0	675 153	F21.2
		62,569	675,152	521,2
current liabilities	612,583	•		•
Due to primary government	612,583	-	-	1,461,7
Due to primary government Due to component units	-	69,204	69,204	1,461,7 -
Due to primary government Due to component units Unearned revenue	•	69,204 265,154	69,204 496,645	1,461,7 - 2,366,4
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets	-	69,204	69,204	1,461,7 -
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities:	231,491 -	69,204 265,154 -	69,204 496,645 -	1,461,7 - 2,366,4 174,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability	231,491 - 841,030	69,204 265,154 - 31,659	69,204 496,645 - 872,689	1,461,7 - 2,366,4 174,9 383,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability	231,491 - 841,030 95,469	69,204 265,154 - 31,659 4,672	69,204 496,645 - 872,689 100,141	1,461,7 - 2,366,4 174,9 383,9 56,2
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year	231,491 - 231,030 95,469 1,275,231	31,659 4,672 375,793	69,204 496,645 - 872,689 100,141 1,651,024	1,461,7 - 2,366,4 174,9 383,9 56,2 560,3
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979	31,659 4,672 375,793 27,365	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344	1,461,7 - 2,366,4 174,9 383,9 56,2 560,3 5,141,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year	231,491 - 231,030 95,469 1,275,231	31,659 4,672 375,793	69,204 496,645 - 872,689 100,141 1,651,024	1,461,7 - 2,366,4 174,9 383,9 56,2 560,3
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources NET POSITION	231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783 119,351	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199 124,925	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9 69,8
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources NET POSITION Net investment in capital assets Restricted for:	231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783 119,351 119,351	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199 124,925 124,925	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9 69,8
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources NET POSITION Net investment in capital assets Restricted for: Debt service	231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783 119,351	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199 124,925	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9 69,8 39,698,2
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources NET POSITION Net investment in capital assets Restricted for: Debt service Capital projects funds	231,491 - 231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783 119,351 119,351 15,160,689 953,594	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199 124,925 124,925 15,779,267 953,594	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9 69,8
Due to primary government Due to component units Unearned revenue Liabilities payable from restricted assets Noncurrent liabilities: Net pension liability Net OPEB liability Due within one year Due in more than one year, net Total liabilities DEFERRED INFLOWS OF RESOURCES Deferred inflows related to net pension liability Total deferred inflows of resources NET POSITION Net investment in capital assets Restricted for: Debt service	231,491 - 841,030 95,469 1,275,231 15,114,979 18,170,783 119,351 119,351	31,659 4,672 375,793 27,365 836,416	69,204 496,645 - 872,689 100,141 1,651,024 15,142,344 19,007,199 124,925 124,925	1,461,7 2,366,4 174,9 383,9 56,2 560,3 5,141,9 10,666,9 69,8 39,698,2

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, 2018

		Program Revenues						
			Operating	Capital Grants and				
		Charges for	Grants and					
	Expenses	Services	Contributions	Contributions				
Governmental activities:								
General government	\$ 1,407,658	\$ 452,739	\$ 77,063	\$ 187,849				
Public safety	1,370,227	176,503	50,556	53,577				
Highways and streets	718,756	-	-	-				
Health and welfare	270,773	80,112	253,520	-				
Culture and recreation	1,091,632	72,108	-	-				
Interest on long term debt	597,136	-	-					
Total governmental activities	5,456,182	781,462	381,139	241,426				
Business - type activities:								
Sanitation services	645,030	962,797	-	-				
Economic Development	121,261	17,245	44,212	-				
Interest expense	23,653	-	=	-				
Total business-type activites	789,944	980,042	44,212	-				
Total primary government	6,246,126	1,761,504	425,351	241,426				
Component Units:								
Waterworks and Sewer Systems	3,072,549	2,297,076	_	1,702,873				
Industrial Development Corporation	401,691	125,170	_	172,936				
Total component units	\$ 3,474,240	\$ 2,422,246	\$ -	\$ 1,875,809				

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Hotel motel taxes

Unrestricted investment earnings

Loss on sale of asset

Other non operating revenue

Transfers

Total general revenues and transfers

Change in net position

Net position--beginning

Restatement

Net position--ending

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

			Net (Expense					
			Changes in		Position			
	Primary Government						nent Units	
	vernmental		siness - type		Tatal	Component		
	Activities		Activities		Total	·	Jnits	
\$	(690,007)	\$	_	\$	(690,007)	\$	_	
*	(1,089,591)	Ψ.	_	Ψ.	(1,089,591)	Ψ.	_	
	(718,756)		_		(718,756)		_	
	62,859		_		62,859		_	
	(1,019,524)		-		(1,019,524)		-	
	(597,136)		-		(597,136)		-	
	(4,052,155)		_		(4,052,155)		_	
	, , ,				, , ,			
	-		317,767		317,767		_	
	-		(59,804)		(59,804)		-	
	_		(23,653)		(23,653)		_	
			, ,		, , ,			
	-		234,310		234,310			
	(4,052,155)		234,310		(3,817,845)			
	-		-		-		927,400	
	-		-		-		(103,585)	
	-		-		-		823,815	
	446,301		-		446,301		_	
	1,189,469		-		1,189,469		-	
	685,095		342,566		1,027,661		342,566	
	374,881		-		374,881		-	
	16,212		-		16,212		-	
	27,370		18,587		45,957		21,587	
	(172,936)		-		(172,936)		43,461	
	587,352		-		587,352		6,208	
	124,758		(124,758)		-			
	3,278,502		236,395		3,514,897		413,822	
	(773,653)		470,705		(302,948)	1	,237,637	
	17,777,861		1,486,411		19,264,272	38	,877,625	
	(80,170)		(3,923)		(84,093)	d	(47,235)	
\$	16,924,038	\$	1,953,193	\$	18,877,231	\$ 40	,068,027	

City of La Feria, Texas **Balance Sheet Governmental Funds**

September 30, 2018

September 30, 2018	General Fund		Debt Service Fund		Certificates of Obligation Series 2015 Fund		Other Governmental Funds		Total vernmenta Funds
ASSETS	\$ 24	4 702	ć 11.12.1	<u>,</u>		<u>.</u>	05 744	,	121 (20
Cash and cash equivalents	\$ 24	4,792 37	\$ 11,124		-	\$	85,714	\$	121,630
Investments		3/	528,432		-		-		528,469
Receivables, (net of allowance for uncollectibles)	7.	4 405	111 101						105 200
Property taxes		4,185	111,104		-		-		185,289
Nonproperty taxes		3,158	-		-		-		53,158
Service		4,620	-		-		-		104,620
Intergovernmental receivable	1,41	7,455	-		-		-		1,417,455
Other		-	-		-		121,923		121,923
Notes receivable		-	-				-		-
Due from other funds		1,280	407,929		2,597,263		197,801		3,334,273
Due from component units	1,159	•	-		301,875		-		1,461,778
Inventories		5,218	-		-		-		25,218
Prepaid items	2:	1,945	-		-		-		21,945
Restricted assets									
Cash and cash equivalents	(5,369	-		1,286		-		7,655
Total assets	\$ 3,018	8,962	\$ 1,058,589	\$	2,900,424	\$	405,438	\$	7,383,413
LIABILITIES									
Accounts payable	\$ 453	3,646	\$ -	\$	19,415	\$	28,691	\$	501,752
Accrued liabilities	35	5,606	-		_		-		35,606
Unearned revenue	233	1,491	-		_		-		231,491
Due to other funds	3,877	7,617	-		92,597		78,868		4,049,082
Total liabilities	4,598	3,360	-		112,012		107,559		4,817,931
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues									
Property taxes	42	2,885	112,206	;	_		-		155,091
Grants	1,387	7,662	-		_		-		1,387,662
Other	73	1,735	-		-		29,661		101,396
Total deferred inflows of resources	1,502	2,282	112,206	i	-		29,661		1,644,149
FUND BALANCES									
Nonspendable fund balances:									
Inventories		5,218	-		-		-		25,218
Prepaid items	2:	1,945	-		-		-		21,945
Restricted fund balances:									
Retirement of long-term debt		-	946,383		-		-		946,383
Tax increment reinvestment zone		-	-		-		235,301		235,301
Capital projects		-	-		2,788,412		-		2,788,412
Assigned		-	-		-		34,417		34,417
Unassigned	(3,128		-		-		(1,500)		(3,130,343)
Total fund balance	(3,082	1,680)	946,383	-	2,788,412		268,218		921,333
Total liabilities, deferred inflows	ć 2.044	2.062	ć 1050 500		2.000.424	¢	405 420	<u>,</u>	7 202 442
of resources and fund balance	\$ 3,018	5,962	\$ 1,058,589	\$	2,900,424	\$	405,438	\$	7,383,413

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

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

September 30, 2018	
Fund balance total governmental funds	\$ 921,333
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.	28,705,200
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expeditures and are therefore not reported in the funds:	
Unavailable revenue - property taxes	155,091
Unavailable revenue - grants	1,387,662
Unavailable revenue - other	101,396
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	(15,869,425)
Note and capital lease payable Compensated absences	(463,498) (57,287)
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(75,225)
Certain long-term notes receivable due from the component units are not due and receivable in the current period and, therefore, are not reported in the funds. The total notes receivable from component units is \$3,056,914. Including this amount in the statement of net position increases net position.	3,056,914
Recognition of the City's net pension liability required by GASB 68 in the amount of \$(841,030), deferred resource inflows related to pensions in the amount of \$(119,351), and deferred resource outflows related to pensions in the amount of \$109,778, result in a decrease in net position.	(850,603)
Recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(95,469), a deferred resource outflows related to pensions in the amount of \$7,949, which result in a decrease in net position.	(87,520)
Net position of governmental activities	\$ 16,924,038
Met position of governmental activities	J 10,324,036

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

City of La Feria, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds

For the year ended September 30, 2018

		General	Debt Service	Certificates of Obligation Series 2015		n Other .5 Governmental		Gov	Total vernmenta
Revenues		Fund	Fund		Fund	Funds			Funds
Taxes:									
Property	\$	409,469	\$ 1,182,258	\$	_	\$	38,103	¢	1,629,830
Sales	Y	685,095	y 1,102,230 -	Y	_	Ţ	-	Ţ	685,095
Franchise		374,881	_		_		_		374,881
Other		1,240	_		_		14,972		16,212
Licenses and permits		34,102	_		_				34,102
Intergovernmental		716,157	_		_		253,520		969,677
Fees and charges		366,741	_		_		18,475		385,216
Fines		352,470	_		_		-		352,470
Interest income		12,626	14,744		_		-		27,370
Contributions and donations		29,115			-		700		29,815
Other		214,780	667,567		-		189		882,536
Total revenues		3,196,676	1,864,569		-		325,959		5,387,204
Expenditures									
Current									
General government		1,133,924	41,667		_		2,552		1,178,143
Public safety		1,190,025	, -		_		-		1,190,025
Highways and streets		198,698	-		_		=		198,698
Health and welfare		11,837	-		_		251,370		263,207
Culture and recreation		552,341	-		-		32,356		584,697
Debt service									
Principal retirement		85,593	1,092,285		-		-		1,177,878
Interest and fiscal agent fees		22,371	578,674		-		-		601,045
Capital outlay		294,280	-		27,543		-		321,823
Total expenditures		3,489,069	1,712,626		27,543		286,278		5,515,516
Excess (deficiency) of revenues									
over (under) expenditures		(292,393)	151,943		(27,543)		39,681		(128,312)
Other financing sources (uses)									
Transfers in		30,000	94,758		-		40,000		164,758
Transfers (out)		(40,000)	-		-		-		(40,000)
Total other financing sources (uses)		(10,000)	94,758				40,000		124,758
Net change in fund balances		(302,393)	246,701		(27,543)		79,681		(3,554)
Fund balances, beginning		(2,779,287)	699,682		2,815,955		188,537		924,887
Fund balances, ending		(3,081,680)	\$ 946,383	\$	2,788,412	\$	268,218	\$	921,333

City of La Feria, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds to the Statement of Activities

sept	ember	30,	2018	

Net change in fund balances total governmental funds	\$ (3,554)
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 \$321,823, was exceeded by depreciation expense of (\$1,425,681).	(1,103,858
n the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.	(472.025
	(172,936
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Other revenues which were accounted for as revenue in prior years on the statement of activities but for which resources were not available until the current year are revenues in the funds but not in the statement of activities.	
Unavailable revenues - property taxes Unavailable revenues - grants and other	5,940 (337,437)
Compensated absences in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental funds. The compensated absences increased in the current year.	(15,825)
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$89,592. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(84,098). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(914). The result of these changes is to increase/(decrease) the change in net position by \$4,580	4,580
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$2,015. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year exepnse. This caused a decrease in the change in net position totaling (\$1,896). The City's reported TMRS OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by (\$7,469). The result of these changes is to increase/(decrease) the change in net position by (\$7,350)	
Repayment of non-current liabilities is an expenditure in the governmental funds, but the	(7,350)
repayment reduces long-term liabilities in the statement of net position. Bond principal Notes payable principal Capital lease principal	1,092,285 73,809 11,784
Receipts from long term notes receivable are recorded as revenues in governmental funds, but in the statement of net position they reduce long term receivables.	
Note receivable repayment from component unit	(325,000)
Recognition of current year accrued interest is not recorded in the governmental funds, but in the statement of activities they are recognized as inerest expense.	3,909
Change in net position of governmental activities	\$ (773,653

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

City of La Feria, Texas Proprietary Funds Statement of Net Position

September 30, 2018

				Enterprise Funds	
	14/5	ste Disposal	Econon	nic Development	
	VV	Fund		orporation	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$	370,773	\$	22,002 \$	392,775
Investments		-		190,796	190,796
Service receivable, net		93,579		-	93,579
Nonproperty taxes		-		26,579	26,579
Notes receivable, current portion		-		1,601	1,601
Due from other funds		154,488		560,321	714,809
Total current assets		618,840		801,299	1,420,139
Noncurrent assets:					
Notes receivable		-		41,214	41,214
Capital assets				•	
Land		-		388,558	388,558
Buildings		-		592,648	592,648
Machinery and equipment		1,732,383		-	1,732,383
Less accumulated depreciation		(1,311,207)		(71,300)	(1,382,507
Total capital assets (net of accumulated depreciation)		421,176		909,906	1,331,082
Total assets		1,040,016		1,752,419	2,792,435
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to net pension liability		2,358		_	2,358
Deferred outflows related to total OPEB liability		390		_	390
Total deferred outflows of resources		2,748		-	2,748
Total assets and deferred outflow of resources	\$	1 042 764	ė	1 752 410 ¢	2 705 10
Total assets and deferred outflow of resources	\$	1,042,764	Ş	1,752,419 \$	2,795,183
LIABILITIES					
Current liabilities			_		
Accounts payable	\$	17,115	\$	1,262 \$	18,377
Unearned revenues		-		-	50.00
Due to component fund		69,204		-	69,204
Unearned revenues		-		44,192	44,192
Current portion of long-term debt		26,399		349,394	375,793
Total current liabilities		112,718		394,848	507,566
Noncurrent liabilities					
Unearned revenues		-		265,154	265,154
Notes payable		27,365		-	27,365
Net pension liability		31,659		-	31,659
Total OPEB liability		4,672		-	4,672
Total noncurrent liabilities		63,696		265,154	328,850
Total liabilities		176,414		660,002	836,416
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to net pension liability		5,574		-	5,574
Total deferred inflows of resources		5,574		-	5,574
NET POSITION					
Net investment in capital assets		367,412		251,166	618,578
Unrestricted		493,364		841,251	1,334,615
Total net position		860,776		1,092,417	1,953,193
Total liabilites, deferred inflows of resources					
and net position	\$	1,042,764	\$	1,752,419 \$	2,795,183

City of La Feria, Texas Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2018

For the Year Ended September 30, 2018		Enterprise	
		Funds	
	Waste Disposal Fund	Economic Development Corporation	Total
Operating revenues			
Nonproperty taxes	\$ -	\$ 342,566	\$ 342,566
Operating grants and contributions	-	44,212	44,212
Charges for services	962,797	17,245	980,042
Total operating revenues	962,797	404,023	1,366,820
Operating expenses			
Personnel services	85,454	-	85,454
Contractual services	305,110	98,922	404,032
Materials, supplies and repairs	48,435	389	48,824
Heat, light and power	41,073	-	41,073
Depreciation	131,772	21,950	153,722
Other	33,186		33,186
Total operating expenses	645,030	121,261	766,291
Operating income	317,767	282,762	600,529
Nonoperating revenues (expenses)			
Interest income	-	18,587	18,587
Interest expense	(3,788)	(19,865)	(23,653)
Total nonoperating revenues (expenses)	(3,788)	(1,278)	(5,066)
Income before transfers	313,979	281,484	595,463
Transfers in	-	-	-
Transfers out	<u>-</u>	(124,758)	(124,758
	-	(124,758)	(124,758)
Change in net position	313,979	156,726	470,705
Net positionbeginning	550,720	935,691	1,486,411
Restatement	(3,923)	-	(3,923
Total net position, end of year	\$ 860,776	\$ 1,092,417	\$ 1,953,193

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City of La Feria, Texas Proprietary Funds Statement of Cash Flows

For the Year Ended September 30, 2018

For the Year Ended September 30, 2018			Enterprise		
			Funds		
		Waste	Economic		
		Disposal	Development		
		Fund	Corporation		Total
Cash flows from operating activities			•		
Receipts from customers and users	\$	947,241	\$ 357,673	\$	1,304,914
Payments to suppliers		(377,503)	(98,049)		(475,552
Payments to employees		(85,320)	-		(85,320
Net cash provided by operations		484,418	259,624		744,042
Cash flows from (to) noncapital financing activities					
Transfer in		69,204	-		69,204
Transfer out		(154,488)	(124,758)		(279,246
Net cash used in noncapital financing activities		(85,284)	(124,758)		(210,042)
Cash flows from capital and related financing activities					
Principal paid on long-term debt		(24,573)	(84,507)		(109,080
Interest paid on capital debt		(3,788)			(23,653)
Net cash used in capital and related financing activities		(28,361)			(132,733
Cash flows from investing activities					
Payments received from notes receivable		_	101,603		101,603
Interest income received		_	18,587		18,587
Purchase of investments		_	(190,796)		(190,796)
Net cash used in by investing activities		-	(70,606)		(70,606)
Net (decrease) in cash and cash equivalents		370,773	(40,112)		330,661
Cash and cash equivalents, beginning of year		370,773	62,114		62,114
Cash and cash equivalents, end of year	\$	370,773	\$ 22,002	Ś	392,775
	*	0.0,	+ ,		
Reconciliation of operating income to net cash provided					
by operating activities:		047.767	4 202 762	_	
Operating income	\$	317,767	\$ 282,762	\$	600,529
Adjustments to reconcile net income from operations to net					
cash from operating activities		121 772	21.050		452 722
Depreciation expense		131,772	21,950		153,722
Bad debt expense		33,186	(44.103)		33,186
Non-cash operating grants		-	(44,192)		(44,192
Effect of increases and decreases in current					
assets and liabilities		(45.556)	(2.450)		(47.74.4)
Decrease (increase) in receivables		(15,556)	(2,158)		(17,714
Decrease (increase) in pension related deferred inflows of resources		5,137	4 363		5,137
Increase (decrease) in accounts payable		17,115	1,262		18,377
Increase (decrease) in net pension liability		(11,839)	-		(11,839)
Increase (decrease) in total OPEB liability		656			656
Increase (decrease) in pension related deferred outflows of resources		6,477	-		6,477
Increase (decrease) in OPEB related deferred outflows of resources Total adjustments		(297) 166,651	(23,138)		(297) 143,513
•		·	•		
Net cash provided by operations	\$	484,418	\$ 259,624	\$	744,042

City of La Feria, Texas Discretely Presented Component Units Combining Statement of Net Position

September 30, 2018

	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
ASSETS			
Cash and cash equivalents	\$ 73,598	\$ 18,447	\$ 92,045
Investments		388,863	388,863
Receivables		•	,
Service	210,537	-	210,537
Other	271,475	1,209	272,684
Intergovernmental	· -	26,579	26,579
Current portion of note receivable	-	53,210	53,210
Due from primary government	69,204	-	69,204
Inventories	40,352	-	40,352
Restricted assets:	·		,
Cash and cash equivalents	2,379,488	102,396	2,481,884
Total current assets	3,044,654	590,704	3,635,358
NOTES RECEIVABLE	-	253,245	253,245
CAPITAL ASSETS			
Depreciable			
Buildings	4,518,231	2,146,486	6,664,717
Water distribution system	12,718,682	-	12,718,682
Sewer distribution system	21,732,311	-	21,732,311
Furniture, fixure and equipment	1,428,031	24,184	1,452,215
Vehicles	462,316	-	462,316
	40,859,571	2,170,670	43,030,241
Less accumulated depreciation	(12,630,794)	(611,995)	(13,242,789)
	28,228,777	1,558,675	29,787,452
Non depreciable			
Land	357,079	2,682,060	3,039,139
Easements	117,758	-	117,758
Certificate of Convenience and Necessity	115,978	-	115,978
Construction in Progress	13,801,952	-	13,801,952
	14,392,767	2,682,060	17,074,827
Total capital assets (net of accumulated depreciation)	42,621,544	4,240,735	46,862,279
Total assets	45,666,198	5,084,684	50,750,882
DEFERRED OUTFLOWS OF RESOURCES		5,084,684	
Deferred outflows related to total OPEB liability	4,684		4,684
Deferred outflows related to net pension liability Total deferred outflows of resources	49,272	-	49,272
Total deferred outflows of resources	53,956	-	53,956
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 45,720,154	\$ 5,084,684	\$ 50,804,838

The notes to 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, 2018

	Vaterworks and Sewer System	I De	La Feria ndustrial velopment orporation	Totals
LIABILITIES				
Current liabilities				
Accounts payable	\$ 506,077	\$	3,727	\$ 509,804
Accrued expenses and other liabilities	9,152		2,292	11,444
Unearned revenues	2,366,483		<u>-</u>	2,366,483
Due to primary government	749,848		711,930	1,461,778
Current portion of long term debt	530,000		30,304	560,304
Total current liabilities	4,161,560		748,253	4,909,813
Current liabilities payable from restricted assets				
Meter deposits	174,958		-	174,958
Total current liabilities payable				
from restricted assets	174,958		-	174,958
Noncurrent liabilities				
Net pension liability	383,985		-	383,985
Total OPEB liability	56,249		-	56,249
Notes payable, net of current portion	2,721,973		119,971	2,841,944
Revenue bonds payable	2,300,000		-	2,300,000
Total noncurrent liabilities	5,462,207		119,971	5,582,178
Total liabilities	9,798,725		868,224	10,666,949
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net pension liability	69,862		-	69,862
· · · · ·	69,862		-	69,862
NET POSITION				
Net investment in capital assets	36,319,723		3,378,530	39,698,253
Restricted for capital projects	-		349,126	349,126
Unrestricted:	(468,156)		488,804	20,648
Total net position	35,851,567		4,216,460	40,068,027
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 45,720,154	\$	5,084,684	\$ 50,804,838

The notes to 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, 2018

				Progran	n revenu	es	
	Expenses	C	Charges for Services	Gran	rating ts and butions		pital Grants and ontributions
Component units	·						
Waterworks and Sewer System	\$ 3,072,549	\$	2,297,076	\$	-	\$	1,702,873
Industrial Development Corporation	401,691		125,170		-		172,936
Total component units	\$ 3,474,240	\$	2,422,246	\$	-	\$	1,875,809

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Loss on disposal of asset

Other non operating revenue (expense)

Total general revenues

Change in net position

Net position--beginning

Restatement

Net Position at beginning of year, as adjusted

Net position--ending

	Component units						
Net	Net (Expense) revenue change in Net Position						
	La Feria						
V	Waterworks Industrial						
	and Sewer		Development				
	System		Corporation		Totals		
\$	927,400	\$	-	\$	927,400		
	-		(103,585)		(103,585)		
	927,400		(103,585)		823,815		
	-		342,566		342,566		
	5,211		16,376		21,587		
	-		43,461		43,461		
	-		6,208		6,208		
	5,211		408,611		413,822		
	932,611		305,026		1,237,637		
	34,966,191		3,911,434		38,877,625		
	(47,235)				(47,235)		
	34,918,956		3,911,434		38,830,390		
\$	35,851,567	\$	4,216,460	\$	40,068,027		

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NOTES TO **FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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's Economic Development Corporation is a blended component unit. 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.

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 appoints the Board, has imposition of will, 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 appoints the Board, has imposition of will, and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

NOTE 1: 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

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. Business-type activities 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (normally 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 levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

The Certificates of Obligation Series 2015 Fund, a Capital Projects Fund, accounts for various capital improvements with the use of proceeds from the issuance of Certificates of Obligation Series 2015.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances Policies

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

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

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

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

This policy delegates to the City Manager 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.

As of and during the year ended September 30, 2018, the City had assigned fund balance which was for the HOME Grant purposes and the Promotion of La Feria Fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, the carrying amount of the City's deposits, (cash, certificates of deposit and interest-bearing savings accounts) was \$1,241,325. The City's cash deposits during the year ended September 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank.

Discretely Presented Component Units Cash Deposits

The component units' unrestricted cash totaled \$92,045 at September 30, 2018.

Restricted cash for qualified business loans under the Revolving Loan and Intermediary Lending Programs totaled \$102,396. Restricted cash for meter deposits and debt service was \$175,223.

Restricted cash in the amount of \$2,379,488 represents loan forgiveness funds held in escrow which were provided by the Texas Water Development Board through the Disadvantaged Community Programs. The escrow accounts are on deposit at Bank of Texas and are not considered as a banking deposit for the City under the terms of the escrow agreements and loan forgiveness grants. The funds are restricted for approved system improvements and are disbursed to the City with the approval from the TWDB as funds are earned.

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

- a. Name of Bank Compass Bank.
- b. Amount of bond and/or market value of securities pledged as of the date of the highest *combined balance on deposit were \$1,700,000 and occurred during the month of July 2018. The combined deposit balances on that day were \$1,435,876.

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 in accordance with Texas Law.

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

NOTE 1: 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.

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. As of September 30, 2018, the investments in the Texas CLASS external investment pool was rated AAAm by Moody's Investor Service and Standards and Poor's.

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 City's portfolio only consisted of amounts in the public funds investment pools, discussed below.

Public Funds Investment Pools

Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), is an investment pool (local government investment pool) for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas CLASS reports its financial statements in accordance with Financial Accounting Standard Boards (FASB) and follows ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments. For pricing and redeeming shares, Texas CLASS maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

For financial reporting purposes the City reported amounts for investment pools of \$528,469 and \$190,796, included in investments on the Statement of Net Position as of September 30, 2018. There were no unfunded commitments as of September 30, 2018, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption

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.

NOTE 1: 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 acquisition 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. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. No interest was capitalized by the City during the fiscal year ended September 30, 2018.

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:

Length of Service	Vacation Allowed
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

NOTE 1: 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, 2018 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 \$41,462, this year's liability due within a year is \$57,287. This amount is included under non-current liabilities, due within one year.

h. Long-Term Obligations

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

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

i. Fund Equity

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Estimates

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

k. Net Position

The City's Net Position is classified as follows:

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

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

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

1. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions and other post-employment benefits (OPEB) are reported for changes in actuarial assumptions, differences in projected and actual investment performance, and for contributions made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: property taxes, payments in lieu of taxes, special assessments, noncurrent receivables and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows related to pensions are recorded for differences between actual and expected economic experience.

m. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Pensions - Continued

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

n. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting.

This includes for purposes of measuring the total OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

o. New Accounting Standards Adopted

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. Statement 75 requires governments of all types to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability.

GASB Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86. Certain Debt Extinguishment Issues. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transaction in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The City has determined that this statement does not impact the City.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, Leases, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

NOTE 2: 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 (with the exception of capital projects funds, which adopt project based budgets) 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.
- 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, and culture and recreation) with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h. Appropriations lapse at the end of each fiscal year.

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

A deficit balance in the general fund balance occurred in the amount of \$3,081,680 for the year ended September 30, 2018. Management is currently formulating a long-term plan to address the deficit and improve the City's financial condition.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. Receivables

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.

			Debt	
	Genera	l	Service	
	Fund		Fund	Total
Gross property taxes receivable	\$ 98,8	82 \$	176,883	\$ 275,765
Less allowance for doubtful accounts	(24,6	97)	(65,779)	(90,476)
Net property taxes receivable	\$ 74,1	85 \$	111,104	\$ 185,289

2. Service Receivables

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services. At September 30, 2018, the City reflected service receivables of the following:

Primary Government	
Waste disposal services	\$ 93,579
General fund service receivables	104,620
	\$ 198,199
Component Units Activities	
Water services	\$ 117,563
Sewer services	92,974
	\$ 210,537

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

3. Governmental Activities

Receivables for governmental activities at September 30, 2018, consisted of the following:

		Del	bt Service	Nonmajor	
	General		Fund	Funds	Total
Receivables					
Property taxes	\$ 98,882	\$	176,883	\$ -	\$ 275,765
Other taxes	53,158		-	-	53,158
Accounts	104,620		-	-	104,620
Intergovernmental	1,417,455		-	-	1,417,455
Other	-		-	121,923	121,923
Less allowance for uncollectibles	(24,697)		(65,779)	-	(90,476)
Net total receivables	\$ 1,649,418	\$	111,104	\$ 121,923	\$1,882,445

B. Restricted Assets

Governmental Funds

Cash – seized by police department for future capital improvements	\$ 6,369
Certificate of Obligation Series 2015 Fund	1,286
	\$ 7,655

Discretely Presented Component Units

Enterprise Funds	
LFIDC Revolving Loan Fund – business loans	\$ 102,396
Texas Water Development Board-grant/loan forgiveness escrow	2,379,488
	\$ 2,481,884

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Net Position

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

	Governmental Activities	Business-type Activities	Component Units	
Net investment in capital assets consists of the following:				
Long-term assets				
Capital assets, net of accumulated depreciation	\$ 28,705,200	\$ 1,331,082	\$ 46,862,279	
Less related liabilities (bonds, unearned revenues, due to primary government				
and notes payable)	(16,332,923)	(712,504)	(7,164,026)	
Restricted investments (unexpended bond proceeds)	2,788,412	_	-	
Net investment in capital assets	15,160,689	618,578	39,698,253	
Restricted Net Position consists of the following:				
Debt service	953,594	-	-	
Tax Increment Reinvestment Zone	235,301	-	-	
Capital projects	-	-	349,126	
Unrestricted net position	574,454	1,334,615	20,648	
Total net position	\$ 16,924,038	\$ 1,953,193	\$ 40,068,027	

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital assets activity for the year ended September 30, 2018 was as follows:

Primary Government

	_	inning Balance		A 1 1	D 1 11	- (nding Balance
Governmental Activities	ÜĊ	tober 1, 2017		Additions	Deletions	Transfers	Sep	tember 30, 2018
Capital assets, not being depreciated								
Land	\$	1,849,418	\$	45,481	\$ (172,936)	\$ -	\$	1,721,963
Construction in progress		11,834,826		138,998	-	-		11,973,824
Total capital assets, not being depreciated		13,684,244		184,479	(172,936)	-		13,695,787
Capital assets, being depreciated								
Buildings and systems		16,940,043		57,649	_	_		16,997,692
Improvements other than buildings		13,312,754		30,705	_	_		13,343,459
Machinery and equipment		4,899,989		48,990	_	_		4,948,979
Total capital assets, being depreciated		35,152,786		137,344	-	-		35,290,130
Less accumulated depreciation for								
Buildings and systems		(2,872,776)		(491,275)	-	-		(3,364,051)
Improvements other than buildings		(12,536,631)		(653,525)	-	-		(13,190,156)
Machinery and equipment		(3,445,629)		(280,881)	-			(3,726,510)
Total accumulated depreciation		(18,855,036)	((1,425,681)	-	-		(20,280,717)
Total capital assets, being depreciated, net		16,297,750	((1,288,337)	-			15,009,413
Governmental activities capital assets, net	\$	29,981,994	\$	(1,103,858)	\$ (172,936)	\$ -	\$	28,705,200
Business-type Activities								
Capital assets, not being depreciated		200	_				_	222 2
Land	\$	388,558	\$	-	\$ -	\$ -	Ş	388,558
Total capital assets, not being depreciated		388,558		-	_	-		388,558
Capital assets, being depreciated								
Buildings		592,648		-	-	-		592,648
Machinery and equipment		1,732,383		-				1,732,383
Total capital assets, being depreciated		2,325,031		-	-	-		2,325,031
Less accumulated depreciation for								
Buildings		(49,350)		(21,950)	-	-		(71,300)
Machinery and equipment		(1,179,435)		(131,772)	-	-		(1,311,207)
Total accumulated depreciation		(1,228,785)		(153,722)	-	-		(1,382,507)
Total capital assets being depreciated, net		1,096,246		(153,722)	-	-		942,524
Business-type activities capital assets, net	\$	1,484,804	\$	(153,722)	\$ -	\$ -	\$	1,331,082

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental Activities		
General government	\$	216,278
Public safety		176,216
Highways and streets		519,384
Health and welfare		7,555
Culture and recreation		506,248
Total depreciation expenses - governmental activities	\$	1,425,681
Business-type activities		
Sanitation	\$	131,772
Economic Development	·	21,950
Total depreciation expenses - business-type activities	Ś	153,722

Discretely Presented Component Units

	_	inning Balance tober 1, 2017	Additions	Deletions	Transfers		nding Balance ember 30, 2018
Waterworks and Sewer System		,					<u> </u>
Capital assets, not being depreciated							
Land	\$	357,079	\$ -	\$ -	\$ -	\$	357,079
Easement		117,758	-	-	-		117,758
CCN		114,478	-	-	1,500		115,978
Construction in progress		12,626,579	1,870,216	-	(694,843)		13,801,952
Total capital assets, not being depreciated		13,215,894	1,870,216	-	(693,343))	14,392,767
Capital assets, being depreciated							
Machinery and equipment		4,065,610	5,129	-	-		4,070,739
Infrastructure		36,059,634	35,855	-	693,343		36,788,832
Total capital assets, being depreciated		40,125,244	40,984	-	693,343		40,859,571
Less accumulated depreciation for							
Machinery		(1,575,087)	(219,361)	-	-		(1,794,448)
Infrastructure		(9,988,191)	(848,155)	-	-		(10,836,346)
Total accumulated depreciation		(11,563,278)	(1,067,516)	-	-		(12,630,794)
Total capital assets, being depreciated, net		28,561,966	(1,026,532)	-	693,343		28,228,777
Waterworks and Sewer System activities capital assets, net	\$	41,777,860	\$ 843,684	\$ -	\$ -	\$	42,621,544

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

	•	nning Balance ober 1, 2017	Α	dditions	D	Deletions	Transfers		ng Balance nber 30, 2018
Industrial Development Corporation									
Capital assets, not being depreciated Land	\$	2,521,497	\$	172,935	\$	(12,372) \$		-	\$ 2,682,060
Total capital assets, not being depreciated		2,521,497		172,935		(12,372)		-	2,682,060
Capital assets, being depreciated									
Buildings and improvements		2,146,486		-		-		-	2,146,486
Furniture, fixtures and equipment		24,184		-		-		-	24,184
Total capital assets, being depreciated		2,170,670		-		-		-	2,170,670
Less accumulated depreciation for									
Buildings and improvements		(530,400)		(57,411)		-		-	(587,811)
Furnitures, fixtures and equipment		(24,184)		-		-		-	(24,184)
Total accumulated depreciation		(554,584)		(57,411)		-		-	(611,995)
Total capital assets, being depreciated, net		1,616,086		(57,411)		-		-	1,558,675
Industrial Development Corporation activities									
capital assets, net	\$	4,137,583	\$	115,524	\$	(12,372) \$		-	\$ 4,240,735

Construction Commitments

At September 30, 2018, the City was a party to the following contracts:

Governmental Funds:

	Estimated				Estimated
	Projected	Expended to	Completed to	Construction	Amount
Projects	Costs	Date	Date	in Progress	Remaining
Drainage Improvements	\$19,302,679	\$11,973,824	-	\$11,973,824	\$7,328,855

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Two grant funds were also awarded totaling \$2,892,026 from the U.S. Department of Homeland Security and passed through the Texas Department of Public Safety under the Hazard Mitigation Grant Program (HMGP) to supplement the drainage improvement at four sites and minimize flooding of the local expressway. Construction for this drainage project funded with HMGP grant funds started in October of 2013 and has been completed. Construction of the watershed improvements and other public flood components funded with GLO funds is nearly completed and should be fully complete by December 2019.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Construction Commitments

Waterworks and Sewer System:

	Estimated									Estimated
	Projected	Е	xpended to	Coi	mpleted to)	(Construction		Amount
Projects	Costs		Date		Date			in Progress	F	Remaining
CIP Sewer Improvements	\$ 8,381,340	\$	6,965,619	\$		-	\$	6,965,619	\$	1,415,721
CIP Water Improvements	7,167,700		6,836,333			-		6,836,333		331,367
										_
	\$ 15,549,040	\$	13,801,952	\$		-	\$	13,801,952	\$	1,747,088

The Texas Water Development Board (TWDB) approved a \$7,167,700 loan forgiveness loan from the Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community Program to finance water system improvements on May 4, 2011. The proposed project consists of water treatment plant and distribution improvements and upgrades to comply with the disinfection byproducts rule. Improvements to the water treatment plant include electrical motor controls and the installation of a Supervisory Control and Data Acquisition (SCADA) system. The distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing water meters and implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss. Construction on this project started in January 2014 and is expected to be completed by December 2019.

On May 4, 2011, the Texas Water Development Board (TWDB) also approved an \$8,381,340 loan forgiveness grant from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements. The proposed project includes extending first-time sanitary sewer service to several disadvantaged areas by constructing and installing approximately 31,550 feet of pipe, three lift stations and manholes and related appurtenances. Also included in the project is the purchase and installation of a SCADA system at the System's wastewater treatment plant. Construction on this project began in April 2014 and is expected to be completed by the end of 2019.

NOTE 3: 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, 2018:

	Payable Fund								
	Non-major								
	General		CO Bonds		Governmental				
Receivable Fund		Fund		Series 2015 Fund		Funds		Total	
Governmental Funds									
General Fund	\$	52,412	\$	-	\$	78,868	\$	131,280	
Debt Service		407,929		-		-		407,929	
C O Bonds - Series 2015 Fund		2,597,263		-		-		2,597,263	
Non-major Governmental Funds		197,801		-		-		197,801	
		3,255,405		-		78,868		3,334,273	
Business Type Activities									
Economic Development Corporation		560,321				-		560,321	
Waste Disposal Fund		61,891		92,597				154,488	
		622,212		92,597		-		714,809	
Total interfund balances	\$	3,877,617	Ś	92,597	\$	78.868	\$	4.049.082	

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Balances due to the C.O. Bonds Series 2015 and non-major Governmental Funds are not anticipated to be repaid within one year.

Transfers

Inter-fund transfers for the year ended September 30, 2018, are as follows:

						Transfer In						
								Business-Type				
				Debt		Non-major		Activities				
	General		Service		Governmental		Economic Development					
Transfer Out		Fund		Fund		Funds		Corporation			Total	
Governmental funds												
General Fund	\$	-	\$	-	۲	\$ 40,000	\$	-		\$	40,000	
Subtotal		-		-		40,000		-	•		40,000	
Business-type activities												
Economic Development Corporation		30,000		94,758		-		-			124,758	
		30,000		94,758		-		-		_	124,758	
	\$	30,000	\$	94,758	,	\$ 40,000	\$	-		\$	164,758	

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

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. Transfers to the debt service fund primarily represent resources which the general fund received from the La Feria Waterworks & Sewer System, EDC, and IDC, to fund the respective portion of debt service which is provided for those entities, where the debt is paid out of the debt service fund. Transfers to non-major governmental funds were made to provide subsidy and financial resources in support of the Library, Recreation Center, Home Grant projects, La Feria Baseball, Promotion of La Feria, and the La Feria Parks and Sports Complex Funds.

NOTE 4: LONG-TERM DEBT

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

Long-term notes payable at September 30, 2018 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, 2023 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, 2018 was \$226,975.

Note payable to *Government Capital Corporation - Southside Bank* dated February 7, 2014, original principal amount of \$373,474, payable in seven annual installments of \$59,316 (including interest) with the first payment due on November 15, 2014 and a final payment due at maturity on November 15, 2020. The note is payable from general fund revenues. The balance at September 30, 2018 was \$168,027.

2. General Government Capital lease

The government entered into a 10-year lease purchase agreement with Musco Finance, LLC on July 8, 2013, with the first payment due on July 8, 2014 for the acquisition and installation of a "green lighting project system" at one of the municipal baseball parks. The lighting equipment has a ten-year estimated useful life and is valued at \$122,000. The installation of the equipment was completed in October 2013. This year, \$12,200 was included in depreciation expense. This purchase lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The lease purchase agreement is secured by the lighting equipment being financed, and is payable from general fund revenues. A final payment of \$15,849 is due on July 8, 2023, at which time the title of the lighting equipment passes to the government and becomes property of the government. The balance at September 30, 2018 was \$68,496.

NOTE 4: LONG-TERM DEBT (Continued)

The annual lease requirements to maturity are as follows:

Year Ending	Governmental
September 30,	Activities
2019	\$ 15,849
2020	15,849
2021	15,849
2022	15,849
2023	15,849
Total minimum lease payments	79,245
Less amount representing interest	(10,749)
Present value of minimum lease payments	\$ 68,496

Enterprise Fund

Note payable to *Government Capital Corporation - Citizen's* 1st Bank dated March 22, 2013, original principal amount of \$173,247, payable in seven annual installments of \$28,360 (including interest) with the first payment due on December 1, 2013 and the final payment due at maturity on December 1, 2019. The note is payable from the Waste Disposal Fund revenues. The balance at September 30, 2018 was \$53,763.

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

At year-end, the EDC had two long-term debt outstanding. The EDC signed a promissory note in the amount of \$46,000 on May 1, 2015 due to South Texas Collaborative for Housing Development, Inc. with an annual interest rate of 10% due if the principal amount is not paid by the maturity date of May 1, 2017; principal payments are not due until maturity. The funds were used to purchase four lots for the construction of four single family rental homes funded through the General Land Office (GLO) under the disaster recovery housing program. The grant funds will assist in providing affordable rental homes in La Feria. At September 30, 2018, the balance on the note payable was \$0 and was considered fully paid.

The EDC entered into a long-term borrowing commitment with First Community Bank on June 15, 2015 for the purposes of buying land and building to be used for Economic Development activities. The note was issued for \$480,000 at an interest rate of 5.50%. At September 30, 2018, the balance outstanding was \$349,395. The current portion due is \$349,395.

NOTE 4: LONG-TERM DEBT (Continued)

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.

					Current	Long-
	Original		Balance	at September	Term	Term
	Loan	Rate	Loan Date	2018	Portion	Portion
First Community Bank	303,467	5.50%	January 2013	150,275	30,304	119,971
			\$	150,275	\$ 30,304	\$ 119,971

3. 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 2011 were used for street improvements, the expansion to city hall, public works equipment, the fire department expansion, and the development of two dome/shelter facilities.
- Proceeds from the Series 2012A were used for the expansion of the library.
- Proceeds from the Series 2015 were used for a variety of capital projects throughout the City.

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).

NOTE 4: 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. At September 30, 2018, the balance of the defeased debt still outstanding was \$4,560,000.

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.

On February 24, 2015, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 at a fixed rate of 3.210% in the amount of \$6,330,000 to finance the City's various ongoing capital projects. The bonds have principal and interest payments due every year on August 15 and February 15, with full maturity on February 15, 2035.

On October 1, 2015, the City issued Texas Tax Notes, Series 2015 at a fixed rate of 2.51% in the amount of \$315,000 to finance the City's purchase of a vactor truck, which was purchased on behalf of the Water and Sewer System and transferred to the assets of the Water and Sewer System. The notes have interest payments due every year on August 15 and February 15, and principal payments due every year on August 15, with full maturity on August 15, 2022.

On April 1, 2016, the City issued Texas Tax Notes, Series 2016 at a fixed rate of 2.53% in the amount of \$303,000 to finance the City's purchase of a garbage truck. The notes have interest payments due every year on February 15 and August 15, and principal payments due every year on February 15, with full maturity on February 15, 2023.

NOTE 4: LONG-TERM DEBT (Continued)

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

	Due to Primary Government -				Due to I					
	GO Re	funding Serie	es 2011			CO Series 20	11		_	
Year Ending									='	Total
September 30,	Principal	Interest	Total	Pri	incipal	Interest		Total	Red	quirements
2019	\$ 300,000	\$ 83,980	\$ 383,980	\$	35,000	\$ 24,765	\$	59,765	\$	443,745
2020	305,000	73,780	378,780		35,000	23,400		58,400		437,180
2021	315,000	63,410	378,410		40,000	22,035		62,035		440,445
2022	325,000	52,700	377,700		40,000	20,475		60,475		438,175
2023	340,000	41,650	381,650		40,000	18,915		58,915		440,565
2024-2028	836,973	68,340	905,313	2	30,000	69,810		299,810		1,205,123
2029-2033	-	-	-	2	15,000	21,255		236,255		236,255
	\$2,421,973	\$ 383,860	\$2,805,833	\$ 6	35,000	\$ 200,655	\$	835,655	\$	3,641,488

Certificates of obligation bonds currently outstanding as of September 30, 2018 are as follows:

Purpose	Interest Rates	Amount
Certificates of obligation bonds		_
Governmental activities	3.40 - 4.00%	\$15,869,425

4. 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, 2018 was \$2,495,000. 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.

NOTE 4: LONG-TERM DEBT (Continued)

Revenue bonds currently outstanding consist of the following:

			Current
			Term
Purpose	Interest Rates	Amount	Portion
Water/sewer infrastructure			
Waterworks & Sewer System	0.00% - 5.26%	\$ 2,495,000	\$195,000

5. Changes in Long-Term Debt

During the year ended September 30, 2018, the following changes occurred:

Changes in long-term debt						
	Beginning			Ending		
	Balance			Balance	D	ue Within
	10/1/2017	Increase	Decrease	9/30/2018	(One Year
Governmental Activities						
Certificate of Obligation Bonds						
Texas Tax and Limited Pledge Revenue						
Certificate of Obligation - Series 2004	\$ 455,000	\$ -	\$ 240,000	\$ 215,000	\$	215,000
Combination Tax and Limited Pledge Revenue						
Certificates of Obligation - Series 2011	4,745,000	-	125,000	4,620,000		165,000
General Obligation Refunding Bonds - Series 2011	5,020,000	-	460,000	4,560,000		475,000
Combination Tax and Limited Pledge Revenue						
Certificates of Obligation - Series 2012A	347,000	-	9,000	338,000		9,000
Combination Tax and Limited Pledge Revenue						
Certificates of Obligation - Series 2015	5,910,000	-	170,000	5,740,000		175,000
Tax Notes Series 2015	225,000	-	45,000	180,000		45,000
Tax Notes Series 2016	259,710	-	43,285	216,425		43,285
	16,961,710	-	1,092,285	15,869,425		1,127,285
Notes payable	468,811	-	73,809	395,002		78,279
Net pension liability	1,082,937	-	241,907	841,030		
Total OPEB liability	-	95,469	-	95,469		
Capital lease	80,280	-	11,784	68,496		12,380
Compensated absences	41,462	37,238	21,413	57,287		57,287
Total governmental activities	18,635,200	132,707	1,441,198	17,326,709		1,275,231
Business-type Activities						
Notes payable	512,238	-	109,080	403,158		375,793
Net pension liability	43,498	-	11,839	31,659		-
Total OPEB liability	-	4,672	-	4,672		-
	555,736	4,672	120,919	439,489		375,793
Discretely Presented Component Units Activities						
Revenue bonds	2,685,000	-	190,000	2,495,000		195,000
Notes payable	211,372	-	61,097	150,275		30,304
Net pension liability	526,512	-	142,527	383,985		-
Total OPEB liability	-	56,249	_	56,249		-
Due to primary government	3,381,973	-	325,000	3,056,973		335,000
	6,804,857	56,249	718,624	6,142,482		560,304
	\$ 25,995,793	\$ 193,628	\$ 2,280,741	\$ 23,908,680	\$	2,211,328

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 or the economic development corporation.

NOTE 4: LONG-TERM DEBT (Continued)

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

	Governmental Activities													
		Primary Government				Component Units Activities								
		General		General									_	
		Obligation	(Obligation			ı	Revenue		Revenue				
Year Ending		Bonds		Bonds				Bonds		Bonds				Total
September 30,		Principal		Interest		Total		Principal		Interest		Total	Re	quirements
2019	\$	1,127,285	\$	539,706	\$	1,666,991	\$	195,000	\$	92,292	\$	287,292	\$	1,954,283
2020		1,067,285		501,538		1,568,823		210,000		85,149		295,149		1,863,972
2021		1,103,285		463,383		1,566,668		215,000		77,230		292,230		1,858,898
2022		1,138,285		426,208		1,564,493		225,000		68,978		293,978		1,858,471
2023		1,118,285		387,679		1,505,964		230,000		60,212		290,212		1,796,176
2024-2028		4,998,000		1,378,732		6,376,732		1,220,000		154,542		1,374,542		7,751,274
2029-2033		3,834,000		605,049		4,439,049		200,000		-		200,000		4,639,049
2034-2038		1,404,000		85,229		1,489,229		-		-		-		1,489,229
2039-2043		79,000		5,583		84,583		-		-		-		84,583
	\$	15,869,425	\$	4,393,107	\$	20,262,532	\$	2,495,000	\$	538,403	\$	3,033,403	\$	23,295,935

NOTE 5: 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 \$395,900,000 (as of September 30, 2018, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$1,000,000 to \$125,000,000 depending on type of insurance coverage.

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

NOTE 6: DEFERRED OUTFLOWS AND 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	\$ 155,091
Grants and other	1,489,058
Total deferred inflows of resources for governmental funds	\$1,644,149

NOTE 6: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

Deferred inflows related to the net pension liability are recognized in governmental activities and business-type activities in the amounts of \$119,351 and \$5,574, respectively. Component unit deferred inflows related to net pension liability are \$69,862. Deferred outflows related to pensions are \$109,778, \$2,358, and \$49,272 in the governmental activities, business-type activities, and component unit, respectively. Additionally, deferred outflows related to OPEB are \$7,949, \$390, and \$4,684 in the governmental activities, business-type activities, and component unit respectively.

NOTE 7: COMMITMENTS AND CONTINGENCIES

1. Litigation

At September 30, 2018, the City was involved in various litigation matters, none of which can be reasonably determined as to the likelihood of outcome or financial impact on the City.

2. Grant Programs

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, 2018 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.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of La Feria participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	43
Active employees	53
Total members	126

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of La Feria, Texas were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.76% and 10.76% in calendar 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$192,956 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year Overall payroll growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense,

including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

		Long-term
		Expected Real
		Rate of Return
Asset Class	Target Allocation	(Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the City's net pension liability for TMRS pension for the fiscal year ended:

	City							Component Unit					
	Increase (decrease)						Increase (decrease)						
					N	et Pension	Т	otal Pension	- 1	Plan Fiduciary	Ne	et Pension	
	To	tal Pension	Pla	n Fiduciary		Liability		Liability		Net Position		Liability	
	L	iability (a)	Net	Position (b)		(a) - (b)		(a)		(b)		(a) - (b)	
Balance at December 31, 2016	\$	4,568,832	\$	3,442,397	\$	1,126,435	\$	2,101,242	\$	1,574,730	\$	526,512	
Changes for the year													
Service cost		140,475		-		140,475		78,914		-		78,914	
Interest		282,730		-		282,730		158,828		-		158,828	
Change in benefit terms		-		-		-		-		-		-	
Difference between expected/													
actual experience		(32,219)		-		(32,219)		(18,099)		-		(18,099)	
Changes of assumptions		-		-		-		-		-		-	
Contributions - employer		-		117,786		(117,786)		-		66,168		(66,168)	
Contributions - employee		-		84,478		(84,478)		-		47,457		(47,457)	
Net investment income		-		444,880		(444,880)		-		249,920		(249,920)	
Benefit payments, including refunds													
of employee contributions		(305,007)		(305,007)		-		(171,343)		(171,343)		-	
Administrative expenses		-		(2,308)		2,308		-		(1,295)		1,295	
Other charges		-		(105)		105		-		(79)		79	
Net changes		85,979		339,724		(253,746)		48,300		190,828		(142,527)	
Delegae at December 21, 2017	۲	A CEA 911	۲.	2 702 122	۲	072.600	۲	2 140 542	۲.	1 765 557	۲	202.005	
Balance at December 31, 2017	\$	4,654,811	Ş	3,782,122	Ş	872,689	\$	2,149,542	\$	1,765,557	\$	383,985	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1%	Decrease in	1% Increase in			
	Dis	scount Rate	Di	scount Rate	D	iscount Rate
		(5.75%)	(7.75%)			
City's net pension liability	\$	1,431,549	\$	872,689	\$	294,430
Component unit's net pension liability		804,199		383,985		165,402
Total net pension liability	\$	2,235,748	\$	1,256,674	\$	459,832

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2018, the City and component unit recognized a combined pension expense in the amount of \$185,451. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Primary Go	overnn	nent	Component Unit					
	D	eferred	D	eferred	D	eferred	Deferred			
	Ou	tflows of	In	flows of	Ou	tflows of	Inflows of			
	Re	esources	Re	esources	Re	esources	Resources			
Differences between expected and actual economic experience (net of current year										
amortization)	\$	3,645	\$	28,068	\$	1,602	\$ 15,451			
Changes in actuarial assumptions		6,529		-		2,869	-			
Differences between projected and actual investment										
earnings (net of current year amortization)		-		96,857		-	54,411			
Contributions subsequent to the measurement date		101,962		-		44,801	-			
Total	\$	112,136	\$	124,925	\$	49,272	\$ 69,862			

The \$101,962 and \$44,801 in the City and Component Unit, respectively, which is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

		Component
	City	Unit
Year ending September 30,		
2019	\$ (5,081)	\$ (2,895)
2020	(13,281)	(7,569)
2021	(51,015)	(29,072)
2022	(45,374)	(25,855)
2023	-	-
Thereafter	-	-

NOTE 9: OTHER POST EMPLOYMENT BENEFITS

A. TMRS Supplemental Death Benefit

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which 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. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	7
Active employees	53
Total members	84

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.

Employees for the City of La Feria were required to contribute 0.06% of their annual gross earnings during the fiscal year. The contribution rates for the City of La Feria were 0.22% and 0.22% in calendar year 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$4,340, and were equal to the required contributions.

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (Continued)

Valuation date: 12/31/2017 Inflation 2.50%

Salary Increases 3.50% to 10.50%, including inflation

Discount rate* 3.31% Retirees' share of benefit-related costs \$-0-

Administrative expenses All administrative expenses are paid through the Pension

Trust and accounted for under reporting requirements

under GASB Statement No. 68.

Mortality rates- service retirees RP2000 Combined Mortality Table with Blue Collar

Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully

generational basis with scale BB.

Mortality rates- disabled retirees RP2000 Combined Mortality Table with Blue Collar

Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future

mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date. The following presents a summary of the changes in Total OPEB liability:

		City		Component Unit	
	Inc	rease (decrease)	I	ncrease (decrease)	Total
		Total OPEB		Total OPEB	Total OPEB
		Liability		Liability	Liability
Balance at December 31, 2016	\$	86,082	ç	48,352	\$ 134,434
Changes for the year					
Service cost		3,863		2,168	6,031
Interest		3,312		1,862	5,174
Change in benefit terms		-		-	-
Difference between expected/					
actual experience		-		-	-
Changes of assumptions		7,608		4,274	11,882
Contributions - employer		-		-	-
Contributions - employee		-		-	-
Net investment income		-		-	-
Benefit payments, including refunds		-		-	-
of employee contributions		(724)		(407)	(1,131)
Administrative expenses		-		-	-
Other charges		-		-	-
Net changes		14,059		7,897	21,956
Balance at December 31, 2017	\$	100,141		56,249	\$ 156,390

^{*}the discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (Continued)

Total OPEB liability amounts are allocated between the City and its component unit in the statement of net position by \$100,141 and \$56,249, respectively.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City and its component unit, calculated using the discount rate of 3.31%, as well as what the total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

	1% [Decrease in			19	% Increase in
	Disc	count Rate	Dis	count Rate	D	iscount Rate
	((2.31%)		(3.31%)		(4.31%)
City's total OPEB liability	\$	119,404	\$	100,141	\$	84,964
Component unit's total OPEB liability		67,078		56,249		47,730
	,					_
Total OPEB liability	\$	186,482	\$	156,390	\$	132,694

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2018 the City recognized combined OPEB expense in the amount of \$13,365. At September 30, 2018 the City reported deferred outflows of resources related to OPEB from the following sources:

		Primary Government		Component Unit
	Deferred		De	ferred
	Out	flows of	Out	flows of
	Re	sources	Res	sources
Differences between expected and actual economic experience (net of current year				
amortization)	\$	-	\$	-
Changes in actuarial assumptions		6,225		3,497
Differences between projected and actual investment earnings (net of current year amortization)		-		-
Contributions subsequent to the measurement date		2,114		1,187
Total	\$	8,339	\$	4,684

Deferred outflows of resources related to the total OPEB liability related to the supplemental death benefit are allocated between the City and component unit in the statement of net position.

The \$2,114 and \$1,187 which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019.

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

		Com	ponent
	City		Jnit
Year ending September 30,			
2019	\$ 1,383	\$	777
2020	1,383		777
2021	1,383		777
2022	1,383		777
2023	693		389
Thereafter	-		-

NOTE 10: 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 11: TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On December 27, 2013, The TIRZ contributed \$290,000 to a local developer for public improvements for a new 70-unit single family subdivision. As of September 30, 2018, the TIRZ fund balance was at \$197,801, of which \$197,801 represents an amount due from the general fund. This amount must be repaid to the TIRZ.

NOTE 12: RELATED ORGANIZATION TRANSACTIONS

As described in Note 1, the City has two discretely presented component units all of which have fiscal years ended September 30, 2018. During the year and at year end, the City and the components had the following transactions.

Due from Component Units - During the year, the City maintained receivables totaling \$749,848 and \$711,930 from the Waterworks and Sewer System and La Feria IDC for unreimbursed advances. A portion of the current receivable from the Waterworks and Sewer System of \$325,000 was due to the City for the System's current portion of debt service requirements on the 2011 Bond Series, as disclosed in Note 4. Total amounts due to the City from component units is \$1,461,778.

Payments from Component Units - Included in other Intergovernmental revenues are payments of \$138,298 and \$160,456 from the Waterworks and Sewer System and La Feria IDC, respectively, for administrative fees to the City and for their share of debt service related to General Obligation Refunding Bonds, Series 2011 and City of La Feria Certificates of Obligation, Series 2011.

NOTE 13: COMMITMENTS AND CONTINGENCIES

At September 30, 2018, the City has a deficit in the general fund. The deficit at September 30, 2017 was \$(2,779,287), and the General Fund experienced a further decline in 2018, bringing the deficit as of September 30, 2018 to \$(3,081,680). The decline is primarily a result of significant investments in drainage infrastructure in and around the City, as well as other capital projects which were also funded by grants. However, the reimbursement of the expenditures for those improvements have been substantially delayed. All of the deferred reimbursements from grants that are currently anticipated to be collected are reflected in the General Fund as "deferred inflows of resources – unavailable revenue" which means the amounts are not considered available for spending, and therefore are not reflected in the fund balance. These deferred inflows total \$1,387,662. In addition, some of the aforementioned projects were not fully funded by the grants, which contributed to further use of general fund resources and the depletion of available resources.

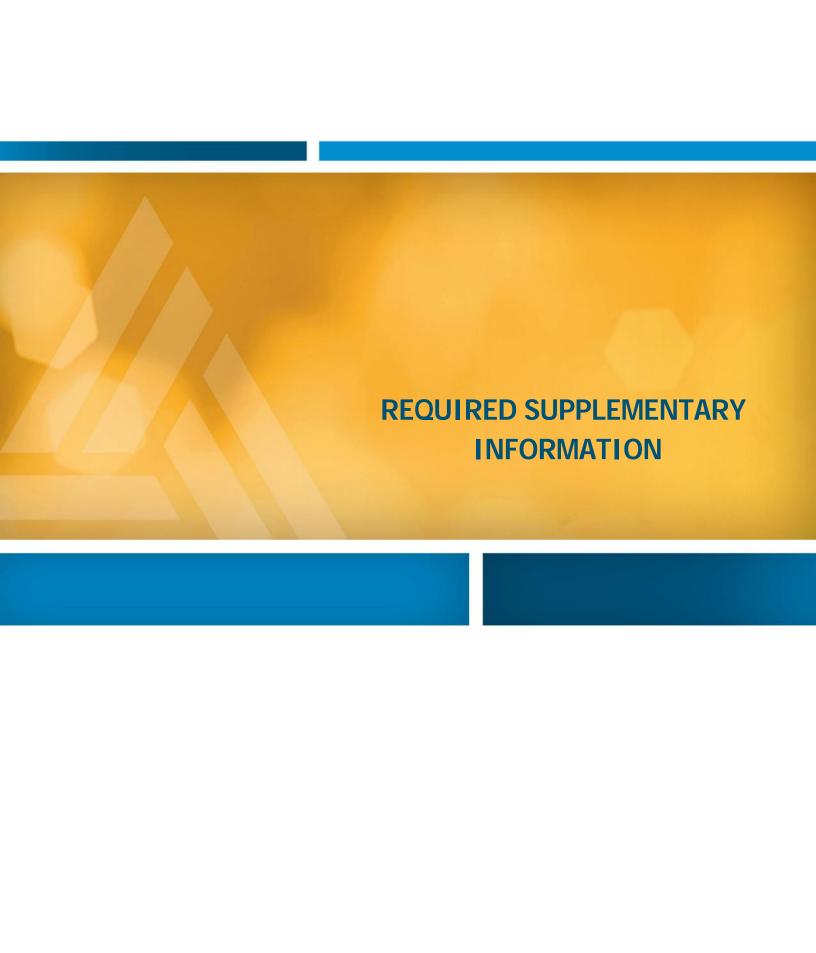
As a result of the circumstances previously described, cash from the Certificates of Obligation Series 2015 and Tax Increment Reinvestment Zone (TIRZ) were used to fund ongoing operations of the general fund and to cover cash flow shortages caused by delays in grant reimbursements. The City has an obligation to replenish those funds, which had a balance of \$3,877,617 at September 30, 2018. Until repayment occurs, the City will not be able to adequately fund the projects in those restricted funds, which had been previously planned for with those restricted funds.

In order to meet the General Fund's obligations, the City is currently pursuing actions to collect the outstanding grant funds, which includes coordinating finalization of many of the grant funded projects. In addition, the City plans to budget for a more conservative spending pattern and is exploring other means of raising additional revenues.

The financial statements do not include any adjustments that might result from the outcome of these commitments and contingencies.

NOTE 14: RESTATEMENT

During the fiscal year 2018, the City adopted GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. A restatement of beginning net position was required for the recording of the beginning total OPEB liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning total OPEB liability and the beginning of the City's fiscal year. Beginning net position as of October 1, 2018 has been restated for the implementation of GASB Statement No. 75 by (\$80,170), (\$3,923) and (\$47,235) for the governmental activities, business-type activities and component unit, respectively. The prior period adjustment resulted in a restated beginning net position balance of \$17,697,691, 1,482,488 and 38,830,390 for its governmental activities, its business-type activities, and its component unit, respectively.



City of La Feria, Texas General Fund Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual

For the fiscal year ended September 30, 2018

	Budgete	d Amounts	– Actual	Variance with Final Budget - Positive/
	Original	Final	Amounts	(Negative)
REVENUES	0.18.1141		7.11.104.11.0	(110841110)
Taxes:				
Property	\$ 454,905	454,905	5 \$ 409,469	\$ (45,436)
Sales	617,581	617,581	1 685,095	67,514
Mix Beverage	1,500	1,500	1,240	(260)
Franchise	350,500	350,500	374,881	24,381
Licenses and permits	35,300	35,300	34,102	(1,198)
Intergovernmental	1,111,556	1,111,556	716,157	(395,399)
Fees and charges	168,825	168,825	366,741	197,916
Fines	215,300	215,300	•	137,170
Interest income	250	250	12,626	12,376
Contributions and donations	20,650	20,650	29,115	8,465
Other	331,630	331,630	•	(116,850)
Total revenues	3,307,997	3,307,997	•	(111,321)
EXPENDITURES				
Current:				
General government:				
General government:	2,010,647	2,010,647	7 1,133,924	876,723
Public safety	1,267,266	1,267,266		77,241
Highways and streets	209,622	209,622		10,924
Health and welfare	6,439	6,439	•	(5,398)
Culture and recreation	623,190	623,190	•	70,849
Debt service:	,		,-	-,-
Prinicpal	85,518	85,518	85,593	(75)
Interest	/	55,5	22,371	(22,371)
Capital outlay	55,000	55,000	•	(239,280)
Total expenditures	4,257,682	4,257,682		768,613
	.,,	.,,	5,155,055	
Excess (deficiency) of revenues				
over (under) expenditures	(949,685)	(949,685	5) (292,393)	657,292
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	30,000	-
Transfers (out)	(44,500)	(44,500	, , ,	4,500
Total other financing sources and uses	(14,500)	(14,500	(10,000)	4,500
Net change in fund balance	(964,185)	(964,185	5) (302,393)	661,792
Fund balance - beginning	(2,779,287)	(2,779,287	, , , , , , , , , , , , , , , , , , ,	-
Fund balance - ending	\$ (3,743,472)	\$ (3,743,472	2) \$ (3,081,680)	\$ 661,792

City of La Feria, Texas Notes to Required Supplementary Information

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, 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.

City of La Feria, Texas Schedule of Changes in Net Pension Liability and Related Ratios For Agent Multiple Employer Pension Plan – Texas Municipal Retirement System

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 219,389	\$ 219,149	\$ 236,999	\$ 208,767
Interest (on the total pension liability)	441,558	424,054	410,898	380,234
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(50,318)	10,628	(46,049)	(16,944)
Changes of assumptions	-	-	61,615	-
Benefit payments, including refunds of employee contributions	(476,350)	(312,921)	(171,531)	(124,740)
Net change in total pension liability	134,279	340,910	491,932	447,317
Total pension liability - beginning	6,670,074	6,329,164	5,837,232	5,389,914
Total pension liability - ending (a)	\$ 6,804,353	\$ 6,670,074	\$ 6,329,164	\$ 5,837,231
Plan Fiduciary Net Position				
Contributions - employer	\$ 183,954	\$ 190,998	\$ 209,142	\$ 200,979
Contributions - employee	131,935	136,846	150,000	141,391
Net investment income	694,800	316,601	6,638	231,877
Benefit payments, including refunds of employee contributions	(476,350)	(312,921)	(171,531)	(124,740)
Administrative expense	(3,604)	(3,579)	(4,044)	(2,420)
Other	(183)	(193)	(200)	(199)
Net change in plan fiduciary net position	530,552	327,752	190,005	446,888
Plan fiduciary net position - beginning	5,017,127	4,689,375	4,499,370	4,052,482
Plan fiduciary net position - ending (b)	\$ 5,547,679	\$ 5,017,127	\$ 4,689,375	\$ 4,499,370
Net pension liability - ending (a) - (b)	\$ 1,256,674	\$ 1,652,947	\$ 1,639,790	\$ 1,337,862
Plan fiduciary net position as a percentage of total pension liability	81.53%	75.22%	74.09%	77.08%
Covered employee payroll	\$ 1,884,782	\$ 1,954,942	\$ 2,142,851	\$ 2,019,877
Net pension liability as a percentage of covered employee payroll	66.67%	84.55%	76.52%	66.23%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of La Feria, Texas Schedule of Contributions For Agent Multiple Employer Pension Plan – Texas Municipal Retirement System

	2018	2017	2016	2015
Actuarially determined contribution	\$ 192,956	\$ 183,998	\$ 202,962	\$ 206,371
Contributions in relation to actuarially determined contribution	(192,956)	(183,998)	(202,962)	(206,371)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,839,977	\$ 1,884,782	\$ 2,078,015	\$ 2,103,613
Contributions as a percentage of covered payroll	10.49%	9.76%	9.77%	9.81%

City of La Feria, Texas Notes to Schedule of Contributions For Agent Multiple Employer Pension Plan – Texas Municipal Retirement System

Valuation Date: Actuarially determined contribution rates are calculated as

of December 31 and become effective in January 13 months

later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 30 Years

Asset Valuation Method 10 Year Smoothed Market; 15% Soft Corridor

Inflation 2.5%

Salary Increases 3.50% to 10.5% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience – based table based on rates that are specific to

the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.

Mortality RP2000 Combined Mortality Table with Blue Collar

Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational

basis with scale BB.

Other Information: There were no benefit changes during the year.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of La Feria, Texas Schedule of Changes in Total OPEB Liability and Related Ratios Texas Municipal Retirement System

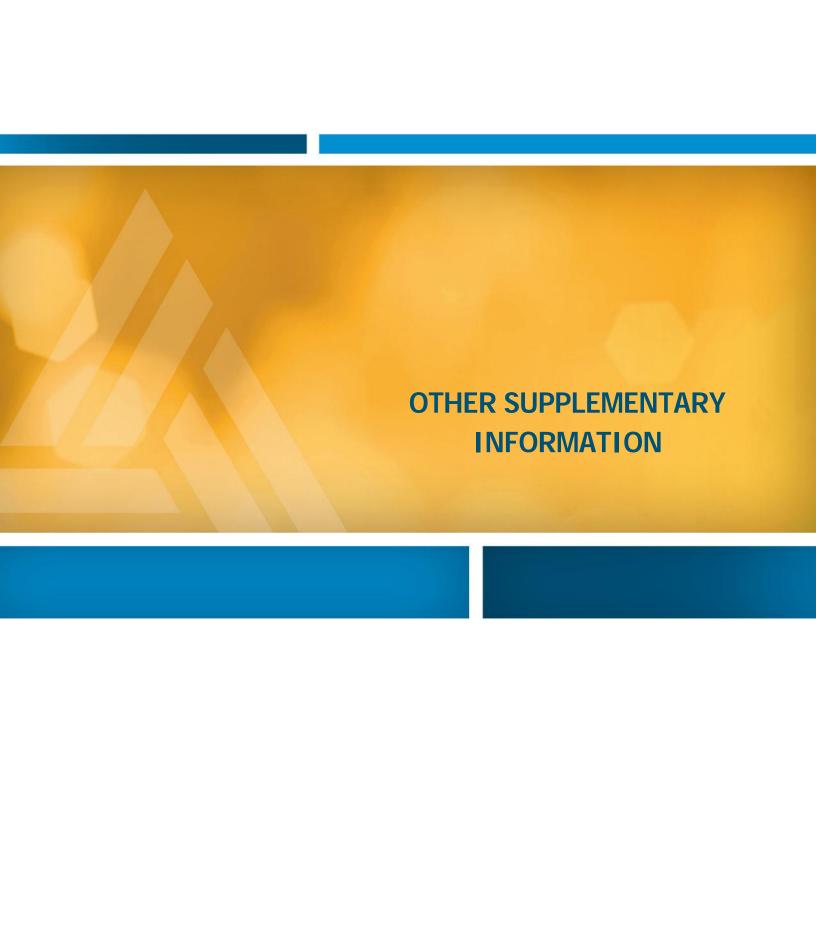
For the Year ended December,

		2018
Total OPEB Liability		
Service cost	\$	6,031
Interest (on the total OPEB liability)		5,174
Changes of benefit terms		-
Difference between expected and actual experience		-
Change of assumputions		11,882
Benefit payments, including refunds of employee contributions		(1,131)
Net Change in Total OPEB Liability		21,956
Total OPEB Liability - Beginning		134,434
Total OPEB Liability - Ending (a)	\$	156,390
Covered Employee Payroll	\$1	,884,782
Total OPEB Liability as a Percentage of Covered Employee Payroll		8.30%

Notes to schedule: The schedule above reflects the changes in the total OPEB liability for the current year. GASB 75 requires 10 fiscal years of data to be provided in this schedule. Additional years will be presented as the information becomes available.

No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits

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City of La Feria, Texas Non-Major Governmental Funds Combining Statements

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 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 2011 Fund accounts for various capital improvements with the use of proceeds from the Series 2011 Certificates of Obligation.

City of La Feria, Texas Non-Major Governmental Funds Combining Balance Sheet

September 30, 2018

	Special Revenue Funds							
	Reir	Tax crement nvestment one Fund	Texas Capital Fund		Home Grant Fund		Deve Bloc	nmunity lopment k Grant und
ASSETS								
Cash and cash equivalents	\$	37,500	\$	13,697	\$	2,761	\$	100
Receivables								
Other		29,661		92,262		-		-
Due from other funds		197,801		-		-		-
Total assets		264,962		105,959		2,761		100
LIABILITIES								
Accounts payable		-		28,691		-		-
Due to other funds		-		78,768		-		100
Total liabilities		-		107,459		-		100
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - other		29,661		-		-		-
Total deferred inflows of resources		29,661		-		-		-
FUND BALANCES (DEFICIT)								
Restricted fund balances:						-		
Tax increment reinvestment zone		235,301		-		-		-
Commited								
Assigned		-		-		2,761		-
Unassigned		-		(1,500)		-		-
Total fund balances (deficit)		235,301		(1,500)		2,761		-
TOTAL LIABILITIES, DEFERRED INFLOWS OF								
RESOURCES AND FUND BALANCES	\$	264,962	\$	105,959	\$	2,761	\$	100

Special Reven	ue Fun	ds - Continued		
Promotion of La Feria Fund	a Feria			Total Ionmajor Vernmental Funds
\$ 31,656	\$	85,714	\$	85,714
-		121,923 197,801		121,923 197,801
31,656		405,438		405,438
-		28,691		28,691
-		78,868		78,868
-		107,559		107,559
		29,661		29,661
-		29,661		29,661
-		235,301		235,301
21 656		34,417		34,417
31,656		(1,500)		(1,500)
31,656		268,218		268,218
22,330				
\$ 31,656	\$	405,438	\$	405,438

City of La Feria, Texas Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended September 30, 2018

	Special Revenue Funds							
		Tax					Coi	mmunity
	Increment		Texas		Home		Development	
	Rei	nvestment	(Capital		Grant	Blo	ck Grant
	Zo	one Fund		Fund		Fund		Fund
Revenues								
Property taxes	\$	38,103	\$	-	\$	-	\$	-
Hotel / motel tax		-		-		-		-
Intergovernmental		-		-		253,520		-
Fees and charges		-		-		-		-
Contributions and donations		-		-		-		-
Other		-		-		-		-
Total revenues		38,103		-		253,520		-
Expenditures								
Current								
General government		2,500		-		-		-
Health and welfare		-		-		251,370		-
Culture and recreation		-		-		-		-
Total expenditures		2,500		-		251,370		=
Excess (deficiency) of revenues								
over (under) expenditures		35,603		-		2,150		-
Other financing sources (uses)								
Transfers in		40,000		-		-		-
Total other financing sources (uses)		40,000		-		-		-
Net change in fund balances		75,603		-		2,150		-
Fund balance, beginning		159,698		(1,500)		611		-
Fund balance, ending	\$	235,301	\$	(1,500)	\$	2,761	\$	-

Special Revenue Funds - Continued							
					Total		
Pr	Promotion			ſ	Nonmajor		
	La Feria				Governmental		
	Fund		Total		Funds		
\$	-	\$	38,103	\$	38,103		
	14,972		14,972		14,972		
	-		253,520		253,520		
	18,475		18,475		18,475		
	700		700		700		
	189		189		189		
	34,336		325,959		325,959		
	52		2,552		2,552		
	-		251,370		251,370		
	32,356		32,356		32,356		
	32,408		286,278		286,278		
	1,928		39,681		39,681		
	-		40,000		40,000		
	-		40,000		40,000		
	1,928		79,681		79,681		
	29,728		188,537		188,537		
\$	31,656	\$	268,218	\$	268,218		
γ	31,030	٧	200,210	٦	200,210		

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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 the City of La Feria as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas's basic financial statements and have issued our report thereon dated August 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of La Feria Texas's 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 the City of La Feria Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Feria Texas's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, and 2018-003, that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Feria Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-004.

City of La Feria, Texas's Response to Findings

Can, Rigge & Ingram, L.L.C.

City of La Feira Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of La Feria Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Harlingen, Texas August 27, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of La Feria, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of La Feria Texas's, major federal programs for the year ended September 30, 2018. City of La Feria Texas's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of La Feria Texas's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the City of La Feria Texas's 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 the City of La Feria Texas's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of La Feria Texas's, 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, 2018.

Report on Internal Control over Compliance

Management of the 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 the City of La Feria Texas's 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 the Uniform Guidance, 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 the City of La Feria Texas's 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harlingen, Texas

Cau, Rigge & Ingram, L.L.C.

August 27, 2019

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City of La Feria, Texas Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2018				
Got) (01) Federal Grantor/	(02) Federal	(A2) Pass-through	(03) Awarded	(04)
Pass/Through Grantor	CFDA	Entity Identifying	to	
Program Title	Number	Number	Subrecipients	Expenditures
FEDERAL				
J. S. Department of Housing and Urban Development				
Passed through the General Land Office				
Community Development Block Grants/State's Program	14.228	DRS210089	\$ -	\$ 269,488
Passed through the Texas Department of Agriculture				
Community Development Block Grants/State's Program	14.228	7215279	-	67,314
Passed through the Texas Department of Agriculture				
Community Development Block Grants/State's Program	14.228	7217241	-	13,063
Passed through the Texas Department of Housing				
and Community Affairs				
Home Investment Partnerships Program	14.239	1002365	-	252,520
Fotal U.S. Department of Housing and Urban Development J.S. Department of Homeland Security				
J.S. Department of Homeland Security Passed through the Texas Department of Public Safety & Cameron County	97.067	3186703	_	24 112
J.S. Department of Homeland Security Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program	97.067	3186703	-	24,112
J.S. Department of Homeland Security Passed through the Texas Department of Public Safety & Cameron County	97.067	3186703	-	•
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board	97.067	3186703		· · ·
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster				24,112
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board	97.067 66.458	3186703 G110014	- -	24,112 1,284,333
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster Capitalization Grants for Clean Water State Revolving Funds				24,112 1,284,333
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster Capitalization Grants for Clean Water State Revolving Funds Total CWSRF Cluster Passed through the Texas Water Development Board				1,284,333 1,284,333
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster Capitalization Grants for Clean Water State Revolving Funds Total CWSRF Cluster Passed through the Texas Water Development Board DWSRF Cluster	66.458	G110014	-	1,284,333 1,284,333 334,737
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster Capitalization Grants for Clean Water State Revolving Funds Total CWSRF Cluster Passed through the Texas Water Development Board DWSRF Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.458	G110014		1,284,333 1,284,333 334,737
Passed through the Texas Department of Public Safety & Cameron County Homeland Security Grant Program Fotal U.S. Department of Homeland Security J.S. Environmental Protection Agency Passed through the Texas Water Development Board CWSRF Cluster Capitalization Grants for Clean Water State Revolving Funds Total CWSRF Cluster Passed through the Texas Water Development Board DWSRF Cluster Capitalization Grants for Drinking Water State Revolving Funds Total DWSRF Cluster	66.458	G110014	- - - -	24,112 24,112 1,284,333 1,284,333 334,737 334,737 1,619,070

See accompanying notes on accounting policies of Schedule of Expenditures of Federal Awards

City of La Feria, Texas Notes to Schedule of Expenditures of Federal Awards

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of La Feria, Texas and its component units, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The City does not utilize the de minimus 10% indirect cost rate. Indirect costs, where applicable, are negotiated with the agency providing the award.

There were no payments made to subrecipients by the City during the year ended September 30, 2018.

NOTE 2- PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 3- FORGIVABLE LOANS

At September 30, 2018, the City has an outstanding forgivable loan with the Texas Water Development Board (TWDB) in the amount of \$8,381,340 under the Clean Water State Revolving Fund Program, CFDA #66.458. \$7,660,462 of these proceeds has been expended to date. The City also has an outstanding forgivable loan payable with the TWDB in the amount of \$7,167,700 under the Drinking Water State Revolving Fund Program, CFDA #66.468. \$6,836,333 of these proceeds have been expended to date. Expenditures for the current period are reported on the Schedule of Expenditures of Federal Awards.

NOTE 4 – NONCASH AWARDS

The City did not receive any noncash awards during the year ended September 30, 2018.

Section I - Summary of Auditors' Results

Financial Statements		
Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	Xyes	no
* Significant deficiencies identified that are not considered to be material weakness(es)?	yes	X none reported
Noncompliance material to financial statements noted?	X yes	no
Federal Awards		
Internal control over major programs:		
* Material weakness(es) identified?	yes	<u>X</u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	yes	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 2 CFR Section 200.516(a)?	yes	X none reported
Identification of major programs:		
CFDA Number(s)	Name of Feder	ral Program or Cluster
14.239 66.458	HOME Investm CWSRF Cluster	ent Partnership Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	yes	<u>X</u> no

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

DESCRIPTION

PROGRAM

2018-001	City Accounting
Criteria:	The City accounting and financial reporting process should involve systematic procedures as to incorporate all aspects of the City's finances and reflect all activity of the City's funds in the proper classification and in accordance with accounting standards generally accepted in the United States of America applicable to state and local governments (GAAP), and enable them to comply with 2CFR 200, Subpart F § 200.512, which requires that the final audit be submitted within 9 months of the end of the period under audit.
Condition Found:	In conducting the audit of the City of La Feria, Texas, material adjusting entries were required in order to properly state account balances and reconcile the ledger balances with subsidiary support or other evidence. Numerous year end accrual adjustments, allocations, and reconciliations that should be made were not made, resulting in the City not being able to complete and submit its financial statements within the statutory deadline.
Context:	The City accounting records were materially misstated prior to the application of audit adjustments which were identified during the audit. The adjustments involved nearly every category of account balance, including cash, receivables, payables, liabilities, revenues, expenses, and fund balances/equity accounts. The volume of adjustments necessary to prepare the financial statements resulted in an increase in the time required to complete a timely submission of the financial statements.
Cause:	The City's lack of detailed written financial accounting and closing procedures made the closing process delayed at year-end. Tasks necessary to properly state all account balances have not been clearly defined. Capital asset supporting schedules were not complete and updated until more than eight months after year end.

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

DESCRIPTION

PROGRAM

2018-001	City Accounting (Continued)
Effect:	The inability to maintain a set of accurate and timely accounting records presents a material weakness (deficiency) in controls over the accounting process. This increases the risk that the financial statements can be materially misstated, including interim financial information that is reported throughout the fiscal year. In addition, The City did not file the audited financial statements within nine months of year end, therefore they did not comply with the requirements of the Uniform Guidance 2 CFR 200, Subpart F §200.512.
Recommendation:	The City should develop detailed written accounting procedures, including specific annual and periodic closing procedures and/or checklists. Reconciliations and monthly accounting should occur regularly throughout the year in accordance with GAAP in order to provide timely and accurate financial information and alleviate administrative burden at year end. If deemed necessary, the City should evaluate the cost/benefit relationship of hiring additional staff and/or assigning new responsibilities to Finance personnel, the objective of which would be to free up time for the Finance Department to properly complete the required tasks to properly state the accounting records in a timely manner.
Views of Responsible Officials:	See corrective action plan section.
2018-002	Compliance with Bond Covenants
Criteria:	The City Water & Sewer System has issued various revenue bonds, which are also governed by various regulations of the Texas Water Development Board and have certain covenants which require the establishment of a bond debt service reserve fund.

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

DESCRIPTION

PROGRAM

2018-002	Compliance with Bond Covenants (Continued)
Condition Found:	The utility system revenue bond reserve fund had been established and maintained with proper balances, until the funds were drawn out during the 2016 fiscal year in order to pay the debt service of the revenue bonds. In 2018, the required funds have yet to be placed back in the reserve fund. As a result, the ending balance of the reserve fund is not adequate to comply with the bond covenants.
Context:	Due to continued shortfalls in cash and available resources at the City, the fund was not replenished in 2018.
Cause:	The City's financial condition has not improved and continues to face various challenges. The lack of available resources resulted in the Water and Sewer System being unable to fund the reserve.
Effect:	The Water and Sewer System is out of compliance with the requirements of the bond covenants.
Recommendation:	We recommend that the City replenish the bond fund as soon as possible, and submit a formal corrective action to the Texas Water Development Board.
Views of Responsible Officials:	See corrective action plan section.
2018-003	Use of Restricted Funds, City Financial Condition
Criteria:	The City issued Certificates of Obligation, Series 2015 for the purpose of constructing various capital improvements in and around the City. The proceeds of the Certificates are restricted for the uses as defined in the City Ordinance 2015-03. The City also receives restricted revenues for a Tax Increment

development within the TIRZ.

Reinvestment Zone (TIRZ) Fund, which are restricted for

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

DESCRIPTION

PROGRAM

2018-003	Use of Restricted Funds, City Financial Condition (Continued)
Condition Found:	In prior fiscal years, the General Fund, Component Units, and certain other funds of the City utilized the restricted resources obtained from the collection of TIRZ revenue and the issuance of the 2015 Certificates of Obligation, with the intention of repaying it. During 2018, a small portion of the amount due was repaid to the Certificates of Obligation Fund, but the amount has still not been replenished in full. In addition, the City continued to utilize the revenue from the TIRZ in the General Fund, resulting in an amount due to the TIRZ fund and the TIRZ fund not having actual cash resources allocated to it.
Context:	The City has numerous significant financial commitments which at various times may strain the available resources of the City. As a result, the City does not always have enough working capital available to adequately cover all of its obligations with unrestricted resources, as the City may be awaiting reimbursements from grants or other resources to be collected. The City has plans and actions to remedy this situation, but those plans have not been formally documented.
Cause:	A variety of factors, including deficit fund balances in the City General Fund, and longer than normal time periods elapsing for the City to receive reimbursement on substantial expenditures for projects funded by grants, contributed to the declining financial condition of the City, resulting in expenditure of the restricted sources.
Effect:	If the City does not implement measures to correct this and replenish funds to the bond fund, the City could fail to comply with the bond ordinance and purposes for which the bonds were issued, and the City could fail to have available resources to pay for expenditures needed for the TIRZ.
Recommendation:	We recommend the City study the factors contributing to the failure to anticipate the situation the City now finds itself in, and implement a formal written action plan designed to improve the City's financial condition and replenish the funding to the Bond Fund and the TIRZ fund.
Views of Responsible Officials:	See corrective action plan section.

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

Bidding and Procurement

Reference Number 2018-004

Criteria:	The City must comply with Texas Procurement Laws as set forth in Texas Local Government Code, Title 8, Subtitle A, Chapter 252 <i>Purchasing and Contracting Authority of Municipalities.</i> This includes, submitting the bid for public notice as required, obtaining and reviewing the bids, and selecting the lowest qualified bidder, among other requirements.
Condition Found:	In one instance, the City failed to properly bid out its purchase of fuel and two instances were noted in which the City was not able to provide adequate documentation that the City complied with all requirements of the bidding and procurement practices previously described.
Context:	In the first instance, the City went out for bids on fuel, however, due to the City not receiving any bids from vendors, the City opted to continue using the services of a previous vendor. The vendor did not submit a bid proposal and as such, the vendor was not formally approved by City Commission to be utilized by the City. In the other two instances, the City was not able to produce a bid tabulation and documentation that the required public notices for bid had been posted. However, it is noted that in these two instances, City Commission had reviewed a bid tabulation and selected the lowest qualified bidder, which was the same vendor the payments were made to. In the absence of all the supporting documentation, it is not possible to conclude the City fully complied with requirements of State Law.
Cause:	Improper review of bidding requirements in addition to improper filing and retention of records resulted in the City not properly following the bidding requirements and not being able to produce the required documentation.
Effect:	The City did not comply with the State requirements.
Recommendation:	The City should implement a standard review of bidding requirements as well as a filing system for transactions subject to bidding and procurement, with written policies as storage of documentation and a responsible individual for overseeing the documentation.
Views of Responsible Officials:	See corrective action plan section.

Section III – Federal Award Findings and Questioned Costs

None noted that were required to be reported



City of La Feria, Texas
Schedule of Findings and Questioned Costs
Corrective Action Plan

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Findings - Financial Statements

Schedule Reference Number: (2018-001)

City Accounting

Corrective Action Plan:

City Commission has approved the hiring of an additional accountant to assist with the record keeping of all four entities (the City, EDC, IDC, and Waterworks and Sewer System). New accountant was hired on October 18, 2018 and is assisting the Finance Department with grants, loans and other duties as assigned by the Finance Director.

Schedule Reference Number: (2018-002)
Compliance with Bond Covenants

Corrective Action Plan:

The City has an agreement with the Texas Water Development Board (TWDB) to deposit \$8,650 every month into a holding account (TexasClass) until the reserve is met. The City continues to send monthly reports of the TexasClass to TWDB for their review.

Schedule Reference Number: (2018-003)
Use of Restricted Funds, City Financial Condition

Corrective Action Plan:

The City has been actively working with its TIRZ consultant to identify expenditures that were incurred within the TIRZ zone by the General Fund. These expenditures are expected to fulfill the obligation of the General Fund to replenish the funds owed to the TIRZ.

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City of La Feria, Texas
Schedule of Findings and Questioned Costs
Corrective Action Plan

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (2018-004)

Bidding and Procurement

Corrective Action Plan:

The City will continue to bid out its fuel services, as required per the Texas Government Code Sec. 2155.063. The City will also work on its internal record keeping to ensure documentation is available for review by both internal and external parties.

Contact Person: Frank Rios, Finance Director

Implementation Time Frame: Ongoing during the current fiscal year

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City of La Feria, Texas Schedule of Findings and Questioned Costs Summary Schedule of Prior Audit Findings

DESCRIPTION

STATUS OF PRIOR YEAR FINDINGS

Schedule Reference Number: (2017-001)

City Accounting

Corrective Action Plan:

See current year finding 2018-001. City Commission approved the recommendation of the Finance Director. New accountant began on October 18, 2018 and is assisting the Finance Department with grants, loans, and other duties assigned to by the Finance Director.

Schedule Reference Number: (2017-002)

Controls over Federal Grant Awards,
Preparation of the Schedule of Expenditures
of Federal Awards and Financial Statements

Corrective Action Plan:

The City has improved its current financial written policies and has implemented proper grant monitoring. In the current year, the finding 2017-002 was assessed and it was considered to not be a material weakness but rather has been lowered to an improvement point due to the vast improvement in the City's process over controls of the SEFA. The City will begin using the FY year closeout procedures within its account software, Incode.

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City of La Feria, Texas Schedule of Findings and Questioned Costs Summary Schedule of Prior Audit Findings

DESCRIPTION STATUS OF PRIOR YEAR FINDINGS

Schedule Reference Number: (2017-003)

Compliance with Bond Covenants

Corrective Action Plan: See current year finding 2018-002. The City and Texas

Water Development Board (TWDB) have a mutual agreement in which the City will put on a monthly basis \$8,650 into its investment pool until the reserve has been met. Currently, the account holds \$176,604.40 and the City

continues to send monthly reports to TWDB

Schedule Reference Number: (2017-004)

Use of Restricted Funds, City Financial Condition

Corrective Action Plan: See current year finding 2018-003. The City has been actively

working with its TIRZ consultant to identify expenditures that were incurred within the TIRZ zone by the General Fund. These expenditures are expected to fulfill the obligation of the

General Fund to replenish the funds owed to the TIRZ.

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City of La Feria, Texas Schedule of Findings and Questioned Costs Summary Schedule of Prior Audit Findings

<u>DESCRIPTION</u> <u>STATUS OF PRIOR YEAR FINDINGS</u>

Schedule Reference Number:

(2017-005)

Compliance with Bond Covenants

Findings have been resolved, no further corrective action is currently deemed necessary. The City has deposited its

water meter deposits into an investment pool.

Schedule Reference Number:

(2017-006)

Cash Management

CFDA 14.239 Home Investment

Partnership Program Grant

Corrective Action Plan:

Findings have been resolved, no further corrective action is currently deemed necessary. City has adopted a policy prior

to the start of FY 18-19.

City of La Feria, Texas Exit Conference

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

Frank Rios, Finance Director Jaime S. Sandoval, City Manager

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