

CITY OF HARLINGEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(INCLUDING COMPLIANCE REPORT ON GRANT ACTIVITIES)

For The Fiscal Year Ended September 30, 2014

CITY OFFICIALS

Mayor

Chris Boswell

Commissioners

Danny Castillo
Tudor G. Uhlhorn
Michael Mezmar
Basilio "Chino" Sanchez
Victor Leal

City Manager

Carlos Yerena

Finance Director

Elvia Treviño

PREPARED BY
DEPARTMENT OF FINANCE

Elvia Treviño,
Finance Director

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INTRODUCTORY SECTION

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CAPITAL OF THE LOWER RIO GRANDE VALLEY

Mission Statement:

"Ensure a business-friendly climate focused on economic growth, quality of life and efficient delivery of excellent services to our community."

March 27, 2015

The Honorable Mayor, City Commissioners and Citizens
Of the City of Harlingen, Texas:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Harlingen, Texas, for the fiscal year ended September 30, 2014. This report was prepared from the books and records of the City of Harlingen and hereby submitted as required by state and local laws. Responsibility for the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Harlingen. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Readers and other users of this report should refer to Management's Discussion and Analysis, which can be found in the Financial Section. Management's Discussion and Analysis immediately follows the independent auditor's report.

THE REPORT

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA).

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditors' report on the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

The City's financial statements have been audited by Long Chilton, LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the financial section of this report.

"Recipient of Keep Texas Beautiful Governor's Achievement Award"

118 E. Tyler ★ P.O. Box 2207 ★ Harlingen, Texas 78551

MISSION STATEMENT

The mission statement for the City of Harlingen as adopted by the City Commission is "*Ensure a business climate focused on economic growth, quality of life and efficient delivery of excellent services to our community*" The City's mission statement serves as a guide for departments to provide the best service to the community.

ECONOMIC CONDITIONS AND OUTLOOK

Harlingen is located in the Rio Grande Valley of Texas (Valley), an international border region comprised of two vibrant metropolitan areas with a population of 1.2 million people on the U.S. side and over 2 million in the border communities of Mexico. Harlingen's central location, just a few miles from the Mexican border and the availability of skilled labor force at competitive wages has been an important factor in its continued economic development. Harlingen has a dynamic, world class medical and health care complex which includes Valley Baptist Medical Center, the largest hospital in the Valley, Harlingen Medical Center, Rio Grande State Center, Su Clinica Familiar and an increasing number of clinics and medical practices. Harlingen is also home to the University of Texas-San Antonio Health Science Center. Legislation was enacted in 2009 to expand the RAHC into a medical school. The Veteran's Administration Center includes a 120,000 sq. ft. outpatient center. The City's location has made it a logistics center for the Valley. Valley International Airport (VIA) has four major air cargo companies located at its facility. VIA holds 38.6% of the market share in the Rio Grande Valley for the number of enplanements.

Overall construction in Harlingen during FY 2013-14 was \$29.5 million in construction permits issued by the City. The City issued 90 building permits for new homes for a total dollar value of over \$10.28 million, with an average construction cost for each home at \$114,301. The commercial/business sector issued permits for 14 new commercial structures with a construction value of \$7.8 million. The City issued 402 building permits with a total dollar value of \$29.5 million.

Total sales tax collected by the City, the Economic Development Corporation (EDC-4A) and the Harlingen Community Improvement Board (HCIB-4B) increased to \$21,484,213 in FY 2013-14 compared to the \$21,164,920 collected in FY 2012-13, a 1.5% or \$319,293 increase. All three entities are committed to combining their resources for the overall economic benefit of the City.

Outlook

The City's fiscal year 2014 Budget was prepared conservatively based on the current economic condition to meet the goals of the City while staying within the resources available to the City. Fiscal year 2014 continued the upward trend in sale taxes that began in fiscal year 2011. Careful long-term planning is important to the City and periodic review of the budget is made to adjust the operational appropriated expenditures for any changes in the City's resources. The City takes a strong stance in preserving the fund balance.

MAJOR INITIATIVES

For the Year

The fiscal year 2013-2014 budget addressed the City Commission's and City Manager's objectives of creating and continuing replacement/improvement programs. These programs are designed for the betterment of the City by having perpetual mechanisms in place to improve the City incrementally each year. City management has built these programs into the annual budgets as to be manageable in both resources of funding and labor.

- Completed construction of the new East-West Drive.
- Completed construction of the Northwest Drainage Project.
- Completed construction of the Buchanan, Hayes, & M Street Drainage Project.
- Completed construction of the Stuart Place Road Extension Project.
- Completed the General Reseal & Overlay Project at Lincoln, Dixieland, and S. Palm Streets.
- Completed construction of City's Harlingen Rotary Dog Park at Victor Park.
- Completed construction of Golf Cart's Stage Area at Tony Butler Municipal Golf Course
- Completed major renovations to the Tony Butler Municipal Golf Course grounds and greens.
- Completed major renovations to the City's Pendleton Park.
- Completed renovations to the City's Arroyo Park concession stand.
- Completed construction of Bass Pro Shops Boat Storage, funded & owned by the Economic Development Corporation.
- Continued funding major repairs to City buildings using the General Fund and Special Revenue funds.

GOALS FOR YEAR 2014-15 AND BEYOND

The Mayor and Commission continue to use the adopted strategic plan called the "Harlingen 100 Plan". The plan builds on previous strategic plans and is a culmination of hundreds of man-hours of planning, various committee meetings and public forums. Annual reports will be given at community forums where new objectives will be entertained and added in anticipation of changing future conditions. With a strong commitment for action and results, seven task forces were set up for each of the following major objectives:

1. Tourism – Harlingen should showcase its attractions to business, education and leisure travelers and keep them here longer.
2. Healthcare – Harlingen can position itself as the state of the art healthcare hub of the region.
3. Image – Harlingen will be the cleanest, greenest and most beautiful city in the Valley. Harlingen will Clean-Up, Green-Up and Step-Up.
4. Recreation – Harlingen will provide first class recreational facilities for its youth and will attract regional, state and national tournaments in baseball, softball and soccer.
5. Business Recruitment and Retention – Harlingen will be known for innovative and aggressive economic development.

6. Education – Harlingen will be the catalyst for improved and enhanced education at all levels.
7. Revitalization – Harlingen will focus on its downtown as a key to development of place. Harlingen will eliminate blight and upgrade the appearance of the central business district.

Together with the seven task forces, the City is committed to the achievement of these major objectives by implementing various related projects each year. Some projects will require funding while others are merely changes to existing procedures or popular conceptions. The entire Harlingen 100 Plan and the projects associated with each objective is on the City's website (www.myharlingen.us) for citizen review.

FINANCIAL INFORMATION

This report contains management's representations concerning the finances of the City of Harlingen. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide for a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed with the objective of providing reasonable, but not absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluations of costs and benefits require estimates and judgments by management.

Single Audit

As a recipient of federal financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2014, indicated that there were no material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Community Development Block Grant, Tennis Court Revenue, Hotel/Motel Occupancy Tax, M.P.O., Catastrophic Emergency Relief, Harlingen Downtown, Special Investigation, and FreeTrade Bridge, COPS/UHP, and Infrastructure as well as for all enterprise and internal service funds. These budgets, except for Community Development Block Grant Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Budgets for Community Development Block Grant Fund are legally adopted on a program (entitlement) basis rather than on an annual basis. The budgets reflected on the statement of revenues, expenditures and changes in fund balance represent the remaining unexpended program budget at the beginning of the current fiscal year. Unexpended appropriations do not lapse at the end of the fiscal year for these funds.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls over revenues and expenditures to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by the City Commission. Budgetary controls for changes to the approved budget, which exceed or deplete the original appropriated amounts, require City Commission approval. Changes to the original department budgets between line items are processed through budget adjustment forms and require the City Manager, Finance Director, and Department Director approval. Activities of the general fund, special revenue funds and debt service fund are included in the annual appropriated budget. Budget-to-Actual comparisons are provided in this report.

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Distinguished Budget Presentation to the City of Harlingen for its annual budget for the fiscal year beginning October 1, 2013. In order to be awarded a Certificate for Distinguished Budget Presentation, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication medium.

General Governmental Functions

General Governmental Fund Types (General Fund, Special Revenue Funds, and Debt Service Fund) account for a major portion of the City's operating revenues and expenditures. A fourth general governmental fund type is Capital Projects, which was established to account for major city improvements.

The City offers excellent services that enrich the quality of life to the citizens. The City continues to allocate a large amount of funds into the parks, by upgrading park equipment, including exercise equipment near the Veteran's Memorial in Pendleton Park. The construction of walking trails continue which will eventually connect all the parks together. As always, the City also expends funds on the Public Safety departments of Police and Fire.

Fund Balances

The total fund balance for the General Fund totaled \$17,183,636 at September 30, 2014. The unassigned fund balance for the General Fund totaled \$17,164,037 an increase of \$1,394,202 over last year. The combined fund balance of the Special Revenue Funds totaled \$4,375,021, which includes the Catastrophic Emergency Fund committed fund balance of \$858,345.

The fund balance of the General Fund presented above will provide the City with approximately one hundred and fifty-two (152) days of operating expenditures for FY 2015. This level of fund balance is above the City's goal of ninety days of operating expenditures. With the combining of the fund balances of the General Fund and Catastrophic Emergency Fund, the City has approximately one-hundred and sixty (160) days of expenditures for FY 2015.

Debt Administration

The City has a goal of attaining and maintaining a fund balance of 25% of the highest annual debt service. The debt service restricted fund balance of \$1,008,999 is 23.1% of the highest annual principal and interest requirements. FY 2014 debt service fund balance is 25.3% of total FY 2015 debt service requirements compared to 24.7% last year.

The City's last rated General Obligation bonds are rated as follows:

	<u>Standards & Poor</u>	<u>Fitch</u>
General Obligation Bonds	AA-	AA-
Revenue Bonds	AA-	AA-

Capital Project Funds

The Capital Project Funds were established to account for major City improvements. Typical projects have included streets, sidewalks and drainage construction. Facilities such as the police/court, fire stations and park restrooms and fields have also been funded through bonds.

Proprietary Funds

The City currently operates four proprietary funds. The proprietary funds are set up to operate primarily from user fees charged to the general public. A comparative summary of net income (loss) before transfers and capital contributions for the years ended September 30, 2014 and 2013, as follows:

<u>Proprietary Funds</u>	<u>2014</u>	<u>2013</u>
Sanitation Fund	\$ 1,841,156	\$ 1,594,762
Municipal Golf Course Fund	(243,893)	(173,038)
Harlingen Arts & Heritage Museum	(98,494)	(108,618)
Municipal Auditorium Fund	(526,583)	(546,590)
Total net income (loss)	<u>\$ 972,186</u>	<u>\$ 766,516</u>

Sanitation Fund

The Sanitation Department was established as a Proprietary Fund on July 1, 1978. The City owns and operates the entire solid waste, brush and debris collections and public landfill operations within the City limits.

Municipal Golf Course Fund

The Municipal Golf Course Fund was established to account for the operations of the City's municipal golf course. The fund consists of a 27-hole course with a clubhouse.

Municipal Auditorium Fund

The Municipal Auditorium Fund was established to account for the utilization of the City's auditorium and Casa de Amistad facility as well as for the encouragement of the arts. The Auditorium is home to a variety a number of local dance studios and theatrical performances throughout the year, as well as community organizations including Lifeline Heart of Worship Church, Gloria G. Canales Ballet Folklorico and the Ms. South Texas Senior America Pageant.

Component Units

Four closely associated entities are considered component units. These are the Harlingen Economic Development Corporation, the Harlingen Community Improvement Board, the Valley International Airport, and the Harlingen Water Works System.

Harlingen Economic Development Corporation (HEDC)

The HEDC is a separately chartered nonprofit corporation. This fund is used to account for Section 4A sales taxes allocated from 75% of the special ½ cent sales tax collected for the express purpose of promoting economic development on behalf of the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for activities related to this component unit subject to some prior Commission approval. Prior to fiscal year 2008, City management and City staff ran the HEDC operations. With the approval of the HEDC board and city commission, a director and three staff positions were hired in FY 2008 solely for the administration and operations of the HEDC.

Harlingen Community Improvement Board (HCIB)

This HCIB is a separately chartered nonprofit corporation. The fund is used to account for Section 4B sales taxes allocated from 25% of the special ½ cent sales tax collected for the express purpose of promoting economic and community development on behalf of the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval. Currently, City administration and staff handle the regular operations of the HCIB.

Valley International Airport

Valley International Airport's major operating revenue sources are commissions, car rentals, terminal parking and rentals of the Airport facilities. For the year, 38.6% of the Rio Grande Valley's domestic air travel was through the City's airport facilities.

Southwest Airlines (six flights a day) and United Airlines (four flights a day) provide passenger airline service through Valley International Airport. Continuing and connecting flights are facilitated within these airlines' respective systems. Additional connections are provided seasonally by Sun Country Airlines and Delta.

The Airport has received grants from the U. S. Department of Transportation - Federal Aviation Administration. Currently, the Airport has been awarded several grants under the Airport Improvement Program. The grants are awarded primarily for the extension of runways, taxiways, together with grants providing funds for the renovation, rehabilitation, expansion of the Airport terminal, and drainage improvements. The grants reimburse the City at amounts ranging from 90 percent of the respective project costs.

Harlingen Waterworks System

The Waterworks System of the City of Harlingen, Texas, is a separate operating authority established by and subject to the City's Charter. It provides for the water and wastewater services in Harlingen and the surrounding areas. The City conducts oversight responsibilities over the Utilities Trustee Board.

Internal Service Fund

Motor Vehicle/Warehouse Fund

The Motor Vehicle/Warehouse Fund was established to account for vehicle maintenance, equipment replacement, and purchasing/warehouse operations. The vehicle maintenance shop maintains most City vehicles and the departments are billed for the services provided. For equipment replacement, departments are charged rent for the vehicles and rolling stock at a rate to recover depreciation over the useful life. Items “purchased” from purchasing/warehouse are charged to the departments at cost plus 15% to cover the operating cost of purchasing/warehouse.

Medical/Health Fund

The Medical/Health Fund was established to account for monies paid into a pool for medical and health care cost of current and retired City employees. Funds are contributed biweekly through the payroll transactions for both the City and employees portion.

Fiduciary Fund

Pension Trust Fund

This pension system is accounted for in the Firemen's Relief and Retirement Fund. The City of Harlingen contributed 13% of salaries, and 13% is contributed by the firemen. The City of Harlingen administers and operates the pension fund as a fiduciary for the Firemen's Relief and Retirement Fund Board of Directors as authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA).

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit to be made of the books and accounts of all departments of the City by an Independent Certified Public Accountant. This requirement has been complied with, and the auditors' opinion has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Harlingen, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2013. The Certificate of Achievement is the highest form of recognition for excellence in State and Local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Harlingen has received a Certificate of Achievement for each of the last twenty-nine years (fiscal years ended 1985 to 2013). We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

I would like to express my appreciation to Sergio Villasana, Assistant Finance Director, as well as the entire staff of the Finance Department for their diligent efforts in preparation of the annual financial report. I would also like to thank the City Manager, Mayor, and City Commissioners for their leadership, and support in planning and conducting the financial operations of the City in a responsible and progressive manner. Finally I wish to thank our independent certified public accountants, Long Chilton, LLP, whose competent assistance and technical efficiency have assisted and contributed to the preparation of this report.

In conclusion, this report reflects the overall strength and progressive posture in which the City continues to provide necessary services to the citizens and communities of Harlingen.

Respectfully submitted,



Elvia Treviño
Finance Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of Harlingen, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harlingen, Texas, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 35 through 49, pension system supplementary information on pages 124 through 125 and budgetary comparison information on pages 126 through 128, as listed on the table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harlingen, Texas' basic financial statements. The introductory section, the other supplementary information section, the statistical section, the continuing disclosure requirements of SEC Rule 15 (c) 2-12 and debt service schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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.

The introductory and statistical sections, the continuing disclosure requirements of SEC Rule 15 (c) 2-12 and debt service schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the City of Harlingen, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Harlingen, Texas' internal control over financial reporting and compliance.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 27, 2015

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CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Harlingen's annual financial report presents our discussion and analysis of the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the transmittal letter on page 17 and the City's financial statements, which begin on page 53.

FINANCIAL HIGHLIGHTS

The City's total net position decreased \$1,018,822, directly related to this year's operations. The governmental activities net position decreased by \$1,236,508 or approximately 1.02%, while the net position of our business-type activities increased by \$217,686 or approximately 2.0%.

During the year, the City's governmental expenses were \$1,236,528 more than the \$48,816,318 generated in taxes and other revenues and transfers in of \$794,400 for governmental activities.

The revenues for the City's business-type activities were \$217,686 more than the transfers out of \$794,400 and expenses of \$9,813,276. In business-type activities, charges for services exceeded expenses by \$163,774 before transfers out.

USING THIS ANNUAL REPORT

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

This Comprehensive Annual Financial Report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 53 and 54-55) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 56. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as A Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any city's finances is summarized in the question, "Is the City as a whole better or worse off as a result of the year's activities?" Our analysis of the City as a whole begins on page 38. The analysis includes a condensed summary of the government-wide financial statements.

The Statement of Net Position and the Statement of Activities present information about the City that facilitates answering this question. These statements are presented much like private-sector companies, including all assets, liabilities and deferred outflow of resources using the *accrual basis of accounting*. All of the current year's revenues and expenses are reported without regard to when cash is received or paid.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

These government-wide financial statements report both net position and changes thereto.

The City's net position, which is the difference between assets, liabilities and deferred outflows of resources, is one indicator of the City's financial health or financial position. Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating. You need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Position and Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including police, fire, public works, public services, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's golf course, municipal auditorium, museum, and sanitation and landfill operations are reported here.
- **Component units** – The City includes four separate legal entities in its report – the Harlingen Economic Development Corporation, Harlingen Community Improvement Board, Water and Wastewater System, and the Valley International Airport. These are other governmental units over which the City (the City Commission, acting as a group) can exercise influence.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 41. The fund financial statements begin on page 56 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and others by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U.S. Department of Housing and Urban Development was used for purposes established by the federal government. The Petition Paving fund, a capital projects fund, is used to account for the construction and financing of certain public improvements which are to be paid wholly or in part by special assessments levied against benefited property. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation format at the bottom of the fund financial statements.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Governmental Accounting Standard Board (GASB) Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” provides for a hierarchy of five possible classifications for reporting fund balance as follows.

- **Nonspendable** fund balances are balances that cannot be spent because they are not expected to be converted to cash, or they are legally or contractually required to remain intact.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints.

- **Restricted** fund balances are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed** fund balances contain self-imposed constraints of the government from its highest level of decision making authority (the City Council).
- **Assigned** fund balances contain self-imposed constraints of the government to be used for a particular purpose (the City Manager has the authority to assign funds for specific purposes).
- **Unassigned** fund balances of the general fund are those that have no constraints for any particular purpose.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities – such as the City’s Motor Vehicle/Warehouse Fund.

The City as Trustee

Reporting the City’s Fiduciary Responsibilities

The City is the trustee, or fiduciary, of the Firemen’s Relief and Retirement Fund. This activity is reported in separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 64 and 65. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City is responsible for ensuring that these funds are used for their intended purpose.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

THE CITY AS A WHOLE

The City's Condensed Statement of Net Position is presented below in Table 1. For Fiscal Year 2013-14, cost of infrastructure and acquisition of other items with a value of \$5,000 or greater were capitalized.

TABLE 1 - NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and Other assets	\$ 38,514,645	\$ 40,341,853	\$ 8,355,418	\$ 6,745,082	\$ 46,870,063	\$ 47,086,935
Due from Component units	89,227	164,352	142,995	616,836	232,222	781,188
Internal Balances	-	153,401	-	(153,401)	-	-
Capital assets, net						
Non-depreciable assets	13,635,655	16,797,764	707,402	467,083	14,343,057	17,264,847
Depreciable assets	125,655,930	122,271,806	4,609,488	5,894,867	130,265,418	128,166,673
Total Capital assets, net	139,291,585	139,069,570	5,316,890	6,361,950	144,608,475	145,431,520
Total assets	<u>\$ 177,895,457</u>	<u>\$ 179,729,176</u>	<u>\$ 13,815,303</u>	<u>\$ 13,570,467</u>	<u>\$ 191,710,760</u>	<u>\$ 193,299,643</u>
LIABILITIES						
Current and other liabilities	\$ 3,359,605	\$ 3,923,441	\$ 459,637	\$ 379,190	\$ 3,819,242	\$ 4,302,631
Non-current liabilities						
Est. Liability for landfill post closure	-	-	1,361,180	1,342,387	1,361,180	1,342,387
Due in one year	3,544,253	2,435,000	29,300	31,000	3,573,553	2,466,000
Due more than one year	51,039,450	52,182,058	655,070	725,460	51,694,520	52,907,518
Total Liabilities	\$ 57,943,308	58,540,499	2,505,187	2,478,037	60,448,495	61,018,536
NET POSITION						
Net investment in capital assets	97,835,629	98,058,748	5,316,890	6,361,950	103,152,519	104,420,698
Restricted	9,874,343	4,531,503	-	-	9,874,343	4,531,503
Unrestricted	12,242,197	18,598,426	5,993,226	4,730,480	18,235,423	23,328,906
Total net position	<u>119,952,149</u>	<u>121,188,677</u>	<u>11,310,116</u>	<u>11,092,430</u>	<u>131,262,265</u>	<u>132,281,107</u>
	<u>\$ 177,895,457</u>	<u>\$ 179,729,176</u>	<u>\$ 13,815,303</u>	<u>\$ 13,570,467</u>	<u>\$ 191,710,760</u>	<u>\$ 193,299,643</u>

Net position of the City's governmental activities decreased 1.02% or \$1,236,528 from \$121,188,677 to \$119,952,149 for FY 2013-14. The net position of the City's business-type activities increased 2.0% or \$217,686 from \$11,092,430 to \$11,310,116 for FY 2013-14.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2, which presents more detail on revenues and expenses, is shown below.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 5,428,651	\$ 5,433,318	\$ 9,977,050	\$ 9,812,998	\$ 15,405,701	\$ 15,246,316
Operating grants and contributions	2,563,133	2,490,080	10,314	-	2,573,447	2,490,080
Capital grants and contributions	1,781,492	1,536,141	39,900	24,794	1,821,392	1,560,935
General Revenues:						
Property taxes	17,334,123	17,665,460	-	-	17,334,123	17,665,460
Sales taxes	16,113,160	15,873,690	-	-	16,113,160	15,873,690
Other taxes	4,082,549	3,980,537	-	-	4,082,549	3,980,537
Unrestricted investment earnings	36,194	57,125	5,269	6,251	41,463	63,376
Other	694,737	464,081	14,098	1,940	708,835	466,021
Gain (loss) on sale of assets	(12,121)	950,909	778,731	770	766,610	951,679
Total revenues	48,021,918	48,451,341	10,825,362	9,846,753	58,847,280	58,298,094
EXPENSES						
Program expenses:						
General government	7,659,290	8,045,249	-	-	7,659,290	8,045,249
Public safety	25,508,640	25,738,359	-	-	25,508,640	25,738,359
Highways and streets	5,381,855	4,778,770	-	-	5,381,835	4,778,770
Health and welfare	4,237,513	4,344,593	-	-	4,237,513	4,344,593
Culture and recreation	4,822,263	5,043,397	-	-	4,822,263	5,043,397
Interest on long-term debt	2,443,285	1,456,615	-	-	2,443,285	1,456,615
Sanitation	-	-	7,802,743	6,939,912	7,802,743	6,939,912
Golf	-	-	1,220,275	1,306,088	1,220,275	1,306,088
Museum	-	-	111,320	115,221	111,320	115,221
Municipal Auditorium	-	-	678,938	694,222	678,938	694,222
Total expenses	50,052,846	49,406,983	9,813,276	9,055,443	59,866,122	58,462,426
Excess (deficiency) before transfers and other financing sources	(2,030,928)	(955,642)	1,012,086	791,310	(1,018,842)	(164,332)
Other financing sources						
Transfers	794,400	720,400	(794,400)	(720,400)	-	-
Change in net position	(1,236,528)	(235,242)	217,686	70,910	(1,018,842)	(164,332)
Net position, beginning	121,188,677	121,423,919	11,092,430	11,021,520	132,281,107	132,445,439
Net position, ending	\$ 119,952,149	\$ 121,188,677	\$ 11,310,116	\$ 11,092,430	\$ 131,262,265	\$ 132,281,107

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Total revenues generated from both governmental and business-type activities this year amounted to \$58,847,280. Total expenses incurred from both governmental and business-type activities this year amounted to \$59,866,122 which resulted in a decrease in net position of 0.1% or \$(1,018,842).

Governmental Activities

Total revenue generated from governmental activities this year amounted to \$48,021,918. Expenses came in at \$59,052,846, reducing net position by \$2,030,928 before transfers. Net transfers in of \$794,400 from other activities resulted in an all-inclusive decrease to net assets of \$1,236,528.

The cost of all governmental activities this year was \$50,052,846. However, as shown on the Statement of Activities on page 54 and 55, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$40,279,570. Expenditures of \$5,428,651 were paid by those who directly benefited from them. \$2,563,133 was paid by operating grants and contributions. \$1,781,492 was paid by capital grants and contributions.

Table 3 presents the cost of each of the City's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

TABLE 3 - GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General government	\$ 7,659,290	\$ 8,045,249	\$ 1,983,022	\$ 5,090,637
Public safety	25,508,640	25,738,359	23,144,067	22,100,010
Highway and streets	5,381,855	4,778,770	4,319,329	3,913,519
Health and welfare	4,237,513	4,344,593	4,002,524	3,410,683
Culture and recreation	4,822,263	5,043,397	4,387,343	3,975,980
Interest on long-term debt	2,443,285	1,456,615	2,443,285	1,456,615
	<u>\$ 50,052,846</u>	<u>\$ 49,406,983</u>	<u>\$ 40,279,570</u>	<u>\$ 39,947,444</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$10,775,148. Expenses came in at \$9,813,276, leaving \$961,872 as an increase to net position before transfers and capital contributions. Transfers to other activities totaling \$794,400 and grant contributions totaling \$50,214 resulted in an all-inclusive increase in net position amounting to \$217,686.

More details will be provided about governmental and business-type activities operations later in this discussion and analysis.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

THE CITY'S FUNDS

As a result, of this year's operations, governmental funds (as reflected in the balance sheet starting on page 56) combined fund balance decreased to \$28,170,654, or \$884,904 less than last year. The General Fund Balance increased by \$1,399,465. The capital project funds netted a decrease of \$2,281,172. All other combined governmental fund balances decreased by \$3,197.

GOVERNMENTAL FUNDS – A Detailed Discussion

Revenues and Other financing sources (uses)

The following table presents a summary of total governmental funds' revenues and other financing sources (uses) for the years ended September 30, 2014 and 2013. Following is a detailed analysis of the revenues:

There was a net decrease in total revenues (including other financing sources/(uses)) of \$4,814,800 or (8.8)%. Property taxes represent 34.9% of total revenues and other financing sources/(uses)). Property taxes decreased by (1.5)% or \$269,965. Nonproperty taxes which includes sales, franchise and hotel/motel taxes represents 41.7% of total revenues and other financing sources/(uses). Nonproperty taxes increased by \$382,193 or 1.9% over last year. Other financial sources represent 4.6% of total revenues and other financing sources/(uses). Other financing sources/(uses) decreased by \$4,827,764 due to the difference in bond proceeds received in FY 2013 and 2014.

Revenues and other financing sources (uses)	2014	% of Total	2013	Amount of Increase / (Decrease)	Percent of Increase / (Decrease)
Property taxes	\$ 17,330,313	34.9%	\$ 17,600,278	\$ (269,965)	-1.5%
Nonproperty taxes	20,681,022	41.7%	20,298,829	382,193	1.9%
Fines and forfeitures	1,681,265	3.4%	1,780,275	(99,010)	-5.6%
Licenses and Permits	564,486	1.1%	614,735	(50,249)	-8.2%
Charges for services	2,776,305	5.6%	2,593,675	182,630	7.0%
Intergovernmental	2,674,160	5.4%	2,957,872	(283,712)	-9.6%
Contributions and donations	901,217	1.8%	897,353	3,864	0.4%
Miscellaneous	688,813	1.4%	520,745	168,068	32.3%
Interest and investment income	36,271	0.1%	57,126	(20,855)	-36.5%
	47,333,852		47,320,888	12,964	
Other financing sources (uses)	2,285,364	4.6%	7,113,128	(4,827,764)	-65.6%
Total	\$ 49,619,216	100.0%	\$ 54,434,016	\$ (4,814,800)	-8.6%

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Taxes

The increase in taxes is attributable to increases in sales and franchise taxes. Sales tax revenue increased \$239,470 or 1.5% over FY 2013. Franchise Fees increased \$65,264 or 2.1% over last year. In summary the City netted a total increase of taxes of \$112,228.

Ad Valorem (Property) Tax

The total general citywide property tax including collection of current levy, prior years' levy (delinquent), penalty and interest, and payment in lieu of taxes decreased \$269,965 or 1.5% from the prior fiscal year.

Current Ad Valorem Tax

The collection of current ad valorem tax increased by \$122,700 or 1.0%.

Prior Years (Delinquent) Taxes

Collection of prior years' taxes decreased \$340,595 or 44.6%. \$422,472 was collected in FY 2014 compared to the \$763,067 collected in FY 2013. The outstanding balance of delinquent taxes has also decreased. The average percentage of delinquent taxes outstanding for the past ten tax years is 0.9%.

Penalty and Interest

Penalty and interest collections decreased \$21,938 or 5%. A total of \$379,582 was remanded in FY 2014 compared to the \$401,520 in FY 2013.

Payment in Lieu of Taxes (PILOT)

Payment in lieu of taxes is collected from industries located in the industrial district which sign a seven year non-annexation agreement with the City, that can be renewed for an additional seven years. During the initial contract, the industry pays a percentage of what the taxes would be if they were annexed. That percentage is 25% for the first two years, 40% for the second two years, 80% for the third two years and 100% for the seventh year. The renewal is for 100% payment but allows the industry to earn a percentage reduction for increases in number of employees and/or assessed value. Collection of the PILOT decreased by \$30,138 or 15%. A total of \$166,135 was collected in FY 2014 compared to \$196,267 collected in FY 2013.

Collection Rate

The collection rate for only current year taxes is 97.2%. When comparing the collection of current and delinquent to the current tax levy, the collection rate is 99.9%.

Tax Rate

The total tax rate remained at \$.588827 per \$100 value. This has remained the same for the last four years. The total tax rate is composed of two parts, the Interest and Sinking Fund (I&S) portion of the tax rate is \$0.139104 and the Maintenance and Operations (M&O) portion is \$0.449723.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Sales Tax 1 ½ cent Reported in the General Fund

Sales tax revenues increased to \$16,113,160, an increase of \$239,469 or 1.5% from prior fiscal year.

Hotel/Motel Occupancy Taxes

Hotel/Motel occupancy taxes increased \$36,748 or 4%. \$944,692 was collected in FY 2014 compared to \$907,944 in FY 2013.

Other Taxes

Other taxes increased by \$110,266 or 2.5% from FY 2013. The increase mainly consists of a \$65,263 increase in franchise taxes and a \$31,574 increase in mixed beverage taxes.

Improvement Assessments

The revenue for improvement assessments comes from the Downtown Improvement District. This year the rate remained at 15 cents per \$100 value. Revenues decreased from \$26,944 in 2013 to \$22,623 in 2014.

Fines and Forfeitures

Fines and forfeitures decreased by 5.6% or \$99,010 from the previous year. The decrease mainly consists of a \$27,628 decrease in building security revenue and \$71,252 decrease in various court fees & fines.

Licenses and Permits

Licenses and permits decreased \$50,249 or 8% compared to FY 2013. The decrease is attributed to a decrease of \$51,077 in building permit revenues.

Charges for Services

This category had an increase of \$182,630 or 7% from last year's total revenue of \$2,593,675. The income increase is attributable to increases from bridge crossing revenue of \$37,803, and reimbursements for school resource officers of \$115,099. The number of school resource officers increased from 2 to 6.

Intergovernmental

This area decreased by 9.6% or \$283,712. The decrease is attributed mainly to a reduction in grant revenue.

Miscellaneous and Program Revenues

Revenues increased by \$168,068 or 32.3% from the prior year. Funds received for the Sun Valley Motor Hotel demolition increased revenue.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Interest and Investment Income

This revenue category decreased by \$20,855 or 36.5%, to end FY 2014 at a total of \$36,271 compared to \$57,126 from FY 2013. This revenue has been on the decline since FY 2008 due to the economy and falling interest rates.

Transfers-In and Other Financing Sources

Revenues decreased by \$1,882,977, due to \$1,708,544 decrease in other financing sources and a \$174,433 decrease in transfers. The decrease in other financing sources is due to bond proceeds received in FY 2013 were greater than the bond proceeds received in FY 2014.

Expenditures

The following table presents a summary of governmental fund expenditures for the years ended September 30, 2014 and 2013.

<u>Expenditures</u>	<u>2014</u>	<u>% of Total</u>	<u>2013</u>	<u>Amount of Increase / (Decrease)</u>	<u>Percent of Increase / (Decrease)</u>
General Government	\$ 6,552,556	13.0%	\$ 6,052,084	\$ 500,472	8.3%
Public Safety	21,804,128	43.2%	21,286,630	517,498	2.4%
Highways and Streets	4,602,102	9.1%	3,953,133	648,969	16.4%
Health and Welfare	3,621,978	7.2%	3,594,105	27,873	0.8%
Cultural and Recreation	4,064,968	8.0%	4,170,128	(105,160)	-2.5%
Capital Outlay	5,683,692	11.3%	5,982,406	(298,714)	-5.0%
Debt Service:					
Principal	2,302,113	4.6%	1,970,000	332,113	16.9%
Interest and Fiscal Charges	1,872,583	3.7%	1,919,327	(46,744)	-2.4%
	<u>\$ 50,504,120</u>		<u>\$ 48,927,813</u>	<u>\$ 1,576,307</u>	

General Government

General government expenditures increased by \$500,472 or 8.3%. The majority of the increase is attributed to services and charges expenditures increasing by \$332,110.

Public Safety

Expenditures for public safety increased \$517,498 or 2.4%. The increase is attributed to the cost of living adjustments to Police and Fire salaries & benefits.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Highways and Streets

Highways and street expenditures increased by \$648,969 or 16.4%. The increase is due to increases in overlay expenditures of \$329,473 and increases in targeted infrastructures of \$127,273.

Health and Welfare

Expenditures increased \$27,873 or 0.8%.

Cultural and Recreational

Cultural and recreational expenditures decreased \$105,160 or 2.5%.

Capital Outlay

Expenditures for capital outlay decreased \$298,714 or 5.0%. The decrease is partly due to a decline in major projects. Actual capital outlay amounts in the general fund exceeded final budget due to unexpected capital outlays related to a communication tower totaling \$1,498,792, subdivision infrastructure contributions of \$685,544, street contributions in the amount of \$127,273 and other improvements totaling \$17,385.

Debt Service

Total debt service expenditures increased by \$285,369 or 7.3%. Principal payments on the City's debt obligation increased \$332,113 while interest and fiscal charges decreased by \$46,744.

Transfers-Out

Transfers-out and other financing uses increased \$2,944,787 or 114.2%. The increase is due to the General Obligation Refunding Bonds, Series 2013 payment to escrow in FY 2014.

FUND BALANCE

Combined fund balance for all of the governmental funds decreased \$884,904 or from \$29,055,558 to \$28,170,654. Fund balances by fund type are discussed below.

General Fund

The revenues and other financing sources generated \$42,178,992 while expenditures and other financing uses were \$40,779,527. The net effect is an increase in the general fund balance of \$1,399,465. The fund balance as of September 30, 2014 is \$17,183,636.

Special Revenue Funds

The combined fund balance of the special revenue funds decreased from \$4,515,823 to \$4,375,021 or by \$140,802. This is the result of expenditures and other financing uses exceeding revenues and other financing sources. The most significant decrease was \$250,779 in the Infrastructure fund.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Service Fund

The Debt Service fund balance is \$1,008,999 which is an increase of \$36,186 from prior year. The fund balance represents 25.3% of the general obligation and certificate of obligation's debt service requirements for the next fiscal year. Additional detailed information concerning long-term debt activity is contained in the relevant disclosures in the notes to the financial statements.

Capital Projects Funds

Combined fund balance of the capital projects funds decreased by \$2,225,176. The Capital Project fund balance decrease is attributed to the Certificates of Obligation Series 2013 which had a \$2,044,648 decrease to fund balance. Funds for the Certificates of Obligation Series 2013 were spent in FY 2014 but were received in FY 2013.

PROPRIETARY FUNDS – A Detailed Discussion

Enterprise Funds

The City's enterprise operations consist of the Sanitation Fund, Municipal Golf Course Fund, Municipal Auditorium, and the Harlingen Arts and Heritage Museum Fund.

Sanitation Fund

Operating revenues increased by \$308,710 or 3.6% over the prior year. Operating expenses increased by \$862,831 or 12.4% over the prior year. Net income for the year was \$841,156, which includes transfers out of \$1,000,000, loss on disposal of capital assets totaling \$1,007,925 and insurance proceeds of \$1,794,115.

Municipal Golf Course Fund

Operating revenues decreased by \$147,908 or 13.1% over the prior year. Operating expenses decreased by \$85,813 or 6.6% over the prior year. The net loss for the year was \$296,293 which includes transfers out of \$52,400.

Municipal Auditorium Fund

Operating revenues increased by \$2,983 or 2% over the prior year. Operating expenses decreased by \$15,284 or 2.2% over the prior year. The net loss for the year was \$328,683 which includes transfers in of \$158,000.

Harlingen Arts and Heritage Museum Fund

Operating revenues increased by \$265 or 9% over the prior year. Operating expenses decreased by \$3,901 or 3.4% over the prior year. Net income for the year was \$1,506 which includes transfers in of \$100,000.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Internal Service Funds

The City's two internal service funds are the Motor Vehicle/Warehouse Fund and Health Insurance Fund.

Motor Vehicle/Warehouse Fund

Operating revenues increased by \$244,409 or 6.0% over the prior year. Operating expenses increased by \$226,716 or 5% over the prior year. The net income for the year was \$259,571 which includes \$769,246 of capital contributions received.

Health Insurance Fund

The Health Insurance Fund is used to accumulate all payments from the various departments for medical/health insurance premiums, payment from retirees for health insurance premiums, and cafeteria plan deductions from employee's paychecks for payment to the insurance company and plan administrator. Operating revenues increased by \$362,022 or 10% and operating expenses increased by \$525,411 or 16%. The net income for the year is \$50,506 which includes a transfer in of \$81,000. For the most part, increases or decreases to the revenues and expenditures are directly proportionate to the number of employees in the health plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City has \$144,608,472 in capital assets.

CAPITAL ASSETS NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,348,105	\$ 5,348,105	\$ 467,083	\$ 467,083	\$ 5,815,188	\$ 5,815,188
Construction in progress	8,287,550	11,449,659	240,319	-	8,527,869	11,449,659
Building	23,881,066	24,539,332	2,144,160	3,201,914	26,025,226	27,741,246
Improvements other than building	13,924,590	15,054,567	1,445,643	1,648,182	15,370,233	16,702,749
Machinery and equipment	12,958,846	10,772,601	1,019,685	1,044,771	13,978,531	11,817,372
Infrastructure	74,891,428	71,905,305	-	-	74,891,428	71,905,305
Total	\$ 139,291,585	\$ 139,069,569	\$ 5,316,890	\$ 6,361,950	\$ 144,608,475	\$ 145,431,519

For more detailed information on capital asset activity, refer to Note E of financial statements beginning on page 88.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt

At the end of the fiscal year, the City had \$44,450,000 in bonds and certificates of obligation outstanding, as shown on the following table.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation debt	\$ 17,995,000	\$ 19,465,000	\$ -	\$ -	\$ 17,995,000	\$ 19,465,000
Certificates of Obligation	26,455,000	27,140,000	-	-	26,455,000	27,140,000
	<u>\$ 44,450,000</u>	<u>\$ 46,605,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,450,000</u>	<u>\$ 46,605,000</u>

In November 2013, the City issued \$3,215,000 in General Obligation Refunding Bonds, Series 2013 for the purpose of refunding outstanding bonds Series 2005 and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt.

Fitch Ratings has reviewed and assigned an AA- rating to the general obligation debt and certificates of obligation debt on their view of the City's historically strong financial position coupled with strong reserve levels.

For more detailed information on long-term debt activity, refer to the notes to financial statements beginning on page 94.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the budget process for fiscal year 2014-15 the Mayor, City Commissioners and staff considered many factors. These factors are drivers and/or indicators of economic growth and recession, job growth and unemployment rate, projected annexation areas, expected increases in City services, new housing growth, new commercial construction, retail sales growth and inflation. A large consideration was the opening of the Bass Pro Shops facility in November 2011, which is expected to increase sales and property taxes as well as spur up new commercial development around the area. As a result of the many discussions and budget workshops, the tax rate remained the same at 0.588827. Within the governmental funds, revenues were budgeted with an increase of \$1,611,353 or 4.1% and expenditures were increased by \$943,307 or 2.3%.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it received. If you have any questions about the report or need additional information, contact the Finance Director's Office at the City of Harlingen, 118 East Tyler, Harlingen, Texas 78550.

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BASIC
FINANCIAL STATEMENTS

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City of Harlingen, Texas
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 28,039,523	\$ 3,431,678	\$ 31,471,201	\$ 17,488,725
Investments	4,159,950	3,321,217	7,481,167	46,063,401
Receivables, net	4,732,598	1,863,990	6,596,588	3,023,211
Inventories	178,113	28,604	206,717	308,187
Due from component units	89,227	142,995	232,222	-
Internal balances	291,988	(291,988)	-	-
Prepaid items and deposits	20,654	1,917	22,571	52,947
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	-	-	5,727,034
Investments	-	-	-	3,358,136
Loans receivable	1,091,819	-	1,091,819	2,161,664
Capital assets, net				
Non-depreciable assets	13,635,655	707,402	14,343,057	15,083,324
Depreciable assets	<u>125,655,930</u>	<u>4,609,488</u>	<u>130,265,418</u>	<u>112,318,835</u>
 TOTAL ASSETS	 177,895,457	 13,815,303	 191,710,760	 205,585,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,796</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 177,895,457</u>	 <u>\$ 13,815,303</u>	 <u>\$ 191,710,760</u>	 <u>\$ 205,942,260</u>
LIABILITIES				
Accounts payable	\$ 755,056	\$ 399,542	\$ 1,154,598	\$ 1,004,105
Accrued expenses	964,193	59,095	1,023,288	1,185,715
Due to primary government	-	-	-	232,222
Other liabilities	603,653	1,000	604,653	440,887
Unearned revenue	480,316	-	480,316	299,258
Escrow liabilities	556,387	-	556,387	-
Payable from restricted assets	-	-	-	2,081,820
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,361,180	1,361,180	-
Due in one year	3,544,253	29,300	3,573,553	2,865,377
Due in more than one year	<u>51,039,450</u>	<u>655,070</u>	<u>51,694,520</u>	<u>55,199,121</u>
TOTAL LIABILITIES	57,943,308	2,505,187	60,448,495	63,308,505
NET POSITION				
Net investment in capital assets	97,835,629	5,316,890	103,152,519	112,136,071
Restricted	9,874,343	-	9,874,343	5,746,829
Unrestricted	<u>12,242,177</u>	<u>5,993,226</u>	<u>18,235,403</u>	<u>24,750,855</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 177,895,457</u>	<u>\$ 13,815,303</u>	<u>\$ 191,710,760</u>	<u>\$ 205,942,260</u>

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

City of Harlingen, Texas
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 7,659,290	\$ 3,065,996	\$ 1,658,982	\$ 951,290
Public safety	25,508,640	1,944,279	420,294	-
Highways and streets	5,381,855	-	249,709	812,817
Health and welfare	4,237,513	841	234,148	-
Culture and recreation	4,822,263	417,535	-	17,385
Interest on long term debt	<u>2,443,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total governmental activities	 <u>50,052,846</u>	 <u>5,428,651</u>	 <u>2,563,133</u>	 <u>1,781,492</u>
Business-type activities:				
Sanitation services	7,802,743	8,841,070	10,314	-
Golf course services	1,220,275	982,509	-	-
Auditorium services	678,938	150,290	-	39,900
Museum services	<u>111,320</u>	<u>3,181</u>	<u>-</u>	<u>-</u>
 Total business-type activities	 <u>9,813,276</u>	 <u>9,977,050</u>	 <u>10,314</u>	 <u>39,900</u>
 Total primary government	 <u>\$ 59,866,122</u>	 <u>\$ 15,405,701</u>	 <u>\$ 2,573,447</u>	 <u>\$ 1,821,392</u>
Component Units				
Economic development services	\$ 5,763,380	\$ -	\$ 177,279	\$ -
Community improvement services	209,028	-	-	-
Water and sewer services	19,727,579	18,384,138	-	622,162
Airport services	<u>10,867,476</u>	<u>6,317,437</u>	<u>-</u>	<u>4,927,141</u>
Total component units	<u>\$ 36,567,463</u>	<u>\$ 24,701,575</u>	<u>\$ 177,279</u>	<u>\$ 5,549,303</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Hotel motel taxes

Unrestricted investment earnings

Miscellaneous

Gain (loss) on sale of assets

Transfers

Total general revenues

Change in net position

Net position--beginning

Net position--ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,983,022)	\$ -	\$ (1,983,022)	\$ -
(23,144,067)	-	(23,144,067)	-
(4,319,329)	-	(4,319,329)	-
(4,002,524)	-	(4,002,524)	-
(4,387,343)	-	(4,387,343)	-
<u>(2,443,285)</u>	<u>-</u>	<u>(2,443,285)</u>	<u>-</u>
 <u>(40,279,570)</u>	 <u>-</u>	 <u>(40,279,570)</u>	 <u>-</u>
 -	1,048,641	1,048,641	-
-	(237,766)	(237,766)	-
-	(488,748)	(488,748)	-
<u>-</u>	<u>(108,139)</u>	<u>(108,139)</u>	<u>-</u>
 <u>-</u>	 <u>213,988</u>	 <u>213,988</u>	 <u>-</u>
 (40,279,570)	213,988	(40,065,582)	-
			\$ (5,586,101)
			(209,028)
			(721,279)
			<u>377,102</u>
			(6,139,306)
 13,370,041	-	13,370,041	-
3,964,082	-	3,964,082	-
16,113,160	-	16,113,160	5,371,053
3,137,857	-	3,137,857	-
944,692	-	944,692	-
36,194	5,269	41,463	81,303
694,737	14,098	708,835	2,808,864
(12,121)	778,731	766,610	100,000
<u>794,400</u>	<u>(794,400)</u>	<u>-</u>	<u>-</u>
<u>39,043,042</u>	<u>217,686</u>	<u>39,046,740</u>	<u>8,361,220</u>
(1,236,528)	217,686	(1,018,842)	2,221,914
<u>121,188,677</u>	<u>11,092,430</u>	<u>132,281,107</u>	<u>140,411,841</u>
<u>\$ 119,952,149</u>	<u>\$ 11,310,116</u>	<u>\$ 131,262,265</u>	<u>\$ 142,633,755</u>

City of Harlingen, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2014

	General Fund	Community Development Fund	Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,889,103	\$ 83,857	\$ 602,550	\$ 10,997,793	\$ 23,573,303
Investments	4,159,950	-	-	-	4,159,950
Receivables (net of allowance for uncollectibles)					
Taxes	1,077,235	-	-	391,509	1,468,744
Accounts	1,190,299	8,612	11,293	204,506	1,414,710
Assessments	-	12,817	145,827	-	158,644
Due from other governments	1,296,171	-	-	358,576	1,654,747
Due from other funds	821,732	-	-	-	821,732
Due from component units	66,328	-	-	22,899	89,227
Loans receivable	17,272	1,074,547	-	-	1,091,819
Prepaid items	19,599	-	-	250	19,849
TOTAL ASSETS	<u>\$ 20,537,689</u>	<u>\$ 1,179,833</u>	<u>\$ 759,670</u>	<u>\$ 11,975,533</u>	<u>\$ 34,452,725</u>
LIABILITIES					
Accounts payable	\$ 510,976	\$ 14,729	935	\$ 188,328	\$ 714,968
Accrued expenditures	527,662	3,758	-	35,831	567,251
Other liabilities	591,753	11,900	-	-	603,653
Due to other funds	-	-	-	504,744	504,744
Due to component units	-	-	-	-	-
Unearned revenue	480,316	-	-	-	480,316
Escrow liabilities	-	-	556,387	-	556,387
TOTAL LIABILITIES	2,110,707	30,387	557,322	728,903	3,427,319
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,038,574	-	-	355,420	1,393,994
Unavailable revenue - payments in lieu of taxes	143,920	-	-	-	143,920
Unavailable revenue - special assessments	-	12,815	-	-	12,815
Unavailable revenue - noncurrent receivables	-	881,773	-	-	881,773
Unavailable revenue - other	60,852	192,774	145,977	22,647	422,250
TOTAL DEFERRED INFLOWS OF RESOURCES	1,243,346	1,087,362	145,977	378,067	2,854,752
FUND BALANCES					
Nonspendable	19,599	-	-	-	19,599
Restricted	-	62,084	56,371	9,755,888	9,874,343
Committed	-	-	-	1,331,570	1,331,570
Unassigned	17,164,037	-	-	(218,895)	16,945,142
TOTAL FUND BALANCES	<u>17,183,636</u>	<u>62,084</u>	<u>56,371</u>	<u>10,868,563</u>	<u>28,170,654</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,537,689</u>	<u>\$ 1,179,833</u>	<u>\$ 759,670</u>	<u>\$ 11,975,533</u>	<u>\$ 34,452,725</u>

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

City of Harlingen, Texas
**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position**
September 30, 2014

	<u>Governmental Activities</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances -- total governmental funds	\$ 28,170,654
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. This is the amount of governmental assets \$139,291,584 less internal service funds assets of (\$6,862,868).	132,428,717
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	2,854,752
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of certain internal service funds are included in the governmental activities in the statement of net position.	11,398,459
Bond premiums and discounts are expensed during the period incurred in the funds, but are amortized as an adjustment to interest expense in the statement of activities over the remaining life of the debt.	(134,945)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term are reported in the statement of net position and include internal service fund liabilities of \$74,798. The internal service long-term liabilities are not a reconciling item.	(54,376,258)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(389,230)</u>
Net position of governmental activities	<u>\$ 119,952,149</u>

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

City of Harlingen, Texas
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the fiscal year ending September 30, 2014

	General Fund	Community Development Fund	Petition Paving Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes - including penalty and interest	\$ 13,356,797	\$ -	\$ -	\$ 3,973,516	\$ 17,330,313
Nonproperty taxes	19,440,451	-	45	1,240,526	20,681,022
Fines and forfeitures	1,681,265	-	-	-	1,681,265
Licenses and permits	564,486	-	-	-	564,486
Charges for services	2,579,831	-	-	196,474	2,776,305
Intergovernmental	583,121	1,370,142	-	720,897	2,674,160
Contributions and donations	831,217	-	-	70,000	901,217
Miscellaneous	294,913	63,298	-	330,602	688,813
Interest and investment income	22,098	6,938	330	6,905	36,271
Total revenues	<u>39,354,179</u>	<u>1,440,378</u>	<u>375</u>	<u>6,538,920</u>	<u>47,333,852</u>
Expenditures					
Current					
General government	5,617,973	222,237	-	712,346	6,552,556
Public safety	21,448,737	-	-	355,391	21,804,128
Highways and streets	3,214,699	-	-	1,387,403	4,602,102
Health and welfare	2,906,812	712,705	-	2,461	3,621,978
Culture and recreation	3,844,256	-	-	220,712	4,064,968
Capital outlay	2,714,934	460,388	-	2,508,370	5,683,692
Debt service					
Principal	-	-	-	2,302,113	2,302,113
Interest	-	-	-	1,872,583	1,872,583
Total expenditures	<u>39,747,411</u>	<u>1,395,330</u>	<u>-</u>	<u>9,361,379</u>	<u>50,504,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(393,232)	45,048	375	(2,822,459)	(3,170,268)
Other financing sources (uses)					
Transfers in	1,325,796	-	-	1,724,913	3,050,709
Transfers (out)	(1,032,116)	-	-	(1,305,193)	(2,337,309)
Refunding Bond Proceeds	-	-	-	3,273,794	3,273,794
Proceeds from capital lease	1,483,892	-	-	-	1,483,892
Payment to refunded bond escrow agent	15,125	-	-	(3,200,847)	(3,185,722)
Total other financing sources (uses)	<u>1,792,697</u>	<u>-</u>	<u>-</u>	<u>492,667</u>	<u>2,285,364</u>
NET CHANGE IN FUND BALANCES	1,399,465	45,048	375	(2,329,792)	(884,904)
Fund balance, beginning of year	<u>15,784,171</u>	<u>17,036</u>	<u>55,996</u>	<u>13,198,355</u>	<u>29,055,558</u>
Fund balance, end of year	<u>\$ 17,183,636</u>	<u>\$ 62,084</u>	<u>\$ 56,371</u>	<u>\$ 10,868,563</u>	<u>\$ 28,170,654</u>

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

City of Harlingen, Texas
**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities**

For the fiscal year ending September 30, 2014

**Governmental
Activities**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances -- total governmental funds \$ (884,904)

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 reported as depreciation expense. This is the amount by which depreciation (\$6,384,714) exceeded capital outlay (\$5,617,094) in the current period. (767,620)

Governmental funds do not report the disposal or transfers of capital assets. (27,345)

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 3,577

Internal service funds are used by management to charge the cost of certain activities. The net revenue (loss) of the internal service funds is reported with governmental activities. 310,077

Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 2,225,000

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. (3,215,000)

Proceeds from a capital lease are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, financing a capital lease increases long-term liabilities in the statement of net position and does not affect the statement of activities. (1,620,145)

Capital lease principal payments are an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 133,059

Payment to escrow agent for refunded bonds is an expenditure in the governmental funds, but the payment reduces long term liabilities in the statement of net assets. 3,200,946

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest expense in the statement of activities differs from the amount reported in governmental funds because the change in accrued interest (\$47,753) was calculated for long term debt. Also, any changes in compensated absences (\$19,658), OPEB (\$391,551) and NPO \$432,165 payable during the year are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds. (26,797)

Premiums for current bond refundings totaled (\$580,163) at year-end. Current period amortizations related to premiums and discounts total \$14,054 and (\$1,248), respectively. (567,376)

Change in net position of governmental activities: \$ (1,236,528)

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

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Business-type Activities				Total	Governmental Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 3,274,051	\$ 114,961	\$ 396	\$ 42,270	\$ 3,431,678	\$ 4,466,220
Investments	3,110,085	103,533	1,000	106,599	3,321,217	-
Accounts receivables (net of allowances for uncollectibles)	1,853,491	4,827	5,663	9	1,863,990	35,753
Inventories	-	28,604	-	-	28,604	178,113
Due from other funds	-	-	-	-	-	-
Due from component units	142,995	-	-	-	142,995	-
Prepaid items	1,917	-	-	-	1,917	805
Total current assets	8,382,539	251,925	7,059	148,878	8,790,401	4,680,891
Non current assets						
Capital assets						
Land	417,587	49,496	-	-	467,083	-
Construction in progress	240,319	-	-	-	240,319	-
Plant and equipment	1,868,129	4,117,398	4,741,284	195,878	10,922,689	19,629,763
Accumulated depreciation	<u>(826,362)</u>	<u>(2,881,030)</u>	<u>(2,494,188)</u>	<u>(111,621)</u>	<u>(6,313,201)</u>	<u>(12,766,895)</u>
Total capital assets (net of accumulated depreciation)	<u>1,699,673</u>	<u>1,285,864</u>	<u>2,247,096</u>	<u>84,257</u>	<u>5,316,890</u>	<u>6,862,868</u>
Total non current assets	<u>1,699,673</u>	<u>1,285,864</u>	<u>2,247,096</u>	<u>84,257</u>	<u>5,316,890</u>	<u>6,862,868</u>
TOTAL ASSETS	<u>\$ 10,082,212</u>	<u>\$ 1,537,789</u>	<u>\$ 2,254,155</u>	<u>\$ 233,135</u>	<u>\$ 14,107,291</u>	<u>\$ 11,543,759</u>

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

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION - CONTINUED
September 30, 2014

	Business-type Activities				Total	Governmental Activities
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
LIABILITIES						
Current liabilities						
Accounts payable	\$ 354,541	\$ 23,914	\$ 7,288	\$ 13,799	\$ 399,542	\$ 40,088
Due to other funds	-	-	291,988	-	291,988	25,000
Compensated absences	6,300	2,000	-	-	8,300	36,478
Accrued expenses	41,188	13,133	1,693	3,081	59,095	7,712
Unearned revenue	-	-	1,000	-	1,000	-
Estimated liability for landfill postclosure costs, current portion	21,000	-	-	-	21,000	-
Total current liabilities	<u>423,029</u>	<u>39,047</u>	<u>301,969</u>	<u>16,880</u>	<u>780,925</u>	<u>109,278</u>
Long-term liabilities						
Compensated absences	190,889	59,745	18,620	2,740	271,994	-
Net other post employment benefit obligation	275,815	91,938	10,215	5,108	383,076	36,022
Estimated liability for landfill postclosure costs	1,361,180	-	-	-	1,361,180	-
Total long term liabilities	<u>1,827,884</u>	<u>151,683</u>	<u>28,835</u>	<u>7,848</u>	<u>2,016,250</u>	<u>36,022</u>
TOTAL LIABILITIES	2,250,913	190,730	330,804	24,728	2,797,175	145,300
NET POSITION						
Net investment in capital assets	1,699,673	1,285,864	2,247,096	84,257	5,316,890	6,862,868
Unrestricted	6,131,626	61,195	(323,745)	124,150	5,993,226	4,535,591
Total net position	<u>7,831,299</u>	<u>1,347,059</u>	<u>1,923,351</u>	<u>208,407</u>	<u>11,310,116</u>	<u>11,398,459</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,082,212</u>	<u>\$ 1,537,789</u>	<u>\$ 2,254,155</u>	<u>\$ 233,135</u>	<u>\$ 14,107,291</u>	<u>\$ 11,543,759</u>

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

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the fiscal year ending September 30, 2014

	Business-type Activities				Totals	Governmental
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum		Internal Service Funds
Operating revenues						
Charges for services						
Current use charges	\$ 8,841,070	\$ -	\$ 7,088	\$ -	\$ 8,848,158	\$ 7,843,936
Golf course fees and charges	-	982,509	-	-	982,509	-
Rental income	-	-	143,202	-	143,202	-
Admissions	-	-	-	3,181	3,181	-
Total operating revenues	<u>8,841,070</u>	<u>982,509</u>	<u>150,290</u>	<u>3,181</u>	<u>9,977,050</u>	<u>7,843,936</u>
Operating expenses						
Cost of sales	-	74,483	-	-	74,483	-
Personnel services	1,914,498	633,401	112,799	49,487	2,710,185	377,779
Contracted services	1,443,974	175,765	213,784	37,756	1,871,279	3,932,330
Materials and supplies	102,064	108,054	8,248	2,222	220,588	2,239,157
Other expenses	4,117,943	75,516	72,116	11,172	4,276,747	92,999
Depreciation and amortization	<u>224,264</u>	<u>153,056</u>	<u>271,991</u>	<u>10,683</u>	<u>659,994</u>	<u>1,754,587</u>
Total operating expense	<u>7,802,743</u>	<u>1,220,275</u>	<u>678,938</u>	<u>111,320</u>	<u>9,813,276</u>	<u>8,396,852</u>
Operating income (loss)	1,038,327	(237,766)	(528,648)	(108,139)	163,774	(552,916)
Nonoperating revenues (expenses)						
Interest revenue	2,979	144	2,100	46	5,269	3,103
Intergovernmental	10,314	-	-	-	10,314	-
Donations revenue	-	-	369	-	369	-
Gain (loss) on sale/disposal of capital assets	(1,007,925)	(7,817)	-	358	(1,015,384)	9,644
Insurance recovery	1,794,115	-	-	-	1,794,115	-
Miscellaneous revenue	<u>3,346</u>	<u>1,546</u>	<u>(404)</u>	<u>9,241</u>	<u>13,729</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>802,829</u>	<u>(6,127)</u>	<u>2,065</u>	<u>9,645</u>	<u>808,412</u>	<u>12,747</u>
Income (loss) before operating transfers	1,841,156	(243,893)	(526,583)	(98,494)	972,186	(540,169)
Transfers and capital contributions						
Transfers in	-	-	158,000	100,000	258,000	81,000
Transfers (out)	(1,000,000)	(52,400)	-	-	(1,052,400)	-
Capital contributions	-	-	39,900	-	39,900	769,246
Total transfers and capital contributions	<u>(1,000,000)</u>	<u>(52,400)</u>	<u>197,900</u>	<u>100,000</u>	<u>(754,500)</u>	<u>850,246</u>
NET INCOME (LOSS)	841,156	(296,293)	(328,683)	1,506	217,686	310,077
Net position, beginning of year, restated	<u>6,990,143</u>	<u>1,643,352</u>	<u>2,252,034</u>	<u>206,901</u>	<u>11,092,430</u>	<u>11,088,382</u>
Net position, end of year	<u>\$ 7,831,299</u>	<u>\$ 1,347,059</u>	<u>\$ 1,923,351</u>	<u>\$ 208,407</u>	<u>\$ 11,310,116</u>	<u>\$ 11,398,459</u>

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

City of Harlingen, Texas
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ending September 30, 2014

	Business-type Activities				Governmental Activities	
	Sanitation Fund	Municipal Golf Course Fund	Municipal Auditorium	Harlingen Arts and Heritage Museum	Totals	Internal Service Funds
Cash flows from operating activities						
Receipts from customers	\$9,314,911	\$ 984,055	\$ 145,836	\$ 12,425	\$10,457,227	\$7,834,274
Payments to suppliers	(5,360,403)	(445,491)	(185,178)	(49,240)	(6,040,312)	(7,274,519)
Payments to employees	(1,950,194)	(659,747)	(121,165)	(51,169)	(2,782,275)	(379,584)
Net cash provided (used) by operations	2,004,314	(121,183)	(160,507)	(87,984)	1,634,640	180,171
Cash flows from (to) noncapital financing activities						
Transfers (to) other funds	(1,000,000)	(52,400)	-	-	(1,052,400)	-
Transfers from other funds	-	-	158,000	100,000	258,000	81,000
Net cash provided (used) by noncapital financing activities	(1,000,000)	(52,400)	158,000	100,000	(794,400)	81,000
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	-	(238,175)	-	358	(237,817)	9,644
Purchase of capital assets	(571,176)	217,944	-	-	(353,232)	(989,947)
Net cash provided (used) by capital and related financing activities	(571,176)	(20,231)	-	358	(591,049)	(980,303)
Cash flows from investing activities						
Purchase of investments	-	299,864	-	-	299,864	1,532,691
Interest received	(1,047)	144	2,103	46	1,246	3,103
Net cash provided (used) by investing activities	(1,047)	300,008	2,103	46	301,110	1,535,794
Net increase (decrease) in cash and cash equivalents	432,091	106,194	(404)	12,420	550,301	816,662
Cash and cash equivalents, beginning of year	2,841,960	8,767	800	29,850	2,881,377	3,649,558
Cash and cash equivalents, end of year	<u>\$3,274,051</u>	<u>\$ 114,961</u>	<u>\$ 396</u>	<u>\$ 42,270</u>	<u>\$ 3,431,678</u>	<u>\$4,466,220</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$1,038,327	\$ (237,766)	\$ (528,648)	\$ (108,139)	\$ 163,774	\$ (552,916)
Adjustments to reconcile net income from operations to net cash from operating activities						
Depreciation and amortization	224,264	153,056	271,990	10,682	659,992	742,214
Other revenue received	3,346	1,546	(35)	9,241	14,098	-
(Increase) decrease in receivables	177,438	86	(4,419)	3	173,108	(9,662)
(Increase) decrease in prepaid items	(407)	-	-	-	(407)	(805)
(Increase) decrease in due from component units	473,841	-	-	-	473,841	-
(Increase) decrease in inventories	-	(15,467)	-	(36)	(15,503)	(16,370)
Increase (decrease) in accounts payable	92,677	326	(29,403)	(403)	63,197	19,515
Increase (decrease) in due to other funds	-	-	138,587	-	138,587	-
Increase (decrease) in accrued expenses	11,731	3,382	(213)	2,350	17,250	1,643
Increase (decrease) net other post employment benefit obligations	(27,095)	(22,684)	(1,809)	(2,469)	(54,057)	(3,448)
Increase (decrease) in compensated absences	(8,601)	(3,662)	(6,557)	787	(18,033)	-
Increase (decrease) in estimated liability for landfill closure and post closure costs	18,793	-	-	-	18,793	-
Total adjustments	<u>965,987</u>	<u>116,583</u>	<u>368,141</u>	<u>20,155</u>	<u>1,470,866</u>	<u>733,087</u>
Net cash provided (used) by operations	<u>\$2,004,314</u>	<u>\$ (121,183)</u>	<u>\$ (160,507)</u>	<u>\$ (87,984)</u>	<u>\$ 1,634,640</u>	<u>\$ 180,171</u>
Supplemental disclosure of noncash activities:						
Contributed capital from other funds	\$ 10,314	\$ -	\$ 39,900	\$ -	\$ 50,214	\$ 769,246

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

City of Harlingen, Texas
HARLINGEN FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	<u>Pension Trust fund</u> Firemen's Relief and Retirement
ASSETS	
Cash and cash equivalents	\$ 22,064
Investments, at fair value:	
Money market funds	310,939
Mutual funds - equity	15,729,073
Mutual funds - fixed income	7,951,705
Mutual funds - specialty	4,956,882
Prepaid items	<u>365</u>
 TOTAL ASSETS	 <u>\$28,971,028</u>
LIABILITIES	
Accounts payable	\$ 11,205
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>28,959,823</u>
 TOTAL LIABILITIES AND NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>\$28,971,028</u>

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

City of Harlingen, Texas
HARLINGEN FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the fiscal year ending September 30, 2014

	<u>Pension Trust Fund</u>
INVESTMENT INCOME	
Net appreciation in fair value of investments	\$ 2,604,847
Interest	<u>49,565</u>
Total investment income	2,654,412
Less investment expense	<u>(187,491)</u>
Net investment income	<u>2,466,921</u>
 CONTRIBUTIONS	
Employer	777,438
Plan member	<u>775,998</u>
Total contributions	1,553,436
 TOTAL ADDITIONS	 4,020,357
 DEDUCTIONS	
Benefits	1,682,263
Refunds of contributions	291,945
Administrative expense	<u>26,659</u>
 TOTAL DEDUCTIONS	 <u>2,000,867</u>
 NET CHANGE IN PLAN NET POSITION	 2,019,490
 Net position held in trust for pension benefits	
Beginning of year	<u>26,940,333</u>
End of year	<u>\$ 28,959,823</u>

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

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,269,580	\$ 2,894,657	\$ 7,087,871	\$ 4,236,617	\$ 17,488,725
Investments	37,596,440	310,034	7,657,733	499,194	46,063,401
Receivables (net of allowances for uncollectible)					
Accounts	69,259	-	1,912,321	486,788	2,468,368
Grants	324,043	-	119,238	-	443,281
Interest	-	-	3,414	-	3,414
Due from other governments	-	108,148	-	-	108,148
Prepaid items	5,491	-	9,191	38,265	52,947
Inventories	-	-	308,187	-	308,187
Restricted assets:					
Cash and cash equivalents	-	-	4,362,053	1,364,981	5,727,034
Investments	-	-	3,358,136	-	3,358,136
Total current assets	<u>41,264,813</u>	<u>3,312,839</u>	<u>24,818,144</u>	<u>6,625,845</u>	<u>76,021,641</u>
Capital assets					
Non-depreciable assets	-	-	9,853,915	5,229,409	15,083,324
Depreciable assets	-	-	156,572,117	147,929,533	304,501,650
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(102,820,234)</u>	<u>(89,362,581)</u>	<u>(192,182,815)</u>
Total capital assets, net	-	-	63,605,798	63,796,361	127,402,159
Long-term loans receivable	1,146,837	-	-	-	1,146,837
Long-term receivable from primary government	<u>1,014,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,014,827</u>
	<u>2,161,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,161,664</u>
TOTAL ASSETS	<u>43,426,477</u>	<u>3,312,839</u>	<u>88,423,942</u>	<u>70,422,206</u>	<u>205,585,464</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>356,796</u>	<u>-</u>	<u>356,796</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 43,426,477</u>	<u>\$ 3,312,839</u>	<u>\$ 88,780,738</u>	<u>\$ 70,422,206</u>	<u>\$ 205,942,260</u>

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

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION - CONTINUED
September 30, 2014

	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
LIABILITIES					
Current liabilities					
Accounts payable	\$ 73,469	\$ 6,541	\$ 818,302	\$ 105,793	\$ 1,004,105
Other liabilities	-	-	440,887	-	440,887
Accrued expenses	1,185,715	-	-	-	1,185,715
Unearned revenues	-	-	-	299,258	299,258
Compensated absences - current	-	-	507,377	-	507,377
Due to primary government	-	-	232,222	-	232,222
Payable from restricted assets - current	-	-	481,820	-	481,820
Current portion of non-current liabilities	<u>1,433,000</u>	<u>-</u>	<u>900,000</u>	<u>25,000</u>	<u>2,358,000</u>
Total current liabilities	2,692,184	6,541	3,380,608	430,051	6,509,384
Non-current liabilities					
Notes and capital leases payable	-	100,000	-	-	100,000
Bonds and certificates of obligation payable	35,924,345	-	14,007,469	-	49,931,814
Compensated absences	-	-	150,000	268,262	418,262
Unearned revenues	-	-	-	1,739,845	1,739,845
Payable from restricted assets	-	-	1,600,000	-	1,600,000
Net other post employment obligation	<u>-</u>	<u>-</u>	<u>2,835,505</u>	<u>173,695</u>	<u>3,009,200</u>
Total long-term debt	<u>35,924,345</u>	<u>100,000</u>	<u>18,592,974</u>	<u>2,181,802</u>	<u>56,799,121</u>
TOTAL LIABILITIES	38,616,529	106,541	21,973,582	2,611,853	63,308,505
NET POSITION					
Net investment in capital assets	-	-	50,311,646	61,824,425	112,136,071
Nonspendable	-				
Restricted for:					
Debt service	-	-	825,098	-	825,098
System expansion	-	-	3,556,750	-	3,556,750
Passenger facility charges	-	-	-	1,364,981	1,364,981
Unrestricted	<u>4,809,948</u>	<u>3,206,298</u>	<u>12,113,662</u>	<u>4,620,947</u>	<u>24,750,855</u>
Total net position	<u>4,809,948</u>	<u>3,206,298</u>	<u>66,807,156</u>	<u>67,810,353</u>	<u>142,633,755</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 43,426,477</u>	<u>\$ 3,312,839</u>	<u>\$ 88,780,738</u>	<u>\$ 70,422,206</u>	<u>\$ 205,942,260</u>

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the fiscal year ending September 30, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Harlingen Economic Development Corporation				
Economic development services	\$ 5,763,380	\$ -	\$ 177,279	\$ -
Total Harlingen Economic Development Corporation	<u>5,763,380</u>	<u>-</u>	<u>177,279</u>	<u>-</u>
Harlingen Community Improvement Board				
Community improvement services	209,028	-	-	-
Total Harlingen Community Improvement Board	<u>209,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Harlingen Waterworks System				
Water and sewer services	19,727,579	18,384,138	-	622,162
Total Harlingen Waterworks System	<u>19,727,579</u>	<u>18,384,138</u>	<u>-</u>	<u>622,162</u>
Valley International Airport				
Airport services	10,867,476	6,317,437	-	4,927,141
Total Valley International Airport	<u>10,867,476</u>	<u>6,317,437</u>	<u>-</u>	<u>4,927,141</u>
Total component units	<u>\$ 36,567,463</u>	<u>\$ 24,701,575</u>	<u>\$ 177,279</u>	<u>\$ 5,549,303</u>

General revenues:
 Nonproperty taxes
 Unrestricted investment earnings
 Miscellaneous revenue
 Gain on sale of asset
 Total general revenues and special item
 Change in net position
Net position--beginning
Net position--ending

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

Governmental Activities		Business-type Activities		
Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
<u>\$ (5,586,101)</u>				<u>\$ (5,586,101)</u>
(5,586,101)				(5,586,101)
	<u>(209,028)</u>			<u>(209,028)</u>
	(209,028)			(209,028)
		<u>(721,279)</u>		<u>(721,279)</u>
		(721,279)		(721,279)
			<u>377,102</u>	<u>377,102</u>
			<u>377,102</u>	<u>377,102</u>
				(6,139,306)
4,028,290	1,342,763	-	-	5,371,053
10,770	1,578	62,478	6,477	81,303
1,791,009	310,659	685,946	21,250	2,808,864
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<u>5,930,069</u>	<u>1,655,000</u>	<u>748,424</u>	<u>27,727</u>	<u>8,361,220</u>
343,968	1,445,972	27,145	404,829	2,221,914
<u>4,465,980</u>	<u>1,760,326</u>	<u>66,780,011</u>	<u>67,405,524</u>	<u>140,411,841</u>
<u>\$ 4,809,948</u>	<u>\$ 3,206,298</u>	<u>\$ 66,807,156</u>	<u>\$ 67,810,353</u>	<u>\$ 142,633,755</u>

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**NOTES TO THE
FINANCIAL STATEMENTS**

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City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Harlingen, Texas (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. *Reporting Entity*

The City of Harlingen, Texas (the City) was incorporated on April 15, 1910, under the provisions of the laws for the State of Texas. 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) and airport operations.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Harlingen and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

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 of Harlingen does not include any blended component units.

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

City of Harlingen Waterworks System (the System) - As provided by Charter of the City of Harlingen, the Utility Board of Trustees is appointed by the City Commission. The Board of Trustees function as the decision/policy-making body for all activities related to this component unit. Rates for user charges, annual budgets, and bond issuance authorizations are approved by the City Commission.

Valley International Airport (the Airport) - As provided by Charter for the City of Harlingen, the Harlingen Airport Board is appointed by the City Commission. The Board functions as the decision/policy-making body for all activities related to this component unit. Annual budgets and bond issuance authorizations are approved by the City Commission.

Harlingen Economic Development Corporation, Inc. - This component unit is a separately chartered nonprofit 4A corporation. The fund administers the special 75% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of \$25,000.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Harlingen Community Improvement Board – This component unit is a separately chartered nonprofit 4B corporation. The fund administers 25% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of \$25,000.

Membership

The Board of Directors shall consist of seven (7) Directors appointed by the City Commission of the City of Harlingen, for staggered two (2) year terms of office. Not more than four (4) Directors shall be persons who are employees, officers or members of the City Commission. If a Director shall cease to be a City employee, officer, member of the City Commission, such event shall constitute an automatic resignation as a Director and such vacancy shall be filled in the same manner as for other vacancies of the Board of Directors.

Each Director must reside within the City of Harlingen, consistent with Section 4B(c) of the Act, as amended, and if such residency ceases it shall be deemed a resignation. Directors shall serve without compensation, except that the Directors shall be reimbursed for their actual expenses incurred in the performance of their duties as Directors. Any vacancy occurring on the Board of Directors through death, resignation or otherwise shall be filled by appointment by the City Commission, and the appointee shall hold office until the expiration of the relinquished term.

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

City of Harlingen Waterworks System
134 East Van Buren
Harlingen, Texas 78550

Harlingen Economic Development Corporation
2424 Boxwood Street, Suite 125
Harlingen, Texas 78550

Valley International Airport
Airport Terminal Building
Harlingen, Texas 78550

Harlingen Community Improvement Board
118 East Tyler
Harlingen, Texas 78550

2. *Government-wide Financial Statements*

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

In addition to and apart from the government-wide financial statements, fund financial statements are presented for governmental funds, proprietary funds and fiduciary funds. In each of these financial statements, major funds are presented in separate columns.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category; governmental funds, proprietary funds, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following three major governmental funds:

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

The *Community Development Fund*, a *special revenue fund* is used to account for the annual Entitlement grant (CDBG) from the U. S. Department of Housing and Urban Development. Special revenue funds are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes.

The *Capital Projects Funds* are used to account for the acquisition or construction of capital assets. The *Petition Paving Fund* is reported as major fund. The *Petition Paving Fund* is used to account for the construction and financing of certain public improvements which are to be paid wholly or in part by special assessments levied against benefited property.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

The **Sanitation Fund** is used to account for the operations of the City's solid waste collections and public landfill operations within the City limits.

The **Municipal Golf Course Fund** is used to account for the operation of the City's Municipal Golf Course.

The **Municipal Auditorium Fund** is set up to account for the utilization of the City's auditorium and the Casa de Amistad facility for economic gain as well as the encouragement of the arts.

The **Harlingen Arts and Heritage Museum Fund** is used to account for the operation of the City's museum.

In addition, the City reports the following major internal service funds:

The **Motor Vehicle/Warehouse Fund**, an internal service fund is used to account for the monies received in servicing motorized vehicles and other equipment required for various departments of the City together with those related costs associated with the maintenance and repair of such vehicles and equipment.

The **Health Insurance Fund**, an internal service fund is used to account for the monies received in providing medical insurance to the City's employees and families through a medical benefit program of a commercial carrier.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). All of the City's Proprietary Funds are considered major funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses typically are the result from activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust is used. The City is the trustee, or fiduciary, of the Firemen's Relief and Retirement Fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

3. *Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund utilizes the accrual basis of accounting for reporting its assets and liabilities

The City reports deferred inflows of resources on its combined balance sheet. Deferred inflows of resources arise when a potential revenue is *unavailable*. This separate financial statement element, *deferred inflows of resources*, represents 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. Governmental funds also report unavailable revenues also arise from special assessments, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Assets, Liabilities, Deferred Outflows/Inflows of resources, and Net Position/Fund Balance*

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. Short-Term Interfund Receivables and Payables/Internal Balances

Short-term lending/borrowing between funds that result in amounts outstanding at the end of the fiscal year are referred to as "due to/from other funds". "Due to/from other funds" represent the current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

c. Loans to Other Funds

Noncurrent portions of long-term interfund loan receivables are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

d. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method and consists of expendable supplies, fuel and vehicle repair parts. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

e. Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2014 are recorded as prepaid items, in both governmental and fund financial statements.

f. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, because their use is limited by applicable bond covenants or City ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, amounts set aside from customers' deposits, as well as a capital facilities users fee established by ordinance of the City of Harlingen.

g. Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are reflected at estimated fair market value at the date of donation.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported.

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.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Site improvements	7 - 50 years
Buildings	15 - 50 years
Furniture, equipment and vehicles	2 - 15 years
Infrastructure	15 - 50 years

h. Deferred Outflows/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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

i. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as bond 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 as incurred.

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 and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

j. Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities column of the government-wide financial statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences are reported in governmental funds only if they have matured.

k. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (for example, restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

m. Fund Balance Policies

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

n. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

o. Comparative Data

Comparative total data for the prior year have been presented in the individual fund financial statements included in the Other Supplementary Information Section.

p. Prior Year Reclassification

The financial statements for the fiscal year ended September 30, 2013, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2014.

q. 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.

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Community Development Block Grant, Tennis Court Revenue, Hotel/Motel Occupancy Tax, Convention/Visitors Bureau, M.P.O., Catastrophic Emergency Relief, Harlingen Downtown, Special Investigation, Freetrade Bridge, Communication Center, COPS/UHP, Red Light Enforcement and Infrastructure as well as for all enterprise and internal service funds. These budgets, except for Community Development Block Grant Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Budgets for the Community Development Block Grant Fund are legally adopted on a program (entitlement) basis rather than on an annual basis. The budgets reflected on the statement of revenues, expenditures and changes in fund balance represent the current fiscal year's program budget plus any remaining unexpended prior year's program budgets. Unexpended appropriations do not lapse at the end of the fiscal year for these funds.

The City Commission approves, by ordinance, total budget appropriations by fund only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been extended to a functional basis (General Government, Public Safety, etc.)

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Commission.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

2. *Deficit Fund Equity*

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

Certificate of Obligation Bonds, Series 2010 Project Fund	<u>\$153,925</u>
Communication Center	<u>\$ 65,059</u>

NOTE C – DEPOSITS AND INVESTMENTS

It is the City's policy for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2014, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement except for several days in December 2013 and January 2014.

Investments

Investments at fair value, including accrued interest, as of September 30, 2014 are as follows:

	Investment Maturities (in years)		
	Fair Value	1 or less	Real Property
Primary Government			
TexPool	\$11,346,584	\$11,346,584	\$ -
Certificates of deposits	<u>4,159,950</u>	<u>4,159,950</u>	<u>-</u>
	<u>\$15,506,534</u>	<u>\$15,506,534</u>	<u>\$ -</u>
	Investment Maturities (in years)		
	Fair Value	1 or less	Real Property
Component Units			
TexStar	\$ 1,958,496	\$ 1,958,496	\$ -
TexPool	1,310,052	1,310,052	-
Certificates of deposits	11,515,063	11,515,063	-
Land	-	-	4,187,758
Buildings and improvements	<u>-</u>	<u>-</u>	<u>33,718,716</u>
	<u>\$14,783,611</u>	<u>\$14,783,611</u>	<u>\$37,906,474</u>

A reconciliation of cash and investments follows:

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$20,014,158	\$ 3,431,678	\$23,445,836	\$19,947,211
TexPool	8,025,365	3,321,217	11,346,582	1,958,496
TexStar	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,310,052</u>
	28,039,523	6,752,895	34,792,418	23,215,759
Certificates of deposit	4,159,950	-	4,159,950	11,515,063
Land	-	-	-	4,187,758
Buildings and improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,718,716</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,906,474</u>
	<u>\$32,199,473</u>	<u>\$ 6,752,895</u>	<u>\$38,952,368</u>	<u>\$72,637,296</u>

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

NOTE C – DEPOSITS AND INVESTMENTS – 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The investment policy states that in no case shall the average maturity of investments of the City’s operating funds exceed one year. The maximum final stated maturity of any single investment shall not exceed five years.

Primary Government

<u>Maturity</u>	<u>Security Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
Investment Pools	TexPool		\$11,346,584 11,346,584	\$11,346,584 11,346,584	73.17%	
Certificates of Deposit	Lone Star National Bank 45202517	02/25/15	2,082,106	2,082,106	13.43%	0.30%
	Lone Star National Bank 45202514A	08/25/14	<u>2,077,844</u>	<u>2,077,844</u>	13.40%	0.30%
			<u>\$15,506,534</u>	<u>\$15,506,534</u>		

Components Units

Pools	TexStar		\$ 1,958,496	\$ 1,958,496		
	TexPool		<u>1,310,052</u>	<u>1,310,052</u>		
			3,268,548	3,268,548	6.30%	
Certificates of Deposit	CD 16741308	8/6/15	248,000	248,000		0.55%
	CD 28167	3/7/15	250,000	250,000		0.80%
	CD 2700001207	1/29/15	249,169	249,169		0.40%
	CD 1016896191	1/29/15	750,510	750,510		0.40%
	CD 1016968753	1/31/15	1,000,449	1,000,449		0.40%
	CD 231514	3/17/15	1,001,188	1,001,188		0.22%
	CD 58526	5/5/15	1,000,837	1,000,837		0.21%
	CD 58531	5/5/15	1,001,062	1,001,062		0.26%

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

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Components Units – Continued

<u>Maturity</u>	<u>Security Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Bond Holding</u>	<u>Rate</u>
Certificates of Deposit						
	CD 58657	6/24/15	\$ 1,000,678	\$ 1,000,678		0.25%
	CD 3851-11575762	2/20/15	1,000,913	1,000,913		0.15%
	CD 230576	10/03/14	1,002,887	1,002,887		0.25%
	CD 231162	12/10/14	1,002,418	1,002,418		0.30%
	CD 6719-445-789	11/04/14	1,001,810	1,001,810		0.20%
	CD 3851-11006172	5/03/15	<u>1,005,142</u>	<u>1,005,142</u>		0.52%
			<u>\$11,515,063</u>	<u>\$11,515,063</u>	21.85%	
	<u>Investment property</u>					
	Bass Pro Shop land		\$ 4,187,758	N/A		
	Bass Pro Shop building		<u>33,718,716</u>	N/A		
			<u>\$37,906,474</u>		71.94%	

Credit Risk

As of September 30, 2014, the investments in the State’s investment pool was rated AAAM by Standard and Poor’s.

The City’s investment policy limits authorized investments to certain Texas government investments pools, certain government money market mutual funds, and repurchase agreements.

Concentration of Credit Risk

The certificate of deposits holdings at September 30, 2014 represents 50% of the total portfolio and TexPool represents 50%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

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

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Harlingen Firemen’s Relief and Retirement Fund Investments

The Firemen’s Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2014. The composition of these investments is as follows:

	<u>Fair Value</u>
Mutual funds - equities	
Domestic	\$11,670,564
International	4,058,509
Mutual funds - fixed income	
Domestic	7,159,134
International	792,571
Mutual funds – specialty	4,956,882
Cash and equivalents	<u>310,939</u>
	<u>\$28,948,599</u>

Because of the complexity of the portfolio, the Firemen’s Board of Trustees relies on its consultant to provide the necessary guidance to accomplish the Plan’s objective. The Board also understands that return objectives can be achieved while assuming market volatility. The Board is willing to forgo potential return in strong markets in return for protection against a severe decline during weak periods.

Interest Rate Risk

The investment policy does not address interest rate risk.

Credit Risk

The total fixed income investment of \$7,951,705 is subject to interest rate risk. Of this total, \$2,842,521 is in high yield bonds which are rated BB. The remaining amount of \$5,109,184 is in investment grade bonds rated AAA. The Firemen’s investment policy has established that the fixed income portfolio must have an average credit quality of A or higher. The Firemen’s Fund investment policy establishes the allowable investment types and grades of the fund.

Concentration of Credit Risk

The Firemen’s investment policy establishes a minimum and maximum percentage allocation for each classification of investments. Fixed income investments should be in between 20% and 60% of the total portfolio, while equity investments should be between 40% and 80% of the total portfolio. Cash equivalents should be between zero and 10% of the total portfolio.

Custodial Credit Risk

By nature of their investment type the corporate bonds and equity investments are exposed to risk. The rest of the portfolio, cash and cash equivalents is in a nominal bank’s trust account and collateralized by FDIC and pledged securities.

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

NOTE D - RECEIVABLES

Receivables at September 30, 2014 consist of the following:

	Governmental Activities						Governmental Activities Total
	General	Community	Petition	Other	Total	Internal	
	Fund	Development	Paving	Governmental		Service	
		Fund	Fund	Funds		Funds	
Taxes	\$1,232,385	\$ -	\$ -	\$ 462,359	\$1,694,744	\$ -	\$1,694,744
Accounts	1,190,299	8,612	11,293	204,506	1,414,710	35,753	1,450,463
Assessments	-	12,817	145,827	-	158,644	-	158,644
Due from other governments	<u>1,296,171</u>	-	-	<u>358,576</u>	<u>1,654,747</u>	-	<u>1,654,747</u>
Gross receivables	3,718,855	21,429	157,120	1,025,441	4,922,845	35,753	4,958,598
Allowance for uncollectibles	<u>(155,149)</u>	-	-	<u>(70,851)</u>	<u>(226,000)</u>	-	<u>(226,000)</u>
Net receivables	<u>\$3,563,706</u>	<u>\$ 21,429</u>	<u>\$157,120</u>	<u>\$ 954,590</u>	<u>\$4,696,845</u>	<u>\$ 35,753</u>	<u>\$4,732,598</u>

Receivables at September 30, 2014, consist of the following:

	Business-type Activities				
		Municipal	Municipal	Harlingen Arts	Total
	Sanitation	Golf	Auditorium	and Heritage	
		Course		Museum	
Accounts	\$1,853,491	\$ 4,827	\$ 5,663	\$ 9	\$1,863,990
Allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$1,853,491</u>	<u>\$ 4,827</u>	<u>\$ 5,663</u>	<u>\$ 9</u>	<u>\$1,863,990</u>

	Component Units				
	Harlingen	Harlingen	Harlingen	Valley	Total
	Economic	Community	Waterworks	International	
	Development	Improvement	System	Airport	
	Corporation	Board			
Accounts	\$ 69,259	\$ -	\$2,147,321	\$ 488,743	\$2,705,323
Grants	324,043	-	119,238	-	443,281
Interest	-	-	3,414	-	3,414
Due from other governments	-	<u>108,148</u>	-	-	<u>108,148</u>
Gross receivables	393,302	108,148	2,269,973	488,743	3,260,166
Allowance for uncollectibles	-	-	<u>(235,000)</u>	<u>(1,955)</u>	<u>(236,955)</u>
Net receivables	<u>\$393,302</u>	<u>\$108,148</u>	<u>\$2,034,973</u>	<u>\$ 486,788</u>	<u>\$3,023,211</u>

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

NOTE D – RECEIVABLES - Continued

1. *Property Taxes*

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within sixty days after year end.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1 or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

Taxes receivable in the general and debt service funds include uncollected tax levies since 1945. All real property taxes receivable less than twenty years old are considered collectible. All personal property taxes receivable less than ten years old are considered collectible. All revenues were deferred at the time the levies were recorded. The Texas Legislature enacted a provision during the 1992 legislative session which requires all liens attached to properties because of delinquent taxes to be removed after twenty years. Also, liens attached to personal property for delinquent taxes are required to be removed after ten years. This legislation became effective August 27, 1992.

Current and delinquent property taxes are collected by the Harlingen Tax Office which is operated independently of the City of Harlingen.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 is as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 5,348,105	\$ -	\$ -	\$ -	\$ 5,348,105
Construction in progress	<u>11,449,659</u>	<u>2,597,843</u>	<u>(27,345)</u>	<u>(5,732,607)</u>	<u>8,287,550</u>
	16,797,764	2,597,843	(27,345)	(5,732,607)	13,635,655
Capital assets, being depreciated:					
Buildings	30,591,286	9,830	-	-	30,601,116
Improvements	21,600,027	137,256	-	-	21,737,283
Machinery and equipment	29,583,686	4,775,981	(1,274,420)	-	33,085,247
Infrastructure	<u>195,158,601</u>	<u>940,090</u>	<u>-</u>	<u>5,732,607</u>	<u>201,831,298</u>
	276,933,600	5,863,157	(1,274,420)	5,732,607	287,254,944
Less accumulated depreciation for:					
Buildings	(6,051,954)	(732,293)	-	64,197	(6,720,050)
Improvements	(6,545,460)	(1,203,036)	-	(64,197)	(7,812,693)
Machinery and equipment	(18,811,085)	(2,517,397)	1,202,081	-	(20,126,401)
Infrastructure	<u>(123,253,295)</u>	<u>(3,686,575)</u>	<u>-</u>	<u>-</u>	<u>(126,939,870)</u>
Total accumulated depreciation	<u>(154,661,794)</u>	<u>(8,139,301)</u>	<u>1,202,081</u>	<u>-</u>	<u>(161,599,014)</u>
Total capital assets, being depreciated, net	<u>122,271,806</u>	<u>(2,276,144)</u>	<u>(72,339)</u>	<u>5,732,607</u>	<u>125,655,930</u>
Governmental activities, capital assets, net	<u>\$139,069,570</u>	<u>\$ 321,699</u>	<u>\$ (99,684)</u>	<u>\$ -</u>	<u>\$139,291,585</u>

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

NOTE E - CAPITAL ASSETS - Continued

Depreciation was charged to government functions as follows:

General Government	\$1,028,941
Public Safety	3,429,273
Highways and Streets	723,802
Health and Welfare	569,651
Culture and Recreation	633,047
In addition, depreciation on capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>1,754,587</u>
Total depreciation - governmental activities	<u>\$8,139,301</u>

Capital asset activity for the year ended September 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Reclassification</u>	<u>Ending Balance</u>
<i>Business-type Activities</i>					
Capital assets, not being depreciated:					
Land	\$ 467,083	\$ -	\$ -	\$ -	\$ 467,083
Construction in progress	<u>-</u>	<u>240,319</u>	<u>-</u>	<u>-</u>	<u>240,319</u>
Total capital assets, not being depreciated	467,083	240,319	-	-	707,402
Capital assets, being depreciated:					
Buildings	5,575,314	37,421	(1,466,067)	-	4,146,668
Improvements	4,514,547	5,450	(116,491)	5,863	4,409,369
Equipment	<u>2,154,363</u>	<u>349,559</u>	<u>(131,406)</u>	<u>(5,863)</u>	<u>2,366,653</u>
	12,244,224	392,430	(1,713,964)	-	10,922,690
Less accumulated depreciation for:					
Buildings	(2,373,400)	(150,697)	521,589	-	(2,002,508)
Improvements	(2,866,365)	(206,655)	109,294	-	(2,963,726)
Equipment	<u>(1,109,592)</u>	<u>(302,643)</u>	<u>65,267</u>	<u>-</u>	<u>(1,346,968)</u>
Total accumulated depreciation	<u>(6,349,357)</u>	<u>(659,995)</u>	<u>696,150</u>	<u>-</u>	<u>(6,313,202)</u>
Total capital assets, being depreciated, net	<u>5,894,867</u>	<u>(267,565)</u>	<u>(1,017,814)</u>	<u>-</u>	<u>4,609,488</u>
Business type activities capital assets, net	<u>\$ 6,361,950</u>	<u>\$ (27,246)</u>	<u>\$(1,017,814)</u>	<u>\$ -</u>	<u>\$ 5,316,890</u>

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

NOTE E - CAPITAL ASSETS – Continued

Depreciation was charged to business type activity functions as follows:

Municipal Auditorium	\$271,991
Sanitation	237,300
Harlingen Arts Museum	10,683
Golf Course	<u>140,021</u>
 Total depreciation - business-type activities	 <u>\$659,995</u>

Capital asset activity for Valley International Airport for the year ended September 30, 2014, is as follows:

	Beginning Balance <u>10/01/2013</u>	<u>Additions</u>	<u>Retirements</u>	Transfers/ <u>Reclassification</u>	Ending Balance <u>9/30/2014</u>
Capital assets, not being depreciated					
Construction in progress	\$ 3,196,249	\$ 3,906,710	\$ -	\$(6,884,631)	\$ 218,328
Land	<u>5,011,080</u>	-	-	-	<u>5,011,081</u>
Total capital assets, not being depreciated	8,207,329	3,906,710	-	(6,884,631)	5,229,409
Other capital assets					
Buildings	38,259,469	17,578	-	197,702	38,474,749
Runways and taxiways	63,396,882	-	-	3,216,932	66,613,814
Land improvements	20,844,742	16,678	-	2,404,709	23,266,129
Furniture and fixtures	3,108,597	-	-	-	3,108,597
Machinery and equipment	<u>14,529,443</u>	<u>963,692</u>	<u>(92,179)</u>	<u>1,065,288</u>	<u>16,466,244</u>
Total other capital assets	140,139,133	997,948	(92,179)	6,884,631	147,929,533
Less accumulated depreciation					
Buildings	(25,134,572)	(1,025,983)	-	-	(26,160,555)
Runways and taxiways	(34,379,273)	(2,458,609)	-	-	(36,837,883)
Land improvements	(13,643,185)	(745,673)	-	-	(14,388,858)
Furniture and fixtures	(1,261,343)	(142,774)	-	-	(1,404,117)
Machinery and equipment	<u>(9,861,948)</u>	<u>(794,988)</u>	<u>85,766</u>	-	<u>(10,571,170)</u>
Total accumulated depreciation	<u>(84,280,321)</u>	<u>(5,168,027)</u>	<u>85,766</u>	-	<u>(89,362,582)</u>
 Totals	 <u>\$ 64,066,141</u>	 <u>\$ (263,369)</u>	 <u>\$ (6,413)</u>	 <u>\$ -</u>	 <u>\$ 63,796,359</u>

Depreciation expense for the year ended September 30, 2014 totaled \$5,168,027.

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

NOTE E - CAPITAL ASSETS – Continued

Capital asset activity for Harlingen Waterworks System is as follows:

	<u>Beginning Balance</u>	<u>Reclass and Additions</u>	<u>Reclass and Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Water rights	\$ 4,943,369	\$ 480,000	\$ -	\$ 5,423,369
Land	1,227,448	-	(43,129)	1,184,319
Construction in progress	<u>2,678,664</u>	<u>2,503,364</u>	<u>(1,935,801)</u>	<u>3,246,227</u>
Total capital assets, not being depreciated	<u>8,849,481</u>	<u>2,983,364</u>	<u>(1,978,930)</u>	<u>9,853,915</u>
Other capital assets				
Vehicles	2,648,166	179,480	(35,454)	2,792,192
Water production plant	23,440,210	1,973,138	(142,708)	25,270,640
Water transmission facilities and equipment	51,314,033	473,956	(110,943)	51,677,046
Wastewater treatment plant	21,991,869	499,823	-	22,491,692
Wastewater collection line, lift stations and equipment	49,486,557	1,654,159	(1,063,631)	50,077,085
Laboratory buildings and equipment	291,440	4,727	-	296,167
Pretreatment buildings and equipment	76,801	-	-	76,801
Office buildings and equipment	<u>3,813,887</u>	<u>82,377</u>	<u>(5,770)</u>	<u>3,890,494</u>
Total other capital assets being depreciated	<u>153,062,963</u>	<u>4,867,660</u>	<u>(1,358,506)</u>	<u>156,572,117</u>
Less accumulated depreciation				
Vehicles	(1,759,470)	(184,518)	35,454	(1,908,534)
Water production plant	(18,505,116)	(542,246)	140,504	(18,906,858)
Water transmission facilities and equipment	(30,979,844)	(1,480,488)	16,943	(32,443,389)
Wastewater treatment plant	(18,710,396)	(836,306)	-	(19,546,702)
Wastewater collection line, lift stations and equipment	(25,932,836)	(1,928,071)	763,953	(27,096,954)
Laboratory buildings and equipment	(173,351)	(19,468)	-	(192,819)
Pretreatment buildings and equipment	(70,364)	(1,509)	-	(71,873)
Office buildings and equipment	<u>(2,486,124)</u>	<u>(172,751)</u>	<u>5,770</u>	<u>(2,653,105)</u>
Total accumulated depreciation	<u>(98,617,501)</u>	<u>(5,165,357)</u>	<u>962,624</u>	<u>(102,820,234)</u>
Capital assets, net of accumulated depreciation	<u>\$ 63,294,943</u>	<u>\$ 2,685,667</u>	<u>\$ (2,374,812)</u>	<u>\$ 63,605,798</u>

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

NOTE F - LOANS RECEIVABLE

Loans and notes receivable at September 30, 2014, consist of the following:

	Governmental Funds			Component Unit
	General Fund	Community Development Block Grant	Total	Economic Development Corporation
Rehabilitation loans	\$ -	\$ 153,175	\$ 153,175	\$ -
Deferred loans	-	368,666	368,666	-
Replacement loans	-	344,381	344,381	-
Home loans	-	15,552	15,552	-
Business development loans	-	-	-	1,146,837
Other	<u>17,272</u>	<u>192,773</u>	<u>210,045</u>	<u>-</u>
	<u>\$ 17,272</u>	<u>\$1,074,547</u>	<u>\$1,091,819</u>	<u>\$1,146,837</u>

Rehabilitation loans include 22 loans with origination dates from 1995 to 2012. These loans are collateralized by real property and bear interest that range from interest free notes to 6%. These loans are payable in monthly installments amortized to maturity within 15 years from origination.

Deferred loans include 38 rehabilitation and/or reconstruction including loans through the Harlingen Down Payment Assistance Program. Origination dates range from 2001 to 2012. These loans are collateralized by real property. Deferred loans bear no interest and will become due and payable only upon failure of the other party to maintain compliance with the eligibility requirements of participating in the deferred loan grant program.

Replacement and/or reconstruction loans include ten loans with origination dates in 1990 and 2010. These loans are collateralized by real property and bear interest ranging from 0-6%. These loans are payable in monthly installments amortized to maturity within 20 years from origination.

The Home loan originated in November 2004 and bears a 5% interest rate over a 15 year period.

NOTE G - PAYABLE FROM RESTRICTED ASSETS

Payables from restricted assets of the Harlingen Waterworks (a component unit of the City) at September 30, 2014 consist of the following:

Current	
Accrued interest	\$ 249,309
Customer deposits	232,511
Noncurrent	
Customer deposits	<u>1,600,000</u>
Total	<u>\$2,081,820</u>

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

NOTE H - UNEARNED REVENUE

1. Governmental funds report *unearned revenue* in connection with amounts received in advance for goods and/or services to be delivered at a future date. At the end of the current fiscal year, the various components of unearned revenue and unearned revenue reported in the financial statements were as follows:

	<u>Unearned</u>
Governmental Activities	
Grants	\$ <u>480,316</u>
Component Units	
Valley International Airport	\$ <u>1,739,845</u>

*The Valley International Airport unearned revenue is included in long-term debt, see Note J Section 5.

2. Consistent with accounting principles for recording non-monetary transactions, Valley International Airport recognizes permanent structural improvements constructed by tenants on leased facilities owned by the Airport. The value of such improvements is recognized as an increase in the property, plant and equipment accounts. Unearned revenues are similarly increased for these respective values and amortized to operations on a straight-line basis over the primary lease term including extensions.

Amortization requirements for the succeeding five years are as follows:

2015(current portion)		\$ 299,258
2016	\$ 232,091	
2017	232,091	
2018	217,733	
2019	211,504	
Succeeding years	<u>846,426</u>	<u>1,739,845</u>
Long-term portion		<u>\$2,039,103</u>

*At September 30, 2014, several leaseholders at the Airport had prepaid their monthly leases in the total amount of \$67,167.

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

NOTE I - OPERATING LEASES

The Airport leases its property and buildings to various tenants under operating lease agreements. The types of revenue from these leases include terminal space rental, landing fees, fixed base operations rental, manufacturers' rental, parking concession, rental car concession, and retail and restaurant rentals.

Operating revenues recognized from these leases totaled \$5,177,665. Included in operating revenues are contingent rental payments which are revenues that increase or decrease rents after the inception of the lease resulting from changes in factors (such as usage) on which the lease payments are based. Contingent rental payments in 2014 were \$633,267.

The following is a schedule by years of minimum future rentals on noncancellable operating leases:

Year ending September 30:	
2015	\$ 3,384,931
2016	2,492,124
2017	2,304,214
2018	1,942,411
2019	1,237,746
Later years	<u>910,640</u>
Total minimum future rentals	<u>\$12,272,066</u>

Future minimum rentals do not include contingent rentals or noncash rents.

NOTE J - LONG-TERM DEBT

1. *Notes Payable*

Notes payable at September 30, 2014 consist of the following:

Component Unit

The Harlingen Economic Development Corporation, a component unit of the primary government, entered into a note agreement in the amount of \$3,347,290 with 83/77 Properties, LTD on December 15, 2010. The note will be repaid with the EDC's portion of the sales tax from anticipated developed properties in a defined area surrounding the Bass Pro Shop development. The note carries an 8% interest rate, but no repayment schedule due to the uncertainty of the revenues designed to repay the loan.

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

NOTE J - LONG-TERM DEBT - Continued

The Harlingen Economic Development Corporation, a component unit of the primary government, entered into a sales tax loan agreement in the amount of \$4,000,000 with Frost Bank on June 14, 2011. The note will be paid over 10 years and carries an interest rate of 3.75% paid semiannually every February 15th and August 15th. Principal payments will be made annually on February 15th. The proceeds were used to construct a large retail facility that is leased to Bass Pro Shops. The annual debt service requirements to maturity are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service Required</u>
2015	\$ 375,000	\$116,024	\$ 491,024
2016	390,000	100,188	490,188
2017	410,000	83,628	493,628
2018	425,000	66,344	491,344
2019	445,000	48,335	493,335
2020-2021	<u>945,000</u>	<u>39,434</u>	<u>984,434</u>
	<u>\$2,990,000</u>	<u>\$453,953</u>	<u>\$3,443,953</u>

2. *General Obligation Bonds and Certificates of Obligation*

The 2005 Series General Obligation Bonds, in the amount of \$5,620,000 were issued February 16, 2006, to pay for the acquisition, construction and improvement of City streets, including drainage and sidewalk improvements and the relocation of a railroad right-of-way, improvements to a fire station together with related fire department equipment. A portion of the bond will also be used to refund a portion of the City's outstanding general obligation debt and to pay the costs of issuance. The bonds will be repaid over 20 years which began in 2007, and carry interest rates ranging from 2.50 to 4.25%, with interest dates of February 15 and August 15.

The 2006 Series General Obligation Bonds, in the amount of \$3,270,000 were issued May 1, 2006, to pay for the acquisition, construction and improvement of City streets, including drainage and sidewalk improvements and the relocation of a railroad right-of-way, improvements to a fire station together with related fire department equipment. The bonds will be repaid over 20 years which will begin in 2008, and carry interest rates ranging from 3.75% to 4.36%, with interest dates of February 15 and August 15.

The 2007 Series General Obligation Bonds, in the amount of \$10,630,000 were issued April 11, 2007 and will be used for the purpose of (a) acquiring, constructing and improving City streets, including drainage and sidewalk improvements, (b) relocating railroad right-of-way, (c) improving a fire station, and (d) street paving and the costs of issuance of the bonds. The bonds will be repaid over 20 years which will begin in 2008 and carry interest rates ranging from 4% to 4.5% with interest dates of February 15 and August 15.

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

NOTE J - LONG-TERM DEBT - Continued

2. General Obligation Bonds and Certificates of Obligation - Continued

The 2007 Series Certificates of Obligation, in the amount of \$22,000,000 were issued April 11, 2007 and will be used for the purpose of (a) acquiring, constructing and equipping a new police/municipal court building facility, and fire station, (b) constructing, improving and equipping municipal park facilities, (c) constructing, improving and repairing City streets together with drainage, traffic and street signalization improvements, and the development of a comprehensive drainage study, improving and equipping the municipal auditorium including a Fly System, and (d) paying the costs associated with the issuance of the Certificates. The bonds will be paid over 20 years which will begin in 2008 and carry interest rates ranging from 4% to 4.5% with interest dates of February 15 and August 15.

The 2010 Series Combination Tax and Revenue Certificates of Obligation in the amount of \$3,090,000 were issued July 7, 2010 to pay for construction and improvement for the extension of Dixieland Road from Harrison to Spur 54, including drainage improvements, street lights, railroad crossing and irrigation ditch, improvements and extensions to the City's water and sewer infrastructure, improvements to the City's Tony Butler Golf Course and for paying legal, fiscal and engineering fees in connection with the projects. The Certificates of Obligation will be repaid over 20 years which begins on February 15, 2011 and carry interest rates ranging from 2.0% to 4.125% with interest payment dates of February 15 and August 15.

On October 3, 2012, the City commission authorized the issuance of \$2,280,000 in 2012 Series Combination Tax and Revenue Certificates of Obligation bonds. The proceeds of the bond issuance were used to reimburse the Economic Development Corporation for monies advanced to a developer for infrastructure improvements. The bonds will be repaid with tax revenues generated from the Tax Increment Reinvestment Zone No. 3. The bonds include \$470,000 serial certificates maturing between the years 2016 and 2019 at an interest rate of 3% ranging from \$75,000 to \$140,000. The bonds also include \$1,810,000 in term certificates maturing in years 2021, 2023, 2025, 2027, 2032, and 2035 with interest rates ranging from 2% to 3% with principal amounts ranging from \$290,000 to \$350,000.

On April 3, 2013, the City commission authorized the issuance of \$3,070,000 in 2012 Series Combination Tax and Revenue Certificates of Obligation bonds. The proceeds of the bond issuance were used for infrastructure improvements for Teege and Brazil Roads. Repayment of the bonds will be derived from the increased revenues generated by the Tax Increment Reinvestment Zone No. 3. The bonds include \$1,110,000 serial certificates maturing between the years 2015 and 2023 at an interest rate of 2% ranging from \$30,000 to \$165,000. The bonds also include \$1,960,000 in term certificates maturing in years 2025, 2027, 2031, 2033, and 2035 with interest rates ranging from 3% to 3.25% with principal amounts ranging from \$360,000 to \$430,000.

In November 2013, the City issued \$3,215,000 in General Obligation Refunding Bonds, Series 2013 for the purpose of refunding outstanding bonds Series 2005 and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at a premium in the amount of \$59,145. The cost of issuance totaled \$71,658. Principal payments range from \$65,000 to \$435,000 plus interest with interest rates range from 2.00% to 2.50%.

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

NOTE J - LONG-TERM DEBT - Continued

2. General Obligation Bonds and Certificates of Obligation - Continued

General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year. General obligation bonds and certificates of obligation currently outstanding are as follows:

	Original Amount	Interest Rate(s)	Beginning Balance 10/1/2013	Additions	Reductions	Ending Balance 9/30/2014	Due in One Year
Governmental Activities:							
<i>General Obligation</i>							
2005 Series, Refunding Bonds	\$ 5,620,000	2.5 – 4.25%	\$ 3,500,000	\$ -	\$(3,500,000)	\$ -	\$ -
2006 Series, Refunding Bonds	3,270,000	3.75 – 4.36%	2,475,000	-	(150,000)	2,325,000	155,000
2007 Series, Refunding Bonds	10,630,000	4.0 – 4.5%	9,260,000	-	(240,000)	9,020,000	270,000
2010 Series, Refunding Bonds	2,540,000	2.0 – 2.5%	1,250,000	-	(465,000)	785,000	480,000
2011 Series, Refunding Bonds	3,315,000	2.39%	2,980,000	-	(265,000)	2,715,000	275,000
2013 Series, Refunding Bonds	3,215,000	2.000-2.500%	-	3,215,000	(65,000)	3,150,000	425,000
Total General Obligation Bonds			<u>19,465,000</u>	<u>3,215,000</u>	<u>(4,685,000)</u>	<u>17,995,000</u>	<u>1,605,000</u>
<i>Certificates of Obligation</i>							
<i>Combination Tax Revenue CO</i>							
2007 Series	22,000,000	4.0 – 4.5%	18,930,000	-	(535,000)	18,395,000	600,000
2010 Series	3,090,000	2.0 – 4.125%	2,860,000	-	(150,000)	2,710,000	130,000
2012 Series	2,280,000	1.6 – 3.000%	2,280,000	-	-	2,280,000	-
2013 Series	3,070,000	2.0 – 3.250%	<u>3,070,000</u>	-	-	<u>3,070,000</u>	<u>30,000</u>
Total Certificates of Obligation			<u>27,140,000</u>	<u>-</u>	<u>(685,000)</u>	<u>26,455,000</u>	<u>760,000</u>
Total Bonded Debt			<u>\$46,605,000</u>	<u>\$3,215,000</u>	<u>\$(5,370,000)</u>	<u>\$44,450,000</u>	<u>\$2,365,000</u>

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation, including interest of \$12,902,099 are as follows:

Year Ending September 30,	General Obligation Bonds		Certificates of Obligation		Total G. O. and C. O. Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,605,000	\$ 612,312	\$ 760,000	\$ 1,008,882	\$ 2,365,000	\$ 1,621,194
2016	1,545,000	568,651	1,065,000	976,769	2,610,000	1,545,420
2017	1,395,000	525,578	1,475,000	931,232	2,870,000	1,456,810
2018	1,290,000	483,285	1,710,000	873,407	3,000,000	1,356,692
2019	1,335,000	440,065	1,775,000	808,822	3,110,000	1,248,887
2020-2024	7,315,000	1,451,558	10,090,000	2,942,000	17,405,000	4,393,558
2025-2029	3,510,000	214,913	7,675,000	857,586	11,185,000	1,072,499
2030-2034	-	-	1,565,000	196,289	1,565,000	196,289
2035-2039	-	-	<u>340,000</u>	<u>10,750</u>	<u>340,000</u>	<u>10,750</u>
	<u>\$17,995,000</u>	<u>\$ 4,296,362</u>	<u>\$26,455,000</u>	<u>\$ 8,605,737</u>	<u>\$44,450,000</u>	<u>\$12,902,099</u>

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

NOTE J - LONG-TERM DEBT - Continued

3. Revenue Bonds

The component units also issue bonds where the component units pledge income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2014, are as follows:

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. The revenue bonds are special obligations of the System, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the net revenues of the combined waterworks and sewer system. "Net revenues" are defined in the respective covenants and are more fully explained therein as the "gross revenues" of the System less the "expenses of operation and maintenance" of the System. Depreciation and payments into and out of the required interest and sinking and the reserve funds are not considered expenses of operation and maintenance.

On October 6, 2010 the System issued the Waterworks and Sewer System Revenue Bonds, Series 2010A in the principal amount of \$6,500,000 to provide funding for the Systems' ongoing capital improvement program and to cover the cost of issuance. Simultaneously, in order to achieve a debt service savings due to favorable interest rates, the Waterworks and Sewer System Revenue Refunding Bonds, Series 2010B were issued, in the principal amount of \$4,205,000.

The Series 2000 Bonds and Series 2003 Bonds represented all of the then outstanding bonds of the System secured by a first lien on and pledge of the net revenues of the water and sewer system. At the time the System issued its Subordinate Waterworks and Sewer System Revenue Refunding Bonds, Series 2005 and its Subordinate Waterworks and Sewer System Revenue Bonds, Series 2005A, the System covenanted not to issue any more bonds under the ordinances authorizing the then outstanding bonds secured by a first lien on and pledge of the net revenues of the System. Hence, the refunding of the Series 2000 and Series 2003 Bonds allowed the Series 2010A and the Series 2010B Bonds to be secured by a first lien on and pledge of the net revenues of the System on parity with the then outstanding Series 2005 Bonds and Series 2005A Bonds.

The bonds carry interest rates as set out below with the interest payment dates of May 1st and November 1st; and principal payments due annually on November 1st. A Credit Facility may be used as a substitute for or to replace cash or investments in the reserve fund. All currently outstanding issues have a surety bond in place of a reserve fund. In addition, a provision in the ordinances requires that certain financial ratios are met. Management of the System believes it is in compliance with all significant financial requirements of the bond ordinances as of September 30, 2014.

In December 2010, the Harlingen Economic Development Corporation ("EDC") issued Harlingen Economic Development Corporation Sales Tax Revenue Bonds, Series 2010A and Harlingen Economic Development Corporation Sales Tax and Lease Rental Revenue Bonds, Taxable Series 2010B Bonds in the principal amount of \$19,150,000 and \$13,075,000, respectively. Proceeds from the sale of the Series 2010A and 2010B will be used for the construction of a facility to be owned by the EDC and leased to Bass ProOutdoor World, L.L.C. ("Bass Pro") and to pay the cost of issuance.

The bonds will be repaid over 30 years beginning February 15, 2011 and carry interest from 2% to 5.125% and 2.71% to 5.750% for the 2010A and 2010B, respectively. Interest payments dates are February and August 15 of each year.

The System has issued refunding bonds to defease certain outstanding bonds by placing the proceeds of refunding issues in irrevocable escrow accounts with a trust agent to provide for future debt service payments on the refunded debt. As of September 30, 2014, all bonds considered defeased have been retired.

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

NOTE J - LONG-TERM DEBT - Continued

Component Units	Original Amount	Interest Rate(s)	Beginning Balance 10/1/2013	Additions	Reductions	Ending Balance 9/30/2014	Due in One Year
Harlingen Economic Development Corporation							
Sales tax revenue bonds							
Series 2010A	\$19,150,000	2.00 – 5.125%	\$18,495,000	\$ -	\$ (665,000)	\$17,830,000	\$ 685,000
Sales tax and lease rental							
Revenue Bonds Series 2010B	<u>13,075,000</u>	2.71 – 5.750%	<u>12,720,000</u>	-	<u>(370,000)</u>	<u>12,350,000</u>	<u>760,000</u>
Total Harlingen EDC	32,225,000		31,215,000	-	(1,035,000)	30,180,000	1,445,000
Harlingen Waterworks System							
2005 Series Waterworks & Sewer System Refunding Bonds	5,830,000	3.0 – 4.50%	4,170,000	-	(1,175,000)	2,995,000	900,000
2005 Series "A" Waterworks & Sewer System Revenue Bonds	5,000,000	4.0 – 4.7%	4,645,000	-	-	4,645,000	-
2010 Series "A" Waterworks & Sewer System Revenue Refunding Bonds	6,500,000	2.0 – 4.25%	6,500,000	-	-	6,500,000	-
2010 Series "B" Waterworks & Sewer System Revenue Refunding Bonds	<u>4,205,000</u>	2.0 – 3.0%	<u>1,605,000</u>	-	<u>(805,000)</u>	<u>800,000</u>	-
Total Harlingen Waterworks System	<u>21,535,000</u>		<u>16,920,000</u>	-	<u>(1,980,000)</u>	<u>14,940,000</u>	<u>900,000</u>
Total Component Units	<u>\$53,760,000</u>		<u>\$48,135,000</u>	<u>\$ -</u>	<u>\$ 3,015,000</u>	<u>\$45,120,000</u>	<u>\$2,345,000</u>

Year Ending September 30,	Harlingen Economic Development Corporation		Harlingen Waterworks System Water and Sewer Revenue Bonds		Total Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,070,000	\$ 1,641,550	\$ 900,000	\$ 582,309	\$ 1,970,000	\$ 2,223,859
2016	1,105,000	1,604,251	930,000	549,668	2,035,000	2,153,919
2017	1,150,000	1,561,724	965,000	515,715	2,115,000	2,077,439
2018	1,195,000	1,512,013	1,000,000	479,468	2,195,000	1,991,481
2019	1,255,000	1,456,650	1,040,000	440,281	2,295,000	1,896,931
2020-2024	7,300,000	6,249,088	3,710,000	1,667,552	11,010,000	7,916,640
2025-2029	9,690,000	3,852,962	2,995,000	1,058,433	12,685,000	4,911,395
2030-2034	7,415,000	712,441	2,550,000	410,651	9,965,000	1,123,092
2035-2036	-	-	<u>850,000</u>	<u>36,550</u>	<u>850,000</u>	<u>36,550</u>
	<u>\$30,180,000</u>	<u>\$18,590,679</u>	<u>\$14,940,000</u>	<u>\$5,740,627</u>	<u>\$45,120,000</u>	<u>\$24,331,306</u>

4. Capital Lease Obligation

Governmental Activities

The City has entered into a certain capital lease agreement in order to purchase communication equipment. The capital lease obligation is paid out of the general fund. The historical purchase price of the capital asset under lease is approximately \$1,483,892.

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

NOTE J - LONG-TERM DEBT – Continued

Following is a summary of future lease payments due on this equipment:

<u>Fiscal Year</u>	<u>Obligations</u>
2015	\$ 168,623
2016	168,623
2017	168,623
2018	168,623
2019	168,623
2020	<u>674,940</u>
Total	1,518,055
Less interest	<u>(167,222)</u>
 Obligations under capital lease	 <u><u>\$1,350,833</u></u>

Component Unit

In March 2005, the Airport entered into a lease-purchase agreement with TAC Americas Inc., for the purchase of a TAC Vista energy management system to be installed in the Terminal and Federal buildings. The lease agreement includes an option to purchase the energy management system. The entire balance outstanding of \$507,567 as of September 30, 2012, was paid off during fiscal year 2013, eliminating the lease obligation at September 30, 2014.

5. Changes in Long-term Liabilities

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

	<u>Beginning Balance 10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2014</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities</i>					
General obligation debt	\$19,465,000	\$ 3,215,000	\$(4,685,000)	\$17,995,000	\$ 1,605,000
Certificates of obligation	27,140,000	-	(685,000)	26,455,000	760,000
Capital lease	-	1,483,892	(133,059)	1,350,833	136,253
Deferred amounts					
Discounts	(22,657)	5,953	-	(16,704)	-
Premiums	158,870	-	(7,221)	151,649	-
Notes payable	716,416	-	(70,000)	646,416	70,000
Compensated absences	4,211,127	1,165,313	(1,184,990)	4,191,450	900,000
Net pension obligation	839,374	1,769,995	(1,337,831)	1,271,538	-
Net other postemployment benefit obligation	<u>2,108,928</u>	<u>743,856</u>	<u>(314,263)</u>	<u>2,538,521</u>	<u>73,000</u>
	54,617,058	8,384,009	(8,417,364)	54,583,703	3,544,253
<i>Business-type Activities</i>					
Landfill postclosure liability	1,342,387	18,793	-	1,361,180	-
Compensated absences	319,327	18,314	(36,348)	301,293	15,000
Net other postemployment benefit obligation	<u>437,133</u>	<u>112,253</u>	<u>(166,309)</u>	<u>383,077</u>	<u>14,300</u>
	<u>2,098,847</u>	<u>149,360</u>	<u>(202,657)</u>	<u>2,045,550</u>	<u>29,300</u>
Total primary government	<u>\$56,715,905</u>	<u>\$ 8,533,369</u>	<u>\$(8,620,021)</u>	<u>\$56,629,253</u>	<u>\$ 3,573,553</u>

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

NOTE J - LONG-TERM DEBT – Continued

<i>Component Units</i>	Beginning Balance <u>10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2014</u>	Amounts Due Within <u>One Year</u>
Harlingen Economic Development Corporation					
Sales tax revenue bonds	\$31,215,000	\$ -	\$(1,035,000)	\$30,180,000	\$ 1,070,000
Deferred amounts					
Discounts	(296,737)	-	18,546	(278,191)	-
Note payable	6,697,290	723,914	-	7,421,204	360,000
Compensated absences	<u>25,965</u>	<u>16,271</u>	<u>(7,904)</u>	<u>34,332</u>	<u>3,000</u>
Total Harlingen EDC	37,641,518	740,185	(1,024,358)	37,357,345	1,433,000
Harlingen Community Improvements Board					
Note payable	<u>200,000</u>	-	(100,000)	<u>100,000</u>	-
Total Harlingen HCIB	200,000	-	(100,000)	100,000	-
Valley International Airport					
Unearned revenues **	2,259,880	66,801	(287,578)	2,039,103	299,258
Compensated absences	288,642	182,460	(177,840)	293,262	25,000
Net other postemployment benefit obligation	<u>139,100</u>	<u>34,595</u>	<u>-</u>	<u>173,695</u>	<u>-</u>
Total Valley International Airport	2,687,622	283,856	(465,418)	2,506,060	324,258
Harlingen Waterworks System					
Revenue bonds	16,920,000	-	(1,980,000)	14,940,000	900,000
Less deferred amounts					
For discounts	(47,238)	-	3,334	(43,904)	-
For premiums	14,815	-	(3,442)	11,373	-
Net other postemployment benefit obligation	2,414,909	690,212	(269,616)	2,835,505	-
Compensated absences	<u>658,080</u>	<u>511,457</u>	<u>(512,160)</u>	<u>657,377</u>	<u>507,377</u>
Total Harlingen Waterworks System	19,960,566	1,201,669	(2,761,884)	18,400,351	1,407,377
Total component units	<u>\$60,489,706</u>	<u>\$2,226,075</u>	<u>\$(4,351,660)</u>	<u>\$58,363,756</u>	<u>\$ 3,164,635</u>

**The current portion of unearned revenues on the Statement of Net Position for a component unit includes amounts, which are strictly short-term in nature, totaling \$67,167 for the year ended 2014.

The City's other non-current liabilities including compensated absences and net OPEB claims payable are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

Advance Refunding

In November 2013, the City issued \$3,215,000 in General Obligation Refunding Bonds, Series 2013 for the purpose of refunding outstanding bonds Series 2005 and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at a premium in the amount of \$59,145. The cost of issuance totaled \$71,658. Principal payments range from \$65,000 to \$435,000 plus interest with interest rates range from 2.00% to 2.50%.

The advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$641,802 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$506,057.

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

NOTE J - LONG-TERM DEBT – Continued

In prior years, the City defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the City’s financial statements. At September 30, 2014, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
2001	\$ 570,000
2004	\$2,765,000
2005	\$3,140,000

NOTE K - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Harlingen place final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill postclosure care costs has a balance of \$1,361,180 as of September 30, 2014, an increase of \$18,793. This is based on 100% usage of the landfill. The landfill was deemed full and closed on August 1999. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of September 30, 1994. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

It is reasonable to assume that the postclosure care costs will be incurred somewhat evenly over the thirty year period following the closure. Therefore, an amount equal to one-thirtieth of the postclosure care costs will be reported as a current liability in the years following the closure, which began September 30, 2000.

Financial assurances are being demonstrated by the City through the mechanisms described in 31 Texas Administrative Code 330.285.

NOTE L - INTERFUND ASSETS/LIABILITIES

Interfund receivables and payables at September 30, 2014 are as follows:

	Payable Fund				Total Due to Other Funds
	Nonmajor Governmental Funds	Total Governmental Funds	Business-type Activities		
			Internal Service Funds	Municipal Auditorium	
<u>Governmental Funds</u>					
General Fund	<u>\$504,744</u>	<u>\$504,744</u>	<u>\$ 25,000</u>	<u>\$291,988</u>	<u>\$821,732</u>

The Interfund assets and liabilities primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year-end.

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

NOTE L - INTERFUND ASSETS/LIABILITIES - Continued

Receivables and payables between the primary government and component units at September 30, 2014 are as follows:

<u>Payable Fund or Component Unit</u>	<u>Receivable Fund or Component Unit</u>				<u>Total Due to Primary Government</u>
	<u>Governmental Activities</u>		<u>Total</u>	<u>Business-type Activities</u>	
	<u>General Fund</u>	<u>Nonmajor Fund</u>		<u>Sanitation Fund</u>	
Harlingen Waterworks System	\$ <u>66,328</u>	\$ <u>22,899</u>	\$ <u>89,227</u>	\$ <u>142,995</u>	\$ <u>232,222</u>

NOTE M - TRANSFERS

Interfund transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget required to expend them.

<u>Transfer in</u>	<u>Transfer Out</u>					<u>Total Transfer in</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Municipal Golf Course</u>	<u>Sanitation</u>	
<u>Governmental Funds</u>						
General Fund	\$ -	\$ 273,396	\$ 273,396	\$ 52,400	\$ 1,000,000	\$ 1,325,796
Nonmajor governmental funds	851,116	873,797	1,724,913	<u>-</u>	<u>-</u>	<u>1,724,913</u>
				<u>\$ 52,400</u>	<u>\$ 1,000,000</u>	<u>\$ 3,050,709</u>
<u>Business-type Activities</u>						
Internal Service Funds	81,000	-	81,000			
Municipal Auditorium	-	158,000	158,000			
Harlingen Arts and Heritage Museum	<u>100,000</u>	<u>-</u>	<u>100,000</u>			
	<u>\$ 1,032,116</u>	<u>\$ 1,305,193</u>	<u>\$ 2,337,309</u>			

Transfers out from the General fund to the Tennis Court, Harlingen Downtown, Harlingen Arts and Heritage and Health Insurance funds were to sustain the operating activities of those funds. Transfers from the General to the Tax Increment Financing Zone funds (TIFZ) were for real property incremental ad valorem tax revenues collected for the benefit of the TIFZs. Transfers from the Hotel/Motel fund were to sustain the operating activities of Harlingen Downtown, Convention and Visitors Bureau, Municipal Auditorium and Harlingen Arts and Heritage funds. Transfers from the Free Trade Bridge, Street Improvements and Petition Paving funds to the General and 2010 C.O. Projects Funds were to reimburse for transportation projects. Transfers from the Sanitation to the General fund were to reimburse for administrative services. Transfers from the Municipal Golf Course to the General fund were for franchise fees. The transfer from the Petition Paving fund to the Debt Service fund was to help with the first payment on the 2010 CO's for the Dixieland road extension.

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

NOTE N – FUND BALANCES

Nonspendable – balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

Restricted – external parties have restricted these funds to be used for their intended purpose.

Committed – the City Commission has authorized the City to use these funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Petition Paving</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid items	\$ 19,599	\$ -	\$ -	\$ -	\$ 19,599
Restricted					
Community Development	-	62,084	-	-	62,084
Tennis Court	-	-	-	157,965	157,965
Construction	-	-	-	5,515,392	5,515,392
Hotel/Motel occupancy tax	-	-	-	378,658	378,658
Convention Visitors Bureau	-	-	-	493,167	493,167
Harlingen Downtown	-	-	-	201,805	201,805
Special Investigation	-	-	-	348,044	348,044
Lon C. Hill Library	-	-	-	139,547	139,547
Red light enforcement	-	-	-	30,364	30,364
Tax Increment Reinvestment Zone	-	-	-	1,475,844	1,475,844
Street improvements	-	-	56,371	6,103	62,474
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,999</u>	<u>1,008,999</u>
Restricted total	-	62,084	56,371	9,755,888	9,874,343
Committed					
Catastrophic emergency relief	-	-	-	858,345	858,345
Infrastructure	-	-	-	91,855	91,855
Free trade bridge	-	-	-	258,294	258,294
Street improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,076</u>	<u>123,076</u>
Committed total	-	-	-	1,331,570	1,331,570
Unassigned	<u>17,164,037</u>	<u>-</u>	<u>-</u>	<u>(218,895)</u>	<u>16,945,142</u>
	<u>\$17,183,636</u>	<u>\$ 62,084</u>	<u>\$ 56,371</u>	<u>\$10,868,563</u>	<u>\$28,170,654</u>

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

NOTE O – NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Economic Development Corporation</u>	<u>Community Improvement Board</u>	<u>Harlingen Waterworks System</u>	<u>Valley International Airport</u>
Net investment in capital assets:						
Capital assets, net of accumulated depreciation	\$139,291,585	\$ 5,316,890	\$ -	\$ -	\$63,605,798	\$63,796,361
Less related liabilities	(46,582,194)	-	-	-	(13,294,152)	(1,971,936)
Restricted cash (unexpended bond proceeds)	<u>5,126,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net investment in capital assets	97,835,629	5,316,890	-	-	50,311,646	61,824,425
Restricted net position consist of the following:						
Community Development	62,084	-	-	-	-	-
Tennis court	157,965	-	-	-	-	-
Construction	5,515,392	-	-	-	-	-
Hotel/motel occupancy tax	378,658	-	-	-	-	-
Convention Visitors Bureau	493,167	-	-	-	-	-
Harlingen Downtown	201,805	-	-	-	-	-
Special investigation	348,044	-	-	-	-	-
Lon C. Hill library	139,547	-	-	-	-	-
Red light enforcement	30,364	-	-	-	-	-
Tax Increment Reinvestment Zone	1,475,844	-	-	-	-	-
Street improvements	62,474	-	-	-	-	-
Debt Service	1,008,999	-	-	-	825,098	-
System expansion and replacement (impact and other fees)	-	-	-	-	3,556,750	-
Passenger facility charges, cash, restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,981</u>
Restricted net position – total	9,874,343	-	-	-	4,381,848	1,364,981
Unrestricted net position	<u>12,242,177</u>	<u>5,993,226</u>	<u>4,809,948</u>	<u>3,206,298</u>	<u>12,113,662</u>	<u>4,620,947</u>
Total net position	<u>\$119,952,148</u>	<u>\$11,310,116</u>	<u>\$4,809,948</u>	<u>\$3,206,298</u>	<u>\$66,807,156</u>	<u>\$67,810,353</u>

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES

1. *Long-Term Contracts*

The System is currently under contract with five wholesale customers (users) to provide treated water. These agreements provide for the treatment of an aggregate minimum of at least 36,100,000 gallons. The contracts have various expiration dates ranging from year 2015 to 2023. The System has contracted to provide wastewater treatment services to two wholesale customers. The combined annual flow is estimated to be 197,000,000 gallons.

2. *Grant Programs*

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

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

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

3. *Commitments*

At September 30, 2014, the City had ongoing commitments related to the following:

Governmental Activities

Project	Construction				
	Original Amount	Expensed	Balance	Retainage	Commitment
Dixieland road extension - north	\$ 4,700,000	\$4,173,412	\$ 526,588	\$ -	\$ 526,588
Brazil and Teege roads	2,344,934	2,216,564	128,370	-	128,370
3 rd Street drainage ditch	662,520	436,319	226,201	-	226,201
Bass Pro Drive West	620,545	559,360	61,185	-	61,185
Lamb Avenue	30,107	30,107	-	-	-
25 th Street trail	2,623,811	728,986	1,894,825	-	1,894,825
Rangerville park improvements	151,767	134,131	17,636	-	17,636
Re-roof fire station #8	8,670	8,670	-	-	-
	<u>\$11,142,354</u>	<u>\$8,287,549</u>	<u>\$2,854,805</u>	<u>\$ -</u>	<u>\$2,854,805</u>

Business-type Activities

Landfill scalehouse	\$ 235,000	\$ 199,120	\$ 35,880	\$ -	\$ 35,880
Transfer station	<u>1,228,844</u>	<u>41,199</u>	<u>1,187,645</u>	<u>-</u>	<u>1,187,645</u>
	<u>\$ 1,463,844</u>	<u>\$ 240,319</u>	<u>\$1,223,525</u>	<u>\$ -</u>	<u>\$1,223,525</u>

The Airport has on-going commitments relating to the following:

	Total Remaining Commitments	Airport Improvement Project Funds	Passenger Facility Charges	Local Funds
Grant 55 – Runway 17R/35L Overlay	\$ 99,398	\$ 89,458	\$ -	\$ 9,940
Grant 56 – New ARFF Vehicle	586,092	527,483	-	58,609
Grant 56 – Power Poles	15,000	13,500	-	1,500
Grant 56 – Taxiway Hotel	447,331	402,598	-	44,733
Grant 56 – Thermal Plastic Engineering	<u>5,000</u>	<u>4,500</u>	<u>-</u>	<u>500</u>
Total remaining commitments	<u>\$1,152,821</u>	<u>\$1,037,539</u>	<u>\$ -</u>	<u>\$115,282</u>

The Airport 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 of these programs including the year ended September 30, 2014 have not been conducted. Accordingly, the Airport'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 Airport expects such amounts, if any, to be immaterial.

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

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

4. *No Commitment Debt*

In 1995, the City of Harlingen approved the issuance of \$4,000,000, in Higher Education Facilities Corporation Bonds for the Marine Military Academy. At September 30, 2014, the outstanding balance of the 1995 bonds was \$2,057,761. In addition, in December 1998 the City approved the issuance of \$1,450,000 in Higher Education Facilities Corporation Bonds for St. Paul Lutheran Church. The outstanding balance of these bonds outstanding at September 30, 2014, approximated \$1,000,000. These bonds are special obligations of the City and do not constitute an indebtedness of the City nor any other political subdivision within the interpretations of any statutory provision or limitation.

NOTE Q - MAJOR CUSTOMERS

For the year ended September 30, 2014 and 2013, no single customer provided more than 10% of water revenues or wastewater revenues. For the year ended 2014, the top ten wastewater customers provided approximately \$1,219,408 or 12.93% of wastewater revenues. The top ten water customers generated approximately \$871,887 or 10.52% of the water sales revenues.

NOTE R - PASSENGER FACILITY CHARGES

Beginning in November 1998, the Airport instituted passenger facility charges of \$3 per enplaned passenger. Proceeds of the passenger facility charges are to be used by the Airport for certain capital improvements approved pursuant to the Airport's authorization for the passenger facility charge program. Passenger facility charges revenue, including interest, included in capital contributions for the year ended September 30, 2014 totaled \$1,274,088, respectively. In February 2007, the Federal Aviation Administration approved the Airport's application to impose and use passenger facility charges of \$4.50 per enplaned passenger, effective December 1, 2007.

NOTE S - JOINT ARRANGEMENTS

1. *Freetrade Bridge*

On September 13, 1989, the City of Harlingen, Texas, executed an interlocal agreement (a cost-sharing agreement) with Cameron County, Texas, whereby the County would issue revenue bonds for the construction of an international bridge, herein referred to as Los Indios International Bridge, located at Los Indios, Texas, and La Barranca, Tamaulipas, Mexico. The bonds are payable from the revenues of the County's Toll Bridge System, as defined and more fully explained in the Order which authorized such bonds. During November 1992 construction of the bridge was completed, and operations commenced.

Cameron County, Texas, is the legal owner and operator of said bridge; however, the City is obligated to pay twenty-five percent (25%) of any deficiencies in the annual debt service requirements for the proposed revenue bonds, any capital expenditures not paid from bond proceeds, and any net operating losses before transfers excluding depreciation and including or excluding interlocal agreement revenues (or expenses) of the Los Indios International Bridge. However, such amounts shall not exceed the sum of \$200,000 annually.

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

NOTE S - JOINT ARRANGEMENTS - Continued

Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds shall be equally shared between the City of Harlingen, Texas and Cameron County, Texas.

The bridge operations resulted in a surplus allowing the City to share in 25% of the interlocal contribution, an amount of \$130,492 for the year ending September 30, 2014.

NOTE T - INDUSTRIAL DEVELOPMENT ACTIVITY

The Harlingen Industrial Foundation, Inc. (HIFI) which is a community-owned nonprofit corporation, was organized by the Harlingen Chamber of Commerce to attract and promote new industry for the City of Harlingen. HIFI entered into a contract for deed with the City's Capital Improvement Fund for the purchase of approximately 120.07 acres of land. The City's original purchase price was \$780,455.

Under the terms of the contract, and as more fully explained therein, HIFI paid one-third of the contract amount with the balance due at the earlier of ten years (1993) or the date acreage is sold. HIFI will receive a deed to partial acreage on the following terms: (a) payment of two-thirds of the original acre price; and (b) payment of two-thirds of the profit made by HIFI in reselling the property. The contract has been extended at year end until March 15, 2015.

NOTE U - 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 until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. Therefore, the plan's assets were recorded as a separate agency fund in the Comprehensive Annual Financial Report of the City of Harlingen. A 1996 federal law now requires all assets and income of the 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.

Assets of the City's plan are administered by private corporations under contract with the City. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities have been removed from the City's financial statements.

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

NOTE V - RISK MANAGEMENT

The City and component units are 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 entities carry 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 entities are members of an intergovernmental risk pool. The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$392,687,606 (as of September 30, 2014, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on the type of insurance coverage. The entities must promptly pay contributions to the risk pool as outlined by the coverage contracts, comply with underwriting standards and implement loss control recommendations deemed necessary by a risk pool representative due to an eminent high risk of loss situation. City and component units management are not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE W - PENSION PLANS

The City and the Valley International Airport (a component unit of the City), (the "City") have a pension plan covering substantially all of their employees and the Harlingen Waterworks System (a component unit of the reporting entity) ("the System") has a pension plan covering substantially all of its employees. All the pension plans are funded by making annual contributions to the respective plans equal to the amounts accrued for pension expense, which includes the amortization of past service cost over twenty-four years.

1. *Employees Pension Plans (Other Than Firemen)*

Plan Description

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The Harlingen Waterworks System (the "System") employees participate in a separate pension plan which is similar to the City's plan and is also sponsored by the Texas Municipal Retirement System. The City of Harlingen firemen are covered by a separate pension plan; therefore, they are not included in the Texas Municipal Retirement System plans.

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

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

NOTE W - PENSION PLAN - Continued

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	0%, transfers	0% transfers	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI
Supplemental death benefit	Active employees and retirees	Active employees and retirees	Active employees and retirees

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (City to employee)	1 to 1	1 to 1	1 to 1
Years required for vesting	5	5	5
Service retirement eligibility	20 yrs/any age; 5 yrs/age 60	20 yrs/any age; 5 yrs/age 60	20 yrs/any age; 5 yrs/age 60
Updated service credit	0%, transfers	0% transfers	0% transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI
Supplemental death benefit	Active employees and retirees	Active employees and retirees	Active employees and retirees

Contributions

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

The City and System contribute to the TMRS Plan at an actuarially determined rate, which for plan year 2013 was 7.96% and 2.34% and for plan year 2012 was 7.96% and 2.78% of annual covered payroll, for the City and System, respectively. The employees, City and System make contributions monthly. Since the City and System need to know their contribution rates in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2012 valuation is effective for rates beginning January 2014).

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

NOTE W - PENSION PLAN - Continued

The annual pension cost and net pension obligation/(asset) are as follows:

	<u>City of Harlingen</u>	<u>Valley International Airport</u>	<u>Harlingen Waterworks System</u>
Annual Required Contribution (ARC)	\$921,005	\$ 64,791	\$117,027
Interest on net pension obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost (APC)	921,005	64,791	117,027
Contributions made	<u>(921,005)</u>	<u>(64,791)</u>	<u>(117,027)</u>
Increase (decrease) in net pension obligation	-	-	-
Net pension obligation/(asset), beginning of year	-	-	-
Net pension obligation/(asset), end of year	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

Three Year Trend Information –City of Harlingen

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2012	\$1,172,315	\$1,172,315	100%	\$ -
2013	943,015	943,015	100%	-
2014	921,005	921,005	100%	-

Three Year Trend Information –Valley International Airport

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2012	\$ 83,963	\$ 83,963	100%	-
2013	67,226	67,226	100%	-
2014	64,791	64,791	100%	-

Three Year Trend Information – Harlingen Waterworks System

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2012	\$198,737	\$198,737	100%	-
2013	127,903	127,903	100%	-
2014	117,027	117,027	100%	-

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

NOTE W - PENSION PLAN - Continued

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

<u>Valuation Date</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	19.1 years; closed period	18.1 years; closed period	18.1 years; closed period
Amortization Period for New Gains/Losses	19 years	18 years	18 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.0%	0.0%	0.0%

Funded Status and Funding Progress - In June 2011 SB 350 was enacted by Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2011. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2007 through December 31, 2011). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2011 TMRS Comprehensive Annual Financial Report (CAFR).

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

NOTE W - PENSION PLAN - Continued

The funded status for the City of Harlingen and Valley International Airport as of December 31, 2013, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3) (1)/(2)	<u>Unfunded AAL (UAAL)</u> (4) (2)-(1)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6) (4)/(5)
12/31/11	\$67,557,615	\$68,863,426	98.10%	\$(1,305,811)	\$13,475,374	9.69%
12/31/12	71,016,067	71,284,385	99.62%	(268,318)	12,930,892	2.08%
12/31/13	74,255,351	74,262,201	99.99%	(6,850)	12,267,655	0.1%

The funded status for the City of Harlingen Waterworks System as of December 31, 2013, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
12/31/11	\$19,016,723	\$17,217,392	110.45%	\$1,799,331	\$4,805,717	(37.44)%
12/31/12	19,857,429	18,471,675	107.50%	1,385,754	4,916,937	(28.18)%
12/31/13	20,886,284	20,346,493	102.7%	539,791	5,261,273	(10.26)%

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3) (1)/(2)	<u>Unfunded AAL (UAAL)</u> (4) (2)-(1)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6) (4)/(5)
12/31/11	\$86,574,338	\$86,080,818	100.57%	\$ 493,520	\$18,281,091	(2.70)%
12/31/12	90,873,496	89,756,060	101.24%	1,117,436	17,847,829	(6.26)%
12/31/13	95,141,635	94,608,694	100.56%	532,941	17,528,928	(3.04)%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. These schedules are presented for the City of Harlingen and Waterworks Pension Plans and the City of Harlingen Firemen's Pension Plan.

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

NOTE W - PENSION PLAN - Continued

2. Firemen's Pension Plan

A. Plan Description

The Board of Trustees of the Firemen's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Firemen's Relief and Retirement Fund is considered part of the City of Harlingen's financial reporting entity and is included in the City's financial reports as a pension trust fund.

A stand-alone report for the Firemen's Relief and Retirement Fund is publicly available at City Hall located at 118 East Tyler, Harlingen, Texas 78550, and complies with GASB Statement No. 67 *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25.

Firefighters employed by the Harlingen Fire Department are covered by the Firemen's Relief and Retirement Fund. During the year 2005, the fund changed its year end to December 31st. December 31, 2013 is the most recent information available. The table below summarizes the membership of the fund at December 31, 2013:

1. Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them, and employees who have elected the DROP benefit	74
2. Current employees	
a. Vested	14
b. Nonvested	<u>82</u>
3. Total	<u>170</u>

The Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits vest after twenty years of credited service. Employees may retire at age 50 with twenty years of service. The monthly benefit at retirement, payable in a joint and 2/3 to spouse form of annuity, is equal to 65.5% of highest sixty-month average salary plus \$65.00 per month for each year of service in excess of twenty years. Under this plan, Harlingen firefighters are required to contribute 12.00% of their pay to the fund. The City of Harlingen is required to make contributions which will equal 12.00% of pay. The benefit and contribution provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA).

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

NOTE W - PENSION PLAN - Continued

B. Summary of Significant Accounting Policies and Plan Asset Matters

1. Basis of Accounting

The Firemen's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

No investment in any one organization represents 5% or more of the net position available for pension benefits.

2. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

C. Actuarial Assumptions

Valuation date	December 31, 2013
Actuarial cost method	Entry age-normal
Amortization method	level percent of payroll
Remaining amortization period	66 years
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5.5%
Includes inflation at	4.0%
Cost of living adjustments	none
Annual pension cost	\$995,852

D. Contribution Required and Contributions Made

<u>Year Ended</u> <u>September 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$811,471	78.2%	\$ 176,866
2011	906,249	70.5%	444,162
2012	894,003	74.9%	668,560
2013	1,008,009	67.6%	839,374
2014	995,852	72.3%	1,271,538

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

NOTE W - PENSION PLAN - Continued

E. Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/2005	\$17,840,652	\$22,300,316	80.0%	\$ 4,459,664	\$4,157,424	107.3%
12/31/2007	21,269,781	26,391,457	80.6%	5,121,676	4,711,611	108.7%
12/31/2009	20,187,246	30,948,888	65.2%	10,761,642	4,864,179	221.2%
12/31/2011	22,270,694	34,223,995	65.1%	11,953,301	4,925,968	242.7%
12/31/2013	28,343,328	39,930,327	70.9%	11,586,999	5,912,428	195.9%

The City and System had its Retiree Health Care Plan actuarial valuation performed for the calendar year ended December 31, 2013 as required by GASB. The funding status and funding progress was initially reported during the fiscal year ended September 30, 2013 as required by GASB. The City's and System's Retiree Health Care Plan cost for the current year is as follows:

	Fireman's and Retirement Fund
Annual required contribution (ARC)	\$1,690,361
Firefighter Contribution	(719,740)
Interest on NPO	79,634
Amortization adjustment to ARC	(54,403)
Total APC	995,852
Employer contributions	(719,740)
Net change in NPO	276,112
NPO at beginning of year	995,426
NPO at end of year	\$1,271,538

3. Retirement Savings Plan

In October 2007, the City Commission approved the establishment of a 401(a) retirement (defined contribution) plan. The effective date of the plan was January 1, 2008 and covers substantially all full time employees hired after September 30, 2007. Under the plan, employees generally may elect to exclude up to 15% of their compensation from amounts subject to federal income tax as a salary deferral contribution. The City is required by resolution to make matching contributions to the plan as follows:

<u>Employee Length of Employment</u>	<u>City Required Contribution</u>
1-5 years	5%
6-10 years	6%
11 + years	7%

Employees are 100% vested immediately. The City's total contribution to the plan during fiscal year 2014 was \$351,081.

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

NOTE X - OTHER POST EMPLOYMENT BENEFITS

1. Retiree Health Care Plan

GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB) does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The City is required to obtain an actuarial valuation at least once every two years in accordance with GASB 45 standards. The Plan is administered by Total Compensation Group. The authority for establishing or amending the plan's provisions lies with the City. The City maintains the authority for establishing or amending contribution requirements. The City's and System's latest valuations are dated December 31, 2011 and 2013, respectively and discloses the following:

Plan Description

In addition to the pension benefits described in Note W and the supplemental death benefits described in Note X.2, the City and System make available health care and prescription-drug benefits to all employees who retire from the City and System and who are receiving benefits from the City and System sponsored retirement program, Texas Municipal Retirement System ("TMRS") under a single-employer health insurance plan. All current full-time employees of the City and System are eligible for retirement and health-care and prescription-drug coverage at age 60 with five years of service or at any age with 20 years of service. Those approved for disability retirement through TMRS are also eligible for retiree health-care and prescription-drug coverage. The City and System provided group health care coverage is discontinued at the end of the month prior to the retiree's 65th birth month. A Medicare Supplement, Plan F is provided thereafter, until death. The City and System provided health-care and prescription drug coverage and the Medicare Supplement premiums are paid 100% by the City and System.

Employees who are eligible for retirement, but instead choose to terminate employment, are not eligible for City and System sponsored health care and prescription drug coverage at a later date. Retirees who elect to opt-out of the City and System sponsored health care plan do not receive any cash payment in lieu of electing the City and System sponsored health care plan.

Spouses and dependents are eligible for COBRA coverage for 18 months (or up to 36 months under certain circumstances) following members retirement date. Spouse and dependent(s) are responsible for payment of the full premium amount. Retirees are required to enroll in Medicare once eligible. Retirees pay Medicare premiums. The City and System do not provide subsidized retiree vision or dental care coverage. Nor does the City and System provide subsidized retiree life insurance coverage. Life insurance coverage carried at the time of retirement is portable. The City and System do not provide a death-in-service benefit to a surviving spouse; however, through TMRS, there is a \$7,500 death benefit as explained in Note X.2.

Funding Policy and Annual Retiree Health Care Plan Cost

The City and System's annual retiree health care plan cost is based upon the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents an accrual that, if expensed annually, will recognize the normal cost each year and an amount to amortize any unfunded actuarial liabilities (or funding excess) over thirty years. The City and System have not established a trust to fund the Retiree Health Care Plan liability and intend to continue the pay-as-you-go funding method. The plan does not issue a separate financial report.

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

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

The City and System had its Retiree Health Care Plan actuarial valuation performed for the calendar year ended December 31, 2013 as required by GASB. The funding status and funding progress was initially reported during the fiscal year ended September 30, 2010 as required by GASB. The City's and System's Retiree Health Care Plan cost for the current year is as follows:

	City of Harlingen and Airport	Harlingen Waterworks System
Annual required contribution (ARC)	\$ 618,747	\$ 726,557
Interest on Retiree Health Care Plan obligation	114,573	108,671
Adjustment to ARC	<u>(106,150)</u>	<u>(145,016)</u>
Annual Retiree Health Care Plan cost (expense) end of year	627,170	690,212
Employer contributions (pay as you go basis)	<u>(251,634)</u>	<u>(269,616)</u>
Increase in net Retiree Health Care Plan obligation	375,536	420,596
Net Retiree Health Care Plan obligation:		
As of beginning of year	<u>2,546,061</u>	<u>2,414,909</u>
As of end of year	<u>\$2,921,597</u>	<u>\$2,835,505</u>

The City's and System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2014, the year GASBS Statement No. 45 was implemented, is as follows:

<u>City and Airport</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$1,361,587	5.4%	\$2,077,267
9/30/2013	689,294	10.7%	2,546,061
9/30/2014	627,170	40.1%	2,921,597

<u>Harlingen Waterworks System</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$749,863	31.3%	\$1,955,735
9/30/2013	742,110	38.1%	2,414,909
9/30/2014	690,212	39.1%	2,835,505

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

NOTE X - OTHER POST EMPLOYMENT BENEFITS - Continued

Funding Status and Funding Progress

The funded status of the plan as of the latest valuation date is as follows:

	<u>City and Airport</u>	<u>Harlingen Waterworks System</u>
Actuarial accrued liability	\$6,312,290	\$8,507,490
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,312,290</u>	<u>\$8,507,409</u>
Funded ratio	0%	0%
Covered payroll	\$12,283,634	\$5,261,273
Unfunded actuarial accrued liability as a percentage of covered payroll	39.1%	162%

Under the reporting parameters, the City's and System's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$6,312,290 and \$8,507,409, respectively.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's and System's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and System and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and System and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Measurement date	December 31, 2013
Investment rate of return	4.5%, net of expenses
Inflation rate	3%
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of salary
Amortization period	30 year, closed
Discount rate	4.5%
Health care cost trend rate	9% initial rate, 4.5% ultimate rate,

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

NOTE X - OTHER POST EMPLOYMENT BENEFITS – Continued

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s and System’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information following the footnotes presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

2. Supplemental Death Benefit Fund

Plan Description

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

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City and System offer supplemental death benefits to employees:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes
Contribution rates:			
City	.08%	.09%	.09%
System	.06	.07	.07

Contributions

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

The City’s contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$9,075, \$9,170 and \$10,536, respectively, which equaled the required contributions each year.

The System’s contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$3,644, \$3,355 and \$2,905, respectively, which equaled the required contributions each year.

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

NOTE Y – TAX INCREMENT FINANCING REINVESTMENT ZONES

On June 21, 2006, the City created three Tax Increment Financing (TIF #1, TIF #2, and TIF #3) Reinvestment Zones (“TIF’s”) pursuant to Chapter 311 of the Texas Tax Code. The Zones were created for the purpose of dedicating a portion of the increase in real property ad valorem tax revenues generated within the zones for public infrastructure necessary to encourage accelerated residential and commercial development. Both the City of Harlingen and Cameron County are participating in the Reinvestment Zones.

The City established a 30 year life for the TIF’s beginning January 1, 2006 and ending on December 31, 2035. The City, as permitted under the Texas Tax Code, has elected to transfer 80 percent of the tax increment collected into the zones beginning with taxes levied after January 1, 2007 as compared to the base year values of January 1, 2006.

Cameron County limited their terms to 15 years beginning on January 1, 2008 and ending on December 31, 2022. The County agreed to participate by contributing 100% of the tax increment collected into the zones beginning with taxes levied after January 1, 2008 as compared to the base year.

For the current year, the amounts transferred were \$330,870 and \$314,367 from the City and County, respectively.

NOTE Z – TRANSACTIONS WITH THE HARLINGEN ECONOMIC DEVELOPMENT CORPORATION

During the year ended September 30, 2007 the City entered into an agreement with the Harlingen Economic Development Corporation (“EDC”) whereby the City would reimburse the EDC for certain amounts of financial assistance provided to a developer for targeted public infrastructure.

The City agreed to reimburse the EDC up to \$3,000,000 for qualifying targeted public infrastructure improvements. At September 30, 2014 targeted qualifying infrastructure improvements for the project totaled \$1,208,323.

The City has recorded a long-term payable to the EDC in the government wide financial statements. Correspondingly, the EDC has recorded a long-term receivable from the City.

NOTE AA – COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Actual capital outlay amounts in the general fund exceeded final budget due to unexpected capital outlays related to a communication tower totaling \$1,498,792, subdivision infrastructure contributions of \$685,544, street contributions in the amount of \$127,273 and other improvements totaling \$17,385.

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

NOTE AA – COMPLIANCE AND ACCOUNTABILITY - Continued

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits :

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Certificates of Obligation bonds Series 2010 Project Fund	\$(153,925)	Pending reimbursement from other fund
Communication Center	\$ (65,059)	Pending reimbursement from other fund

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress
September 30, 2014

Funding Progress - An analysis of funding progress for the entities as of September 30, 2014, follows.

City of Harlingen and Valley International Airport

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/09	\$37,439,996	\$46,661,343	\$(9,221,347)	80.24%	\$14,017,180	65.79%
12/31/10	39,879,169	49,478,764	(9,599,595)	80.60	14,363,463	66.83
12/31/11	67,557,615	68,863,426	(1,305,811)	98.10	13,475,374	9.69
12/31/12	71,016,067	71,284,385	(268,318)	99.62	12,930,892	2.08
12/31/13	74,255,351	74,262,201	(6,850)	99.99	12,267,655	0.10

Harlingen Waterworks System

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/09	\$10,875,238	\$12,067,990	\$(1,192,752)	90.12	\$5,178,302	23.03
12/31/10	18,117,479	17,217,392	900,087	105.23	5,030,408	(17.89)
12/31/11	19,016,723	17,217,392	1,799,331	110.45	4,805,717	(37.44)
12/31/12	19,857,429	18,471,675	1,385,754	107.50	4,916,937	(28.18)
12/31/13	20,886,284	20,346,493	539,791	102.7	5,261,273	(10.26)

Combined

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over/ (Unfunded) AAL	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Excess/ Unfunded AAL as Percentage of Covered Payroll (3)/(5)
12/31/09	\$48,315,234	\$58,729,333	\$(10,414,099)	82.27	\$19,195,482	54.25
12/31/10	57,996,648	66,696,156	(8,699,508)	86.96	19,393,871	44.86
12/31/11	86,574,338	86,080,818	493,520	100.57	18,281,091	(2.70)
12/31/12	90,873,496	89,756,060	1,117,436	101.24	17,847,829	(6.26)
12/31/13	95,141,635	94,608,694	532,941	100.56	17,528,928	(3.04)

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress - Continued
September 30, 2014

Funding progress information for the City of Harlingen Firemen's pension plan is presented below:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Date</u>	<u>Assets</u>	<u>Entry Age</u>	<u>(UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Payroll</u>
12/31/05	17,840,652	22,300,316	(4,459,664)	80.0%	4,157,424	107.3%
12/31/07	21,269,781	26,391,457	(5,121,676)	80.6%	4,711,611	108.7%
12/31/09	20,187,246	30,948,888	(10,761,642)	65.2%	4,864,179	221.2%
12/31/11	22,270,694	34,223,995	(11,953,301)	65.1%	4,925,968	242.7%
12/31/13	28,343,328	39,930,327	(11,586,999)	70.9%	5,912,428	195.9%

The note disclosures for this pension trust fund have been limited. A stand-alone report for the Firemen's Relief and Retirement Fund is publicly available at City Hall located at 118 E. Tyler, Harlingen, Texas 78550, and complies with GASB Statement No. 67 *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25.

Funding Status and Funding Progress – Retiree Health Care Plan

The funded status of the City and System's retiree health care plan, under GASB Statement No. 45 is as follows:

	City and Airport	Harlingen Waterworks System
Actuarial accrued liability	\$6,312,290	\$8,507,409
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,312,290</u>	<u>\$8,507,409</u>
Funded ratio	0%	0%
Covered payroll	\$12,283,434	\$5,261,273
Unfunded actuarial accrued liability as a percentage of covered payroll	9.7%	152%
Measurement date	December 31, 2013	September 30, 2014

Under the reporting parameters, the City's and System's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$6,312,290 and \$8,507,409, respectively.

City of Harlingen, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes - including penalty and interest	\$ 13,310,350	\$ 13,310,350	\$ 13,356,797	\$ 46,447
Nonproperty taxes	19,218,902	19,218,902	19,440,451	221,549
Fines and forfeitures	2,055,026	2,055,026	1,681,265	(373,761)
Licenses and permits	553,975	553,975	564,486	10,511
Charges for services	1,893,051	2,447,719	2,579,831	132,112
Intergovernmental	637,584	600,192	583,121	(17,071)
Contributions and donations	-	-	831,217	831,217
Miscellaneous	154,385	154,385	294,913	140,528
Interest and investment income	<u>35,300</u>	<u>35,300</u>	<u>22,098</u>	<u>(13,202)</u>
Total revenues	37,858,573	38,375,849	39,354,179	978,330
Expenditures				
Current				
General government	5,150,687	5,484,814	5,617,973	(133,159)
Public safety	21,672,987	22,128,119	21,448,737	679,382
Highways and streets	3,336,000	3,342,335	3,214,699	127,636
Health and welfare	3,147,637	3,114,968	2,906,812	208,156
Culture and recreation	4,061,217	4,101,653	3,844,256	257,397
Capital outlay	<u>284,000</u>	<u>393,938</u>	<u>2,714,934</u>	<u>(2,320,996)</u>
Total expenditures	37,652,528	38,565,827	39,747,411	(1,181,584)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	206,045	(189,978)	(393,232)	(203,254)
Other financing sources (uses)				
Transfers in	1,110,276	1,090,276	1,325,796	235,520
Transfers (out)	(1,196,749)	(1,585,257)	(1,032,116)	553,141
Proceeds from capital lease	-	-	1,483,892	1,483,892
Sale of capital assets	<u>30,000</u>	<u>30,000</u>	<u>15,125</u>	<u>(14,875)</u>
Total other financing sources (uses)	(56,473)	(464,981)	1,792,697	2,257,678
NET CHANGE IN FUND BALANCE	<u>\$ 149,572</u>	<u>\$ (654,959)</u>	1,399,465	<u>\$ 2,054,424</u>
Fund balances, beginning of year			<u>15,784,171</u>	
Fund balance, end of year			<u>\$ 17,183,636</u>	

City of Harlingen, Texas
COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 1,054,174	\$ 1,054,174	\$ 1,370,142	\$ 315,968
Miscellaneous and program revenues	51,377	51,377	63,298	11,921
Interest and investment income	<u>8,518</u>	<u>8,518</u>	<u>6,938</u>	<u>(1,580)</u>
Total revenues	1,114,069	1,114,069	1,440,378	326,309
Expenditures				
Current				
General government	279,621	954,499	222,237	732,262
Health and welfare	757,921	1,429,877	712,705	717,172
Capital outlay	<u>75,000</u>	<u>227,199</u>	<u>460,388</u>	<u>(233,189)</u>
Total expenditures	<u>1,112,542</u>	<u>2,611,575</u>	<u>1,395,330</u>	<u>1,216,245</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,527</u>	<u>\$ (1,497,506)</u>	45,048	<u>\$ 1,542,554</u>
Fund balance, beginning of year			<u>17,036</u>	
Fund balance, end of year			<u>\$ 62,084</u>	

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

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Community Development Block Grant, Tennis Court Revenue, Hotel/Motel Occupancy Tax, M.P.O., Catastrophic Emergency Relief, Harlingen Downtown, Special Investigation, and Freetrade Bridge, COPS/UHP, Convention and Visitors Bureau, Communication Center, and Infrastructure as well as for all enterprise and internal service funds. These budgets, except for Community Development Block Grant Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements. Budgets for Community Development Block Grant Fund are legally adopted on a program (entitlement) basis rather than on an annual basis. The budgets reflected on the schedule of revenues, expenditures and changes in fund balance represent the remaining unexpended program budget at the beginning of the current fiscal year. Unexpended appropriations do not lapse at the end of the fiscal year for these funds. The City Commission approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been extended to a functional basis (General Government, Public Safety, etc.)

On or before the end of May of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Commission.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

Budget to actual variances

Actual capital outlay amounts in the general fund exceeded final budget due to unexpected capital outlays related to a communication tower totaling \$1,498,792, subdivision infrastructure contributions of \$685,544, street contributions in the amount of \$127,273 and other improvements totaling \$17,385.

Deficit Fund Equity

A deficit balance in unrestricted net position/fund balance occurred in the following funds for the year ended September 30, 2014 by the indicated amounts:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Certificates of Obligation bonds Series 2010 Project Fund	\$153,925	Pending reimbursement from other fund
Communication Center	\$ 65,059	Pending reimbursement from other fund

**OTHER SUPPLEMENTARY
INFORMATION**

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NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City has the following special revenue funds:

The ***Tennis Court Revenue Fund*** is used to account for the City's percentage of total revenue from municipal tennis court fees and expenditures for the maintenance and upkeep of the tennis courts.

The ***Hotel/Motel Occupancy Tax Fund*** is used to account for the 7% occupancy tax monies received from hotels and motels. The fund distributes a majority of the 7% through a contract with the Chamber of Commerce for tourist promotion. The remainder of the monies are expended for other promotional expenses.

The ***Convention & Visitors Bureau Fund*** is used to account for a portion of the Hotel/Motel occupancy taxes allocated by the City for the specific use of encouraging and promoting tourism and conventions to the City. On January 1, 2010, this fund was created when the department was moved from the Harlingen Area Chamber of Commerce and brought into the control of the City of Harlingen.

The ***M. P. O. Grant Fund*** (Metropolitan Planning Organization) is used to account for grant monies received from a Federal-Aid Highway Act grant. The grant funds are used for studies and plans to guide the unified, far-reaching development of the Harlingen-Harlingen traffic area.

The ***Catastrophic Emergency Relief Fund*** is used to account for funds transferred from other funds and for monies received from grants. The fund will account for expenditures specifically authorized by ordinance, generally encompassing capital improvements and catastrophic emergency type expenditures.

The ***Harlingen Downtown Fund*** is used to account for funds assessed and collected from downtown merchants and property owners to improve the quality of the downtown area and attract and promote new and existing business to the downtown area.

The ***Special Investigation Fund*** is used to account for monies received by the Harlingen Police Department. These funds are used to finance police investigations, equipment, and rewards in the "Crimestoppers" program.

The ***Communication Center Fund*** is used to account for monies received for the rental of tower space at the City's new Communication Center. The monies will be expended on repairs and maintenance of the tower.

The ***Community Oriented Policing Services/Universal Hiring Program (COPS/UHP) Fund*** is used to account for funds awarded to the City to hire six additional sworn career law enforcement officer positions. The grant is on a reimbursement basis and pays for the entry-level salaries and approved fringe benefits of the six officer positions for a three year term.

The ***FEMA Jefferson St Drainage*** is used to account for State Disaster funding awarded through the Texas Department of Public Safety - Division of Emergency Management. This funding enables the Hazard Mitigation-Jefferson Street Drainage project to be completed in its entirety. The total amount of funds award to the City was \$1,725,000.00.

The ***Free Trade Bridge Fund*** is used to account for the City's participation in the construction of the Los Indios Bridge. This project is a cooperative effort encompassing two other governmental entities.

The ***Infrastructure Fund*** is intended to maintain many of the City's existing infrastructures. The fund is financed with a special assessment on the Sanitation bill as a separate monthly line item.

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS - CONTINUED

The *Lon C. Hill Library Fund* is used to account for monies donated to benefit the library.

The *Red Light Enforcement Fund* is used to account for monies received from penalties assessed for red light violations. These funds go towards paying for the operations of the red light program and any excess funds must be utilized for traffic education, traffic engineering improvements, and traffic enforcement.

The *Tax Increment Financing Reinvestment Zone #1 (TIF #1) Fund* is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #1 is an area along and either side of the north leg of Loop 499 continuing along the east leg of the Loop, primarily on the east side south of the airport and containing approximately 2,170 acres.

The *Tax Increment Financing Reinvestment Zone #2 (TIF #2) Fund* is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #2 is an area primarily between FM 801 (Ed Carey) and FM 509 both north and south of Expressway 77/83 and containing approximately 1,183 acres.

The *Tax Increment Financing Reinvestment Zone #3 (TIF #3) Fund* is used to account for revenue that provide development incentives and funding for infrastructure improvements lacking in the selected area. TIF #3 is an area north and south of Expressway 83 west of Expressway 77/83 with a smaller area east of Expressway 77/83 and containing approximately 670 acres.

The *Neighborhood Stabilization Program Fund* is used to account for funds provided through the Texas Department of Housing and Community Affairs (TDHCA). The program funds are intended to demolish unsafe structures, purchase foreclosed homes, rehabilitate them if necessary, and provide homebuyer assistance.

The *TxDot 25th Street Pedestrian and Bicycle Trail Grant* are used to account for funds provided through the Texas Department of Transportation. The purpose of this Transportation Enhancement Project is to provide safer transportation on a hard surfaced all-weather trail and road crossings for children and adults to neighborhoods, schools and parks. Trail will link key destinations within the City to include schools, the Valley International Airport, the Texas State Technical College, the World Birding Center, the Marine Military Academy, area neighborhoods, and ultimately, the City's downtown.

The *TxDot 3rd Street Drainage Project Grant* is used to account for funds provided through the Texas Department of Transportation. The purpose of this project is create bicycle lanes and signage, placards, bridge and street lighting fixtures, utilities, and medians with landscaping and irrigation systems.

CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City has the following capital projects funds:

The *Capital Improvement Fund* is used to account for the construction of major capital improvements by the City of Harlingen.

The *Street Improvement Fund* is used to account for the improvement and repairing of streets within the City of Harlingen. This fund was initiated during the fiscal year ended September 30, 1998.

CAPITAL PROJECTS FUNDS -CONTINUED

The *TDRA Northwest Area Drainage Fund* is used to account for State Disaster funding awarded through the Texas Department of Rural Affairs (TDRA). This funding enables the Northwest Area Drainage project to be completed in its entirety.

The *Certificates of Obligation Projects, Series 1999 Fund* is used to account for the construction of various bond projects.

The *Certificates of Obligation Projects, Series 2001 Fund* is used to account for the construction of various bond projects.

The *Certificate of Obligation Projects, Series 2007 Fund* is used to account for the proceeds of the bond issuance, which is to be used for the construction of major capital assets.

The *Certificate of Obligation Projects, Series 2012 Fund* is used to account for the proceeds of the bond issuance, which is to be used for the construction of major capital assets.

The *Certificate of Obligation Projects, Series 2013 Fund* is used to account for the proceeds of the bond issuance, which is to be used for the construction of major capital assets.

The *Certificate of Obligation Projects, Series 2010 Fund* is used to account for the construction of various bond projects.

The *General Obligation Bonds, Series 2004 Fund* is used to account for the construction of various bond projects.

The *General Obligation Bonds, Series 2005 Fund* is used to account for the construction of various bond projects.

The *General Obligation Bonds, Series 2006 Fund* is used to account for the construction of various bond projects.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources when the City is obligated in some manner for the payment.

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

	Special Revenue Funds								
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	M.P.O.	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communi-cation Center	COPS/UHP Grant
ASSETS									
Cash and cash equivalents	\$ 158,339	\$ 284,819	\$ 509,015	\$ -	\$ 858,345	\$ 205,280	\$ 390,809	\$ -	\$ -
Receivables (net of allowance for uncollectibles)									
Accounts	20	94,597	-	-	-	724	-	-	-
Due from other governments	-	-	-	62,708	-	-	-	-	16,013
Due from component units	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	250	-	-	-	-	-
TOTAL ASSETS	<u>\$ 158,359</u>	<u>\$ 379,416</u>	<u>\$ 509,015</u>	<u>\$ 62,958</u>	<u>\$ 858,345</u>	<u>\$ 206,004</u>	<u>\$ 390,809</u>	<u>\$ -</u>	<u>\$ 16,013</u>
LIABILITIES									
Accounts payable	\$ 394	\$ 758	\$ 11,436	\$ 2,149	\$ -	\$ 1,676	\$ 42,765	\$ -	\$ -
Due to other funds	-	-	-	58,199	-	-	-	65,069	14,955
Accrued expenditures	-	-	4,412	2,511	-	2,523	-	-	1,058
TOTAL LIABILITIES	394	758	15,848	62,859	-	4,199	42,765	65,069	16,013
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-
Unavailable revenue - other	-	-	-	-	-	-	-	-	-
TOTAL INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
FUND BALANCE (DEFICIT)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	157,965	378,658	493,167	-	-	201,805	348,044	-	-
Committed	-	-	-	-	858,345	-	-	-	-
Unassigned	-	-	-	99	-	-	-	(65,069)	-
Total fund balance (deficit)	<u>157,965</u>	<u>378,658</u>	<u>493,167</u>	<u>99</u>	<u>858,345</u>	<u>201,805</u>	<u>348,044</u>	<u>(65,069)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 158,359</u>	<u>\$ 379,416</u>	<u>\$ 509,015</u>	<u>\$ 62,958</u>	<u>\$ 858,345</u>	<u>\$ 206,004</u>	<u>\$ 390,809</u>	<u>\$ -</u>	<u>\$ 16,013</u>

FEMA Jefferson St Drainage	Free Trade Bridge	Infrastru- cture	Lon C.Hill Library	Red Light Enforce- ment	Tax Increment Financing Reinvestment Zone			Neighborhood Stabilization Fund	TxDot 25th St Trail Grant	TxDot 3rd St Drainage	Total
					#1	#2	#3				
\$ 3,782	\$ 267,977	\$ 87,775	\$ 142,174	\$ 55,691	\$ 422,680	\$ 744,668	\$ 137,152	\$ -	\$ -	\$ -	\$ 4,268,506
-	-	-	-	-	-	-	-	-	-	107,056	202,397
2,321	-	650	-	-	43,841	46,000	81,503	98,354	-	-	351,390
-	-	22,899	-	-	-	-	-	-	-	-	22,899
-	-	-	-	-	-	-	-	-	-	-	250
<u>\$ 6,103</u>	<u>\$ 267,977</u>	<u>\$ 111,324</u>	<u>\$ 142,174</u>	<u>\$ 55,691</u>	<u>\$ 466,521</u>	<u>\$ 790,668</u>	<u>\$ 218,655</u>	<u>\$ 98,354</u>	<u>\$ -</u>	<u>\$ 107,056</u>	<u>\$ 4,845,442</u>
\$ -	\$ 9,683	\$ 19,469	\$ 2,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,957
-	-	-	-	-	-	-	-	98,354	-	107,056	343,633
-	-	-	-	25,327	-	-	-	-	-	-	35,831
-	9,683	19,469	2,627	25,327	-	-	-	98,354	-	107,056	470,421
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
6,103	-	-	139,547	30,364	466,521	790,668	218,655	-	-	-	3,231,497
-	258,294	91,855	-	-	-	-	-	-	-	-	1,208,494
-	-	-	-	-	-	-	-	-	-	-	(64,970)
<u>6,103</u>	<u>258,294</u>	<u>91,855</u>	<u>139,547</u>	<u>30,364</u>	<u>466,521</u>	<u>790,668</u>	<u>218,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,375,021</u>
<u>\$ 6,103</u>	<u>\$ 267,977</u>	<u>\$ 111,324</u>	<u>\$ 142,174</u>	<u>\$ 55,691</u>	<u>\$ 466,521</u>	<u>\$ 790,668</u>	<u>\$ 218,655</u>	<u>\$ 98,354</u>	<u>\$ -</u>	<u>\$ 107,056</u>	<u>\$ 4,845,442</u>

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
September 30, 2014

	Capital projects funds				
	Capital	Street	TDRA	Certificates	Certificates
	Improvement	Improvement	Northwest	of Obligation	of Obligation
Fund	Fund	Area	Projects,	Projects,	
		Drainage	Series 1999	Series 2001	
			Fund	Fund	
ASSETS					
Cash and cash equivalents	\$ 389,154	\$ 122,298	\$ -	\$ 241,957	\$ 867,391
Receivables (net of allowance for uncollectibles)					
Taxes	-	23,414	-	-	-
Accounts	-	11	-	-	-
Due from other governments	-	-	-	-	-
Due from component unit	-	-	-	-	-
Prepaid items	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 389,154</u>	<u>\$ 145,723</u>	<u>\$ -</u>	<u>\$ 241,957</u>	<u>\$ 867,391</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - other	-	22,647	-	-	-
	<u>-</u>	<u>22,647</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INFLOWS OF RESOURCES	<u>-</u>	<u>22,647</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Restricted	389,154	-	-	241,957	867,391
Committed	-	123,076	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>389,154</u>	<u>123,076</u>	<u>-</u>	<u>241,957</u>	<u>867,391</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 389,154</u>	<u>\$ 145,723</u>	<u>\$ -</u>	<u>\$ 241,957</u>	<u>\$ 867,391</u>

Continued

Capital projects funds								
Certificates of Obligation Projects, Series 2007 Fund	Certificates of Obligation Projects, Series 2010 Fund	Certificates of Obligation Projects, Series 2012 Fund	Certificates of Obligation Projects, Series 2013 Fund	G.O. Bond Series 2006 Fund	G.O. Bond Series 2007 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ 1,739,895	\$ -	\$ 11,696	\$ 375,398	\$ 1,199,136	\$ 788,136	\$ 5,735,061	\$ 994,226	\$ 10,997,793
-	-	-	-	-	-	23,414	368,095	391,509
-	-	-	-	-	-	11	2,098	204,506
-	7,186	-	-	-	-	7,186	-	358,576
-	-	-	-	-	-	-	-	22,899
-	-	-	-	-	-	-	-	250
<u>\$ 1,739,895</u>	<u>\$ 7,186</u>	<u>\$ 11,696</u>	<u>\$ 375,398</u>	<u>\$ 1,199,136</u>	<u>\$ 788,136</u>	<u>\$ 5,765,672</u>	<u>\$ 1,364,419</u>	<u>\$ 11,975,533</u>
\$ -	\$ -	\$ -	\$ 97,273	\$ -	\$ 98	\$ 97,371	\$ -	\$ 188,328
-	161,111	-	-	-	-	161,111	-	504,744
-	-	-	-	-	-	-	-	35,831
-	161,111	-	97,273	-	98	258,482	-	728,903
-	-	-	-	-	-	-	355,420	355,420
-	-	-	-	-	-	22,647	-	22,647
-	-	-	-	-	-	22,647	355,420	378,067
1,739,895	-	11,696	278,125	1,199,136	788,038	5,515,392	1,008,999	9,755,888
-	-	-	-	-	-	123,076	-	1,331,570
-	(153,925)	-	-	-	-	(153,925)	-	(218,895)
<u>1,739,895</u>	<u>(153,925)</u>	<u>11,696</u>	<u>278,125</u>	<u>1,199,136</u>	<u>788,038</u>	<u>5,484,543</u>	<u>1,008,999</u>	<u>10,868,563</u>
<u>\$ 1,739,895</u>	<u>\$ 7,186</u>	<u>\$ 11,696</u>	<u>\$ 375,398</u>	<u>\$ 1,199,136</u>	<u>\$ 788,136</u>	<u>\$ 5,765,672</u>	<u>\$ 1,364,419</u>	<u>\$ 11,975,533</u>

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the fiscal year ending September 30, 2014

	Special Revenue Funds								
	Tennis Court Revenue	Hotel/Motel Occupancy Tax	Convention Visitors Bureau	M.P.O.	Catastrophic Emergency Relief	Harlingen Downtown	Special Investigation Fund	Communi-cation Center	COPS/UHP Grant
Revenues									
Nonproperty taxes	\$ -	\$ 944,692	\$ -	\$ -	\$ -	\$ 22,623	\$ -	\$ -	\$ -
Charges for services	10,406	-	-	-	-	-	-	17,773	-
Intergovernmental	-	-	-	249,709	6,501	-	-	-	74,730
Contributions and donations	70,000	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	297,762	-	-
Interest and investment income	108	162	225	-	489	76	200	5	-
Total revenues	80,514	944,854	225	249,709	6,990	22,699	297,962	17,778	74,730
Expenditures									
Current									
General government	-	-	512,905	-	-	198,363	-	-	-
Public safety	-	-	-	-	-	-	164,203	116,458	74,730
Highways and streets	-	-	-	249,709	4,941	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-
Culture and recreation	32,784	140,066	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	120,875	-	-
Debt service									
Principal retirement	-	-	-	-	-	-	133,059	-	-
Interest and fiscal agent fees	-	-	-	-	-	-	35,613	-	-
Total expenditures	32,784	140,066	512,905	249,709	4,941	198,363	453,750	116,458	74,730
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,730	804,788	(512,680)	-	2,049	(175,664)	(155,788)	(98,680)	-
Other financing sources (uses)									
Transfer in	26,000	-	513,000	-	-	217,975	-	-	-
Transfer (out)	(70,000)	(776,000)	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	99	-	-	-	-	-
Total other financing sources (uses)	(44,000)	(776,000)	513,000	99	-	217,975	-	-	-
NET CHANGE IN FUND BALANCES	3,730	28,788	320	99	2,049	42,311	(155,788)	(98,680)	-
Fund balance, beginning of year	154,235	349,870	492,847	-	856,296	159,494	503,832	33,611	-
Fund balance, end of year	\$ 157,965	\$ 378,658	\$ 493,167	\$ 99	\$ 858,345	\$ 201,805	\$ 348,044	\$ (65,069)	\$ -

Continued

FEMA Jefferson St Drainage	Free Trade Bridge	Infrastru- cture	Lon C.Hill Library	Red Light Enforce- ment	Tax Increment Financing Reinvestment Zone			Neighborhood Stabilization Fund	TxDot 25th St Trail Grant	TxDot 3rd St Drainage	Total
					#1	#2	#3				
\$ -	\$ -	\$ 273,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,240,526
-	168,295	-	-	-	-	-	-	-	-	-	196,474
-	-	-	-	-	43,841	46,000	81,503	2,461	4,654	107,390	616,789
-	-	-	-	-	-	-	-	-	-	-	70,000
-	-	-	28,840	-	-	-	-	-	-	-	326,602
<u>2</u>	<u>125</u>	<u>147</u>	<u>72</u>	<u>157</u>	<u>229</u>	<u>406</u>	<u>207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,610</u>
2	168,420	273,358	28,912	157	44,070	46,406	81,710	2,461	4,654	107,390	2,453,001
-	-	-	-	-	-	-	338	-	-	-	711,606
-	-	-	-	-	-	-	-	-	-	-	355,391
-	78,796	458,163	-	-	-	-	-	-	-	-	791,609
-	-	-	-	-	-	-	-	2,461	-	-	2,461
-	-	-	19,366	-	-	-	-	-	-	-	192,216
-	-	20,974	-	-	-	-	70,000	-	4,654	143,187	359,690
-	-	-	-	-	-	-	-	-	-	-	133,059
-	-	-	-	-	-	-	-	-	-	-	35,613
<u>-</u>	<u>78,796</u>	<u>479,137</u>	<u>19,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,338</u>	<u>2,461</u>	<u>4,654</u>	<u>143,187</u>	<u>2,581,645</u>
2	89,624	(205,779)	9,546	157	44,070	46,406	11,372	-	-	(35,797)	(128,644)
-	-	-	-	-	72,377	112,855	129,135	-	-	35,797	1,107,139
-	-	(45,000)	-	-	-	-	(228,396)	-	-	-	(1,119,396)
-	-	-	-	-	-	-	-	-	-	-	99
<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>72,377</u>	<u>112,855</u>	<u>(99,261)</u>	<u>-</u>	<u>-</u>	<u>35,797</u>	<u>(12,158)</u>
2	89,624	(250,779)	9,546	157	116,447	159,261	(87,889)	-	-	-	(140,802)
<u>6,101</u>	<u>168,670</u>	<u>342,634</u>	<u>130,001</u>	<u>30,207</u>	<u>350,074</u>	<u>631,407</u>	<u>306,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,515,823</u>
<u>\$ 6,103</u>	<u>\$ 258,294</u>	<u>\$ 91,855</u>	<u>\$ 139,547</u>	<u>\$ 30,364</u>	<u>\$ 466,521</u>	<u>\$ 790,668</u>	<u>\$ 218,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,375,021</u>

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
For the fiscal year ending September 30, 2014

	Capital Projects Funds				
	Capital Improvement Fund	Street Improvement Fund	TDRA Northwest Area Drainage	Certificates of Obligation Projects, Series 1999 Fund	Certificates of Obligation Projects Series 2001 Fund
Revenues					
Property taxes	\$ -	\$ 5,059	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	104,108	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest and investment income	222	106	-	136	319
Total revenues	222	5,165	104,108	136	319
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	595,794	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	104,108	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	595,794	104,108	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	222	(590,629)	-	136	319
Other financing sources (uses)					
Transfers in	-	547,774	-	-	-
Transfers (out)	-	-	-	(150,000)	-
Refunding Bond Proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	-	547,774	-	(150,000)	-
NET CHANGE IN FUND BALANCES	222	(42,855)	-	(149,864)	319
Fund balance, beginning of year	388,932	165,931	-	391,821	867,072
Fund balance, end of year	<u>\$ 389,154</u>	<u>\$ 123,076</u>	<u>\$ -</u>	<u>\$ 241,957</u>	<u>\$ 867,391</u>

Continued

Capital Projects Funds								
Certificates of Obligation Projects Series 2007 Fund	Certificates of Obligation Projects Series 2010 Fund	Certificates of Obligation Projects Series 2012 Fund	Certificates of Obligation Projects Series 2013 Fund	G.O. Bond Series 2006 Fund	G.O. Bond Series 2007 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,059	\$ 3,968,457	\$ 3,973,516
-	-	-	-	-	-	-	-	1,240,526
-	-	-	-	-	-	-	-	196,474
-	-	-	-	-	-	104,108	-	720,897
-	-	-	-	-	-	-	-	70,000
4,000	-	-	-	-	-	4,000	-	330,602
1,376	-	3	240	564	424	3,390	905	6,905
5,376	-	3	240	564	424	116,557	3,969,362	6,538,920
-	-	-	740	-	-	740	-	712,346
-	-	-	-	-	-	-	-	355,391
-	-	-	-	-	-	595,794	-	1,387,403
-	-	-	-	-	-	-	-	2,461
-	28,496	-	-	-	-	28,496	-	220,712
-	-	-	2,044,148	-	424	2,148,680	-	2,508,370
-	-	-	-	-	-	-	2,169,054	2,302,113
-	-	-	-	-	-	-	1,836,970	1,872,583
-	28,496	-	2,044,888	-	424	2,773,710	4,006,024	9,361,379
5,376	(28,496)	3	(2,044,648)	564	-	(2,657,153)	(36,662)	(2,822,459)
-	70,000	-	-	-	-	617,774	-	1,724,913
(35,797)	-	-	-	-	-	(185,797)	-	(1,305,193)
-	-	-	-	-	-	-	3,273,794	3,273,794
-	-	-	-	-	-	-	(3,200,946)	(3,200,847)
(35,797)	70,000	-	-	-	-	431,977	72,848	492,667
(30,421)	41,504	3	(2,044,648)	564	-	(2,225,176)	36,186	(2,329,792)
1,770,316	(195,429)	11,693	2,322,773	1,198,572	788,038	7,709,719	972,813	13,198,355
<u>\$ 1,739,895</u>	<u>\$ (153,925)</u>	<u>\$ 11,696</u>	<u>\$ 278,125</u>	<u>\$ 1,199,136</u>	<u>\$ 788,038</u>	<u>\$ 5,484,543</u>	<u>\$ 1,008,999</u>	<u>\$ 10,868,563</u>

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INTERNAL SERVICE FUNDS

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City has the following internal service funds:

The **Motor Vehicle/Warehouse Fund** is used to account for the monies received in servicing motorized vehicles and other equipment required for various departments of the City together with those related costs associated with the maintenance and repair of such vehicles and equipment.

The **Health Insurance Fund** is used to account for the monies received in providing medical insurance to the City's employees and families through a medical benefit program of a commercial carrier.

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,904,804	\$ 561,416	\$ 4,466,220
Receivables (net of allowances for uncollectibles)			
Accounts	26,582	9,171	35,753
Prepaid expenses	-	805	805
Inventories	<u>178,113</u>	<u>-</u>	<u>178,113</u>
Total current assets	4,109,499	571,392	4,680,891
Non current assets			
Investments	-	-	-
Capital assets	19,629,763	-	19,629,763
Accumulated depreciation	<u>(12,766,895)</u>	<u>-</u>	<u>(12,766,895)</u>
Capital assets (net of accumulated depreciation)	<u>6,862,868</u>	<u>-</u>	<u>6,862,868</u>
Total non current assets	<u>6,862,868</u>	<u>-</u>	<u>6,862,868</u>
 TOTAL ASSETS	 <u>\$ 10,972,367</u>	 <u>\$ 571,392</u>	 <u>\$ 11,543,759</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 32,852	\$ 7,236	\$ 40,088
Due to other funds	-	25,000	25,000
Compensated absences	36,478	-	36,478
Accrued expenses	<u>7,712</u>	<u>-</u>	<u>7,712</u>
Total current liabilities	77,042	32,236	109,278
Long-term liabilities			
Net pension obligation	<u>36,022</u>	<u>-</u>	<u>36,022</u>
Total liabilities	113,064	32,236	145,300
NET POSITION			
Net investment in capital assets	6,862,868	-	6,862,868
Unrestricted	<u>3,996,435</u>	<u>539,156</u>	<u>4,535,591</u>
Total net position	<u>10,859,303</u>	<u>539,156</u>	<u>11,398,459</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 10,972,367</u>	 <u>\$ 571,392</u>	 <u>\$ 11,543,759</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For the fiscal year ending September 30, 2014

	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Operating revenues			
Current use charges	\$ 4,010,313	\$ 3,833,623	\$ 7,843,936
Operating expenses			
Personal services	377,779	-	377,779
Contracted services	67,898	3,864,432	3,932,330
Materials and supplies	2,239,157	-	2,239,157
Other expenses	92,999	-	92,999
Depreciation expense	<u>1,754,587</u>	<u>-</u>	<u>1,754,587</u>
Total operating expenses	<u>4,532,420</u>	<u>3,864,432</u>	<u>8,396,852</u>
Operating income (loss)	(522,107)	(30,809)	(552,916)
Nonoperating revenues (expenses)			
Interest revenue	2,788	315	3,103
Gain of sale/disposal of capital assets	<u>9,644</u>	<u>-</u>	<u>9,644</u>
Total nonoperating revenues	<u>12,432</u>	<u>315</u>	<u>12,747</u>
Income before transfers and capital contributions	(509,675)	(30,494)	(540,169)
Transfers and capital contributions			
Transfers in	-	81,000	81,000
Capital contributions	<u>769,246</u>	<u>-</u>	<u>769,246</u>
Total transfers and capital contributions	<u>769,246</u>	<u>81,000</u>	<u>850,246</u>
NET INCOME (LOSS)	259,571	50,506	310,077
Total net position, beginning of year	<u>10,599,732</u>	<u>488,650</u>	<u>11,088,382</u>
Total net position, end of year	<u>\$ 10,859,303</u>	<u>\$ 539,156</u>	<u>\$ 11,398,459</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ending September 30, 2014

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Cash flows from operating activities			
Received from customers	\$ 4,001,442	\$ 3,832,832	\$ 7,834,274
Payments to suppliers	(3,407,035)	(3,867,484)	(7,274,519)
Payments to employees	<u>(379,584)</u>	-	<u>(379,584)</u>
Net cash provided by operations	214,823	(34,652)	180,171
Cash flows from noncapital financing activities			
Transfers from other funds	-	81,000	81,000
Cash flows from capital and related financing activities			
Purchases of capital assets	(989,947)	-	(989,947)
Proceeds from sale of capital assets	<u>9,644</u>	-	<u>9,644</u>
Net cash provided (used) by capital and related financing activities	(980,303)	-	(980,303)
Cash flows from investing activities			
Purchase of investments	1,532,691	-	1,532,691
Interest received	<u>2,788</u>	<u>315</u>	<u>3,103</u>
Net cash provided (used) by investing activities	<u>1,535,479</u>	<u>315</u>	<u>1,535,794</u>
Net increase (decrease) in cash and cash equivalents	769,999	46,663	816,662
Cash and cash equivalents, beginning of year	<u>3,134,805</u>	<u>514,753</u>	<u>3,649,558</u>
Cash and cash equivalents, end of year	<u>\$ 3,904,804</u>	<u>\$ 561,416</u>	<u>\$ 4,466,220</u>
Reconciliation of operating income to net cash provided			
by operating activities:			
Operating income (loss)	\$ (522,107)	\$ (30,809)	\$ (552,916)
Adjustments to reconcile net income from			
operations to net cash from operating activities			
Depreciation	742,214	-	742,214
(Increase) decrease in receivables	(8,871)	(791)	(9,662)
(Increase) decrease in inventories	(16,370)	-	(16,370)
(Increase) decrease in prepaid expenses	-	(805)	(805)
Increase (decrease) in accounts payable	21,762	(2,247)	19,515
Increase (decrease) in net other post employment benefits	(3,448)	-	(3,448)
Increase (decrease) in accrued expenses	<u>1,643</u>	-	<u>1,643</u>
Total adjustments	<u>736,930</u>	<u>(3,843)</u>	<u>733,087</u>
Net cash provided (used) by operations	<u>\$ 214,823</u>	<u>\$ (34,652)</u>	<u>\$ 180,171</u>
<i>Supplemental disclosure of noncash activities:</i>			
<i>Contributed capital from other funds</i>	\$ 769,246	\$ -	\$ 769,246

**SUPPLEMENTARY
INDIVIDUAL
GOVERNMENTAL
FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

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City of Harlingen, Texas
GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 11,889,103	\$ 7,229,289
Investments	4,159,950	6,213,862
Receivables (net of allowances)		
Taxes, including penalty, interest and fees	1,077,235	1,080,528
Accounts	1,190,299	1,127,807
Due from other governments	1,296,171	1,249,527
Due from other funds	821,732	1,774,657
Due from component units	66,328	142,472
Loans receivable	17,272	17,272
Prepaid items	19,599	14,336
 TOTAL ASSETS	 \$ 20,537,689	 \$ 18,849,750
LIABILITIES		
Accounts payable	510,976	\$ 565,685
Accrued expenditures	527,662	403,360
Other liabilities	591,753	407,948
Unearned revenue	480,316	535,117
 TOTAL LIABILITIES	 2,110,707	 1,912,110
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,038,574	1,030,389
Unavailable revenue - payments in lieu of taxes	143,920	69,080
Unavailable revenue - other	60,852	54,000
 TOTAL DEFERRED INFLOWS OF RESOURCES	 1,243,346	 1,153,469
FUND BALANCES		
Nonspendable	19,599	14,336
Unassigned	17,164,037	15,769,835
 Total fund balances	 17,183,636	 15,784,171
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 20,537,689	 \$ 18,849,750

City of Harlingen, Texas
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Property taxes - including penalty and interest	\$ 13,356,797	\$ 13,624,303
Non property taxes	19,440,451	19,091,811
Fines and forfeitures	1,681,265	1,780,146
Licenses and permits	564,486	614,735
Charges for services	2,579,831	2,391,671
Intergovernmental	583,121	296,070
Contributions and donations	831,217	827,353
Miscellaneous	294,913	173,637
Interest and investment income	<u>22,098</u>	<u>31,265</u>
Total revenues	39,354,179	38,830,991
Expenditures		
Current		
General government	5,617,973	5,237,122
Public safety	21,448,737	20,580,493
Highways and streets	3,214,699	3,100,048
Health and welfare	2,906,812	2,785,007
Culture and recreation	3,844,256	4,024,108
Capital outlay	<u>2,714,934</u>	<u>1,197,032</u>
Total expenditures	<u>39,747,411</u>	<u>36,923,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(393,232)	1,907,181
Other financing sources (uses)		
Transfers in	1,325,796	978,400
Transfers (out)	(1,032,116)	(1,448,345)
Proceeds from capital lease	1,483,892	-
Sale of general capital assets	<u>15,125</u>	<u>950,139</u>
Total other financing sources (uses)	<u>1,792,697</u>	<u>480,194</u>
NET CHANGE IN FUND BALANCE	1,399,465	2,387,375
Fund balance, beginning of year	<u>15,784,171</u>	<u>13,396,796</u>
Fund balance, end of year	<u>\$ 17,183,636</u>	<u>\$ 15,784,171</u>

City of Harlingen, Texas
COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 83,857	\$ 25,795
Receivables (net of allowances for uncollectibles)		
Accounts	8,612	125,842
Assessments	12,817	12,815
Loans receivable	1,074,547	1,150,327
TOTAL ASSETS	\$ 1,179,833	\$ 1,314,779
LIABILITIES		
Accounts payable	\$ 14,729	\$ 6,166
Due to other funds	-	117,999
Accrued expenditures	3,758	2,971
Other liabilities	11,900	7,466
Total liabilities	30,387	134,602
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - noncurrent receivables	881,773	950,045
Unavailable revenue - special assessments	12,815	12,815
Unavailable revenue - other	192,774	200,281
TOTAL INFLOWS OF RESOURCES	1,087,362	1,163,141
FUND BALANCE		
Restricted	62,084	17,036
Total fund balance	62,084	17,036
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,179,833	\$ 1,314,779

City of Harlingen, Texas
COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Intergovernmental	\$ 1,370,142	\$ 1,496,277
Miscellaneous and program revenues	63,298	57,960
Interest and investment income	6,938	6,843
Total revenues	1,440,378	1,561,080
Expenditures		
Current		
General government	222,237	193,217
Health and welfare	712,705	809,098
Capital outlay	460,388	554,542
Total expenditures	1,395,330	1,556,857
NET CHANGE IN FUND BALANCE	45,048	4,223
Fund balance, beginning of year	17,036	12,813
Fund balance, end of year	\$ 62,084	\$ 17,036

City of Harlingen, Texas
TENNIS COURT REVENUE
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 158,339	\$ 154,621
Receivables (net of allowances)		
Accounts	20	32
TOTAL ASSETS	\$ 158,359	\$ 154,653
LIABILITIES		
Accounts payable	\$ 394	\$ 418
FUND BALANCE		
Restricted	157,965	154,235
TOTAL LIABILITIES AND FUND BALANCE	\$ 158,359	\$ 154,653

City of Harlingen, Texas
TENNIS COURT REVENUE
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Charges for services	\$ 10,406	\$ 10,421
Contributions and donations	70,000	70,000
Interest and investment income	<u>108</u>	<u>190</u>
Total revenues	80,514	80,611
 Expenditures		
Current		
Culture and recreation	<u>32,784</u>	<u>34,210</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 47,730	 46,401
 Other financing sources (uses)		
Transfers in	26,000	26,000
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>
Total other financing sources (uses)	<u>(44,000)</u>	<u>(44,000)</u>
 NET CHANGE IN FUND BALANCE	 3,730	 2,401
 Fund balance, beginning of year	 <u>154,235</u>	 <u>151,834</u>
 Fund balance, end of year	 <u>\$ 157,965</u>	 <u>\$ 154,235</u>

City of Harlingen, Texas
TENNIS COURT REVENUE
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 15,000	\$ 15,000	\$ 10,406	\$ (4,594)
Contributions	70,000	70,000	70,000	-
Interest income	<u>200</u>	<u>200</u>	<u>108</u>	<u>(92)</u>
Total revenues	85,200	85,200	80,514	(4,686)
Expenditures				
Current				
Culture and recreation	<u>35,350</u>	<u>38,790</u>	<u>32,784</u>	<u>6,006</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,850	46,410	47,730	1,320
Other financing sources (uses)				
Transfers in	26,000	26,000	26,000	-
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(44,000)</u>	<u>(44,000)</u>	<u>(44,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 5,850</u>	<u>\$ 2,410</u>	3,730	<u>\$ 1,320</u>
Fund balance, beginning of year			<u>154,235</u>	
Fund balance, end of year			<u>\$ 157,965</u>	

City of Harlingen, Texas
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 284,819	\$ 238,942
Receivables (net of allowances for uncollectibles)		
Accounts	<u>94,597</u>	<u>112,778</u>
 TOTAL ASSETS	 <u>\$ 379,416</u>	 <u>\$ 351,720</u>
 LIABILITIES		
Accounts payable	\$ 758	\$ 1,850
 FUND BALANCE		
Restricted	<u>378,658</u>	<u>349,870</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 379,416</u>	 <u>\$ 351,720</u>

City of Harlingen, Texas
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Nonproperty taxes	\$ 944,692	\$ 907,944
Interest and investment income	<u>162</u>	<u>194</u>
Total revenues	944,854	908,138
 Expenditures		
Current		
Culture and recreation	<u>140,066</u>	<u>253,512</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 804,788	 654,626
 Other financing sources (uses)		
Transfers (out)	<u>(776,000)</u>	<u>(593,000)</u>
 NET CHANGE IN FUND BALANCE	 28,788	 61,626
 Fund balance, beginning of year	 <u>349,870</u>	 <u>288,244</u>
 Fund balance, end of year	 <u>\$ 378,658</u>	 <u>\$ 349,870</u>

City of Harlingen, Texas
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Nonproperty taxes	\$ 830,000	\$ 830,000	\$ 944,692	\$ 114,692
Interest and investment income	<u>400</u>	<u>400</u>	<u>162</u>	<u>(238)</u>
Total revenues	830,400	830,400	944,854	114,454
Expenditures				
Current				
Culture and recreation	<u>232,520</u>	<u>233,139</u>	<u>140,066</u>	<u>93,073</u>
EXCESS OF REVENUES OVER EXPENDITURES	597,880	597,261	804,788	207,527
Other financing sources (uses)				
Transfers (out)	<u>(776,000)</u>	<u>(776,000)</u>	<u>(776,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (178,120)</u>	<u>\$ (178,739)</u>	28,788	<u>\$ 207,527</u>
Fund balance, beginning of year			<u>349,870</u>	
Fund balance, end of year			<u>\$ 378,658</u>	

City of Harlingen, Texas
CONVENTION AND VISITORS BUREAU
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 509,015	\$ 544,067
Receivables (net of allowances for uncollectibles)		
Accounts	-	44
Prepaid items	<u>-</u>	<u>850</u>
 TOTAL ASSETS	 <u>\$ 509,015</u>	 <u>\$ 544,961</u>
 LIABILITIES		
Accounts payable	\$ 11,436	\$ 49,581
Accrued expenditures	<u>4,412</u>	<u>2,533</u>
 TOTAL LIABILITIES	 15,848	 52,114
 FUND BALANCE		
Nonspendable	-	850
Restricted	<u>493,167</u>	<u>491,997</u>
 TOTAL FUND BALANCES	 493,167	 492,847
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 509,015</u>	 <u>\$ 544,961</u>

City of Harlingen, Texas
CONVENTION AND VISITORS BUREAU
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 225	\$ 544
Total revenues	225	544
Expenditures		
Current		
General government	<u>512,905</u>	<u>409,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(512,680)	(408,718)
Other financing sources (uses)		
Transfers in	<u>513,000</u>	<u>488,000</u>
NET CHANGE IN FUND BALANCE	320	79,282
Fund balance, beginning of year	<u>492,847</u>	<u>413,565</u>
Fund balance, end of year	<u>\$ 493,167</u>	<u>\$ 492,847</u>

City of Harlingen, Texas
CONVENTION AND VISITORS BUREAU
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ 225	\$ 225
Expenditures				
Current				
General government	<u>535,697</u>	<u>535,697</u>	<u>512,905</u>	<u>22,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(535,697)	(535,697)	(512,680)	23,017
Other financing sources (uses)				
Transfers in (out)	<u>513,000</u>	<u>513,000</u>	<u>513,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (22,697)</u>	<u>\$ (22,697)</u>	320	<u>\$ 23,017</u>
Fund balance, beginning of year			<u>492,847</u>	
Fund balance, end of year			<u>\$ 493,167</u>	

City of Harlingen, Texas
MPO GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Due from other governments	\$ 62,708	\$ 42,302
Prepaid items	<u>250</u>	<u>2,584</u>
 TOTAL ASSETS	 <u>\$ 62,958</u>	 <u>\$ 44,886</u>
 LIABILITIES		
Accounts payable	\$ 2,149	\$ -
Due to other funds	58,199	42,552
Accrued expenditures	<u>2,511</u>	<u>2,334</u>
 TOTAL LIABILITIES	 62,859	 44,886
 FUND BALANCE (DEFICIT)		
Unassigned	<u>99</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 62,958</u>	 <u>\$ 44,886</u>

City of Harlingen, Texas
MPO GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 249,709	\$ 263,620
Expenditures		
Current		
Highways and streets	<u>249,709</u>	<u>263,620</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 -	 -
Other financing sources (uses)		
Sale of real and personal property	<u>99</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 99	 -
Fund balance (deficit), beginning of year	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ 99</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
MPO GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 369,187	\$ 369,187	\$ 249,709	\$ (119,478)
Expenditures				
Current				
Highways and streets	<u>369,187</u>	<u>369,187</u>	<u>249,709</u>	<u>119,478</u>
Total expenditures	369,187	369,187	249,709	119,478
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>99</u>	<u>99</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	99	<u>\$ 99</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ 99</u>	

City of Harlingen, Texas
CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 858,345	\$ 1,082,847
Receivables (net of allowances for uncollectibles)		
Accounts	<u>-</u>	<u>43</u>
TOTAL ASSETS	<u><u>\$ 858,345</u></u>	<u><u>\$ 1,082,890</u></u>
LIABILITIES		
Accounts payable	\$ -	\$ 2,364
Due to other funds	<u>-</u>	<u>224,230</u>
TOTAL LIABILITIES	-	226,594
FUND BALANCE		
Committed	<u>858,345</u>	<u>856,296</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 858,345</u></u>	<u><u>\$ 1,082,890</u></u>

City of Harlingen, Texas
CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 6,501	\$ 11,423
Interest and investment income	<u>489</u>	<u>1,077</u>
Total revenues	6,990	12,500
 Expenditures		
Current		
Highways and streets	<u>4,941</u>	<u>2,540</u>
Total expenditures	<u>4,941</u>	<u>2,540</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 2,049	 9,960
 NET CHANGE IN FUND BALANCE	 2,049	 9,960
 Fund balance, beginning of year	 <u>856,296</u>	 <u>846,336</u>
 Fund balance, end of year	 <u><u>\$ 858,345</u></u>	 <u><u>\$ 856,296</u></u>

City of Harlingen, Texas
CATASTROPHIC EMERGENCY RELIEF
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 6,501	\$ 6,501
Interest and investment income	<u>600</u>	<u>600</u>	<u>489</u>	<u>(111)</u>
Total revenues	600	600	6,990	6,390
Expenditures				
Current				
Highways and streets	<u>25,000</u>	<u>25,000</u>	<u>4,941</u>	<u>20,059</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>4,941</u>	<u>20,059</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,400)</u>	<u>\$ (24,400)</u>	2,049	<u>\$ 26,449</u>
Fund balance, beginning of year			<u>856,296</u>	
Fund balance, end of year			<u>\$ 858,345</u>	

City of Harlingen, Texas
HARLINGEN DOWNTOWN
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 205,280	\$ 161,079
Receivables (net of allowances for uncollectibles)		
Accounts	<u>724</u>	<u>839</u>
TOTAL ASSETS	<u>\$ 206,004</u>	<u>\$ 161,918</u>
LIABILITIES		
Accounts payable	\$ 1,676	\$ 457
Accrued expenditures	<u>2,523</u>	<u>1,967</u>
TOTAL LIABILITIES	4,199	2,424
FUND BALANCE		
Restricted	<u>201,805</u>	<u>159,494</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 206,004</u>	<u>\$ 161,918</u>

City of Harlingen, Texas
HARLINGEN DOWNTOWN
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Non property taxes	\$ 22,623	\$ 26,944
Miscellaneous and program revenues	-	6,613
Interest and investment income	<u>76</u>	<u>134</u>
Total revenues	22,699	33,691
Expenditures		
Current		
General government	<u>198,363</u>	<u>186,423</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(175,664)	(152,732)
Other financing sources (uses)		
Transfers in	217,975	217,975
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>217,975</u>	<u>217,975</u>
NET CHANGE IN FUND BALANCE	42,311	65,243
Fund balance, beginning of year	<u>159,494</u>	<u>94,251</u>
Fund balance, end of year	<u>\$ 201,805</u>	<u>\$ 159,494</u>

City of Harlingen, Texas
HARLINGEN DOWNTOWN
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Improvement assessments	\$ 23,000	\$ 23,000	\$ 22,623	\$ (377)
Interest and investment income	-	-	76	76
Total revenues	23,000	23,000	22,699	(301)
Expenditures				
Current				
General government	234,263	238,918	198,363	40,555
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(211,263)	(215,918)	(175,664)	40,254
Other financing sources (uses)				
Transfers in	217,975	217,975	217,975	-
Total other financing sources (uses)	217,975	217,975	217,975	-
NET CHANGE IN FUND BALANCE	<u>\$ 6,712</u>	<u>\$ 2,057</u>	42,311	<u>\$ 40,254</u>
Fund balance, beginning of year			<u>159,494</u>	
Fund balance, end of year			<u>\$ 201,805</u>	

City of Harlingen, Texas
SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 390,809	\$ 506,676
Accounts receivable	-	21
Prepaid items	<u>-</u>	<u>615</u>
 TOTAL ASSETS	 <u>\$ 390,809</u>	 <u>\$ 507,312</u>
 LIABILITIES		
Accounts payable	\$ 42,765	\$ 3,480
 FUND BALANCE		
Nonspendable	-	615
Restricted	<u>348,044</u>	<u>503,217</u>
Total fund balance	<u>348,044</u>	<u>503,832</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 390,809</u>	 <u>\$ 507,312</u>

City of Harlingen, Texas
SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Miscellaneous and program revenues	\$ 297,762	\$ 246,482
Interest and investment income	200	481
Total revenues	297,962	246,963
Expenditures		
Current		
Public safety	164,203	235,722
Capital outlay	120,875	-
Debt service		
Principal	133,059	-
Interest	35,613	-
Total expenditures	453,750	235,722
NET CHANGE IN FUND BALANCE	(155,788)	11,241
Fund balance, beginning of year	503,832	492,591
Fund balance, end of year	\$ 348,044	\$ 503,832

City of Harlingen, Texas
SPECIAL INVESTIGATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ 200,000	\$ 200,000	\$ 297,762	\$ 97,762
Interest and investment income	400	400	200	(200)
Total revenues	200,400	200,400	297,962	97,562
Expenditures				
Current				
Public safety	297,180	176,305	164,203	12,102
Capital outlay	-	289,548	120,875	168,673
Debt Service				
Principal	-	-	133,059	(133,059)
Interest	-	-	35,613	(35,613)
Total expenditures	297,180	465,853	453,750	12,103
NET CHANGE IN FUND BALANCE	\$ (96,780)	\$ (265,453)	(155,788)	\$ 109,665
Fund balance, beginning of year			503,832	
Fund balance, end of year			\$ 348,044	

City of Harlingen, Texas
COMMUNICATION CENTER
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 33,608
Receivables (net of allowances for uncollectibles)		
Accounts	<u>-</u>	<u>3</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 33,611</u></u>
 LIABILITIES		
Due from other funds	\$ 65,069	\$ -
 FUND BALANCE		
Committed	-	33,611
Unassigned	<u>(65,069)</u>	<u>-</u>
Total fund balance	<u>(65,069)</u>	<u>33,611</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 33,611</u></u>

City of Harlingen, Texas
COMMUNICATION CENTER
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Charges for services	\$ 17,773	\$ 61,091
Interest and investment income	<u>5</u>	<u>77</u>
Total revenues	17,778	61,168
 Expenditures		
Public safety	<u>116,458</u>	<u>160,825</u>
 NET CHANGE IN FUND BALANCE	 (98,680)	 (99,657)
 Fund balance, beginning of year	 <u>33,611</u>	 <u>133,268</u>
 Fund balance, end of year	 <u>\$ (65,069)</u>	 <u>\$ 33,611</u>

City of Harlingen, Texas
COMMUNICATION CENTER
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 62,229	\$ 62,229	\$ 17,773	\$ (44,456)
Interest and investment income	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total revenues	62,229	62,229	17,778	(44,451)
Expenditures				
Current				
Public safety	<u>137,075</u>	<u>137,075</u>	<u>116,458</u>	<u>20,617</u>
Total expenditures	137,075	137,075	116,458	20,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(74,846)</u>	<u>(74,846)</u>	<u>(98,680)</u>	<u>(23,834)</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>41,235</u>	<u>-</u>	<u>(41,235)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (74,846)</u>	<u>\$ (33,611)</u>	(98,680)	<u>\$ 65,069</u>
Fund balance, beginning of year			<u>33,611</u>	
Fund balance, end of year			<u>\$ (65,069)</u>	

City of Harlingen, Texas
COPS/UHP GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ 16,013</u>	<u>\$ 79,859</u>
TOTAL ASSETS	<u>\$ 16,013</u>	<u>\$ 79,859</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued expenditures	\$ 1,058	\$ 2,467
Due to other funds	<u>14,955</u>	<u>76,850</u>
Total liabilities	16,013	79,317
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	<u>-</u>	<u>542</u>
TOTAL INFLOWS OF RESOURCES	-	542
FUND BALANCE		
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,013</u>	<u>\$ 79,859</u>

City of Harlingen, Texas
COPS/UHP GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 74,730	\$ 156,463
Expenditures		
Current		
Public safety	<u>74,730</u>	<u>156,463</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
COPS/UHP GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 29,775	\$ 29,775	\$ 74,730	\$ 44,955
Expenditures				
Current				
Public safety	<u>29,775</u>	<u>29,775</u>	<u>74,730</u>	<u>(44,955)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

City of Harlingen, Texas
FEMA JEFFERSON STREET DRAINAGE
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 3,782	3,781
Due from other governments	<u>2,321</u>	<u>2,320</u>
 TOTAL ASSETS	 <u>\$ 6,103</u>	 <u>\$ 6,101</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>6,103</u>	<u>6,101</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 6,103</u>	 <u>\$ 6,101</u>

City of Harlingen, Texas
FEMA JEFFERSON STREET DRAINAGE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 2	\$ -
Expenditures		
Current		
Capital outlay	<u>-</u>	<u>12,607</u>
Total expenditures	<u>-</u>	<u>12,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2	(12,607)
Other financing sources (uses)		
Transfers in	<u>-</u>	<u>380,000</u>
NET CHANGE IN FUND BALANCE	2	367,393
Fund balance, beginning of year	<u>6,101</u>	<u>(361,292)</u>
Fund balance, end of year	<u>\$ 6,103</u>	<u>\$ 6,101</u>

City of Harlingen, Texas
FREE TRADE BRIDGE
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 267,977	\$ 193,076
Receivable (net of allowances for uncollectibles)		
Due from other governments	<u>-</u>	<u>15</u>
 TOTAL ASSETS	 <u>\$ 267,977</u>	 <u>\$ 193,091</u>
 LIABILITIES		
Accounts payable	\$ 9,683	\$ 24,421
 FUND BALANCE		
Committed	<u>258,294</u>	<u>168,670</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 267,977</u>	 <u>\$ 193,091</u>

City of Harlingen, Texas
FREE TRADE BRIDGE
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Charges for services	\$ 168,295	\$ 130,492
Interest and investment income	<u>125</u>	<u>126</u>
Total revenues	168,420	130,618
 Expenditures		
Current		
Highways and streets	<u>78,796</u>	<u>63,141</u>
Total expenditures	<u>78,796</u>	<u>63,141</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 89,624	 67,477
 NET CHANGE IN FUND BALANCE	 89,624	 67,477
 Fund balance, beginning of year	 <u>168,670</u>	 <u>101,193</u>
 Fund balance, end of year	 <u><u>\$ 258,294</u></u>	 <u><u>\$ 168,670</u></u>

City of Harlingen, Texas
FREE TRADE BRIDGE
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 135,000	\$ 135,000	\$ 168,295	\$ 33,295
Interest and investment income	<u>775</u>	<u>775</u>	<u>125</u>	<u>(650)</u>
Total revenues	135,775	135,775	168,420	32,645
Expenditures				
Current				
Highways and streets	<u>100,000</u>	<u>100,000</u>	<u>78,796</u>	<u>21,204</u>
NET CHANGE IN FUND BALANCE	<u>\$ 35,775</u>	<u>\$ 35,775</u>	89,624	<u>\$ 53,849</u>
Fund balance, beginning of year			<u>168,670</u>	
Fund balance, end of year			<u>\$ 258,294</u>	

City of Harlingen, Texas
INFRASTRUCTURE FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 87,775	\$ 328,507
Receivables (net of allowances for uncollectibles)		
Accounts	-	26
Due from other governments	650	614
Due from component unit	<u>22,899</u>	<u>21,830</u>
 TOTAL ASSETS	 <u>\$ 111,324</u>	 <u>\$ 350,977</u>
 LIABILITIES		
Accounts payable	\$ 19,469	\$ 8,343
 FUND BALANCE		
Committed	<u>91,855</u>	<u>342,634</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 111,324</u>	 <u>\$ 350,977</u>

City of Harlingen, Texas
INFRASTRUCTURE FUND
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Non property taxes	\$ 273,211	\$ 272,130
Interest and investment income	<u>147</u>	<u>302</u>
Total revenues	273,358	272,432
Expenditures		
Highways and streets	458,163	166,147
Capital outlay	<u>20,974</u>	<u>75,533</u>
Total expenditures	<u>479,137</u>	<u>241,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(205,779)	30,752
Operating financing sources (uses)		
Transfers out	<u>(45,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(250,779)	30,752
Fund balance, beginning of year	<u>342,634</u>	<u>311,882</u>
Fund balance, end of year	<u>\$ 91,855</u>	<u>\$ 342,634</u>

City of Harlingen, Texas
INFRASTRUCTURE FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Infrastructure - assessments	\$ 260,000	\$ 260,000	\$ 273,211	\$ 13,211
Interest and investment income	<u>200</u>	<u>200</u>	<u>147</u>	<u>(53)</u>
Total revenues	260,200	260,200	273,358	13,158
Expenditures				
Current				
Highways and streets	221,900	411,536	458,163	(46,627)
Capital outlay	<u>40,000</u>	<u>77,007</u>	<u>20,974</u>	<u>56,033</u>
Total expenditures	<u>261,900</u>	<u>488,543</u>	<u>479,137</u>	<u>9,406</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,700)	(228,343)	(205,779)	3,752
Operating financing sources (uses)				
Transfers in	(45,000)	(45,000)	(45,000)	-
Transfers out	<u>-</u>	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
	<u>(45,000)</u>	<u>175,000</u>	(45,000)	<u>(220,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (46,700)</u>	<u>\$ (53,343)</u>	(250,779)	<u>\$ (197,436)</u>
Fund balance, beginning of year			<u>342,634</u>	
Fund balance, end of year			<u>\$ 91,855</u>	

City of Harlingen, Texas
LON C. HILL LIBRARY
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 142,174	\$ 130,263
Receivables (net of allowances)		
Accounts	<u> -</u>	<u> 7</u>
TOTAL ASSETS	<u>\$ 142,174</u>	<u>\$ 130,270</u>
 LIABILITIES		
Accounts payable	\$ 2,627	\$ 269
 FUND BALANCE		
Restricted	<u>139,547</u>	<u>130,001</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 142,174</u>	<u>\$ 130,270</u>

City of Harlingen, Texas
LON C. HILL LIBRARY
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Miscellaneous and program revenues	\$ 28,840	\$ 36,023
Interest and investment income	<u>72</u>	<u>128</u>
Total revenues	28,912	36,151
Expenditures		
Culture and recreation	<u>19,366</u>	<u>16,298</u>
NET CHANGE IN FUND BALANCE	9,546	19,853
Fund balance, beginning of year	<u>130,001</u>	<u>110,148</u>
Fund balance, end of year	<u>\$ 139,547</u>	<u>\$ 130,001</u>

City of Harlingen, Texas
RED LIGHT ENFORCEMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 55,691	\$ 495,256
Receivables (net of allowances for uncollectibles)		
Accounts	<u>-</u>	<u>19</u>
TOTAL ASSETS	<u>\$ 55,691</u>	<u>\$ 495,275</u>
LIABILITIES		
Accrued expenditures	<u>\$ 25,327</u>	<u>\$ 465,068</u>
TOTAL LIABILITIES	25,327	465,068
FUND BALANCE		
Restricted	<u>30,364</u>	<u>30,207</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 55,691</u>	<u>\$ 495,275</u>

City of Harlingen, Texas
RED LIGHT ENFORCEMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Fines and forfeitures	\$ -	\$ 129
Interest and investment income	<u>157</u>	<u>560</u>
Total revenues	157	689
Expenditures		
Current		
Public safety	-	153,127
Capital outlay	<u>-</u>	<u>23,200</u>
Total expenditures	<u>-</u>	<u>176,327</u>
NET CHANGE IN FUND BALANCE	157	(175,638)
Fund balance, beginning of year	<u>30,207</u>	<u>205,845</u>
Fund balance, end of year	<u>\$ 30,364</u>	<u>\$ 30,207</u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 422,680	\$ 350,046
Accounts receivable	-	28
Due from other governments	<u>43,841</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 466,521</u>	 <u>\$ 350,074</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>466,521</u>	<u>350,074</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 466,521</u>	 <u>\$ 350,074</u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest income	\$ 229	\$ 358
Intergovernmental	<u>43,841</u>	<u>-</u>
	44,070	358
 Expenditures	 -	 -
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 44,070	 358
 Other financing sources (uses)		
Transfers in	<u>72,377</u>	<u>70,674</u>
 NET CHANGE IN FUND BALANCE	 116,447	 71,032
 Fund balance, beginning of year	 <u>350,074</u>	 <u>279,042</u>
 Fund balance, end of year	 <u><u>\$ 466,521</u></u>	 <u><u>\$ 350,074</u></u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 2
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 744,668	\$ 631,356
Accounts receivable	-	51
Due from other governments	46,000	-
TOTAL ASSETS	\$ 790,668	\$ 631,407
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Restricted	790,668	631,407
Total fund balance	790,668	631,407
TOTAL LIABILITIES AND FUND BALANCE	\$ 790,668	\$ 631,407

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 2
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 46,000	\$ -
Interest income	<u>406</u>	<u>636</u>
	46,406	636
 Expenditures		
Current		
General government	<u>-</u>	<u>-</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 46,406	 636
 Other financing sources (uses)		
Transfers in	<u>112,855</u>	<u>131,208</u>
 NET CHANGE IN FUND BALANCE	 159,261	 131,844
 Fund balance, beginning of year	 <u>631,407</u>	 <u>499,563</u>
 Fund balance, end of year	 <u>\$ 790,668</u>	 <u>\$ 631,407</u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 3
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 137,152	\$ 306,518
Receivables (net of allowances for uncollectibles)		
Due from other governments	81,503	-
Accounts receivable	<u>-</u>	<u>26</u>
 TOTAL ASSETS	 <u>\$ 218,655</u>	 <u>\$ 306,544</u>
 LIABILITIES		
Accounts payable	\$ -	\$ -
 FUND BALANCE		
Restricted	<u>218,655</u>	<u>306,544</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 218,655</u>	 <u>\$ 306,544</u>

City of Harlingen, Texas
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 3
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 207	\$ 359
Intergovernmental	<u>81,503</u>	<u>-</u>
Total revenues	81,710	359
 Expenditures		
Current		
General government	338	-
Capital outlay	<u>70,000</u>	<u>70,000</u>
 Total expenditures	<u>70,338</u>	<u>70,000</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 11,372	 (69,641)
 Other financing sources (uses)		
Transfers in	129,135	128,988
Transfers out	<u>(228,396)</u>	<u>-</u>
	<u>(99,261)</u>	<u>128,988</u>
 NET CHANGE IN FUND BALANCE	 (87,889)	 59,347
 Fund balance, beginning of year	 <u>306,544</u>	 <u>247,197</u>
 Fund balance, end of year	 <u>\$ 218,655</u>	 <u>\$ 306,544</u>

City of Harlingen, Texas
NEIGHBORHOOD STABILIZATION PROGRAM GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Due from other governments	<u>\$ 98,354</u>	<u>\$ 306,272</u>
TOTAL ASSETS	<u>\$ 98,354</u>	<u>\$ 306,272</u>
LIABILITIES		
Due to other funds	<u>98,354</u>	<u>306,272</u>
TOTAL LIABILITIES	98,354	306,272
FUND BALANCE	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 98,354</u>	<u>\$ 306,272</u>

City of Harlingen, Texas
NEIGHBORHOOD STABILIZATION PROGRAM GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 2,461	\$ -
Expenditures		
Current		
Health and welfare	<u>2,461</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
TxDOT 25th STREET TRAIL GRANT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ -</u>	<u>\$ 444,969</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 444,969</u></u>
LIABILITIES		
Due to other funds	<u>\$ -</u>	<u>\$ 444,969</u>
TOTAL LIABILITIES	-	444,969
FUND BALANCE	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 444,969</u></u>

City of Harlingen, Texas
TxDOT 25th STREET TRAIL GRANT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 4,654	\$ 180,623
Expenditures		
Current		
Capital outlay	<u>4,654</u>	<u>445,586</u>
Total expenditures	<u>4,654</u>	<u>445,586</u>
NET CHANGE IN FUND BALANCE	-	(264,963)
Fund balance, beginning of year	<u>-</u>	<u>264,963</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
TxDOT 3rd STREET DRAINAGE PROJECT
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Accounts	<u>\$ 107,056</u>	<u>\$ 215,673</u>
TOTAL ASSETS	<u>\$ 107,056</u>	<u>\$ 215,673</u>
LIABILITIES		
Accounts payable	\$ -	\$ 107,001
Due to other funds	<u>107,056</u>	<u>108,672</u>
TOTAL LIABILITIES	107,056	215,673
FUND BALANCE	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 107,056</u>	<u>\$ 215,673</u>

City of Harlingen, Texas
TxDOT 3rd STREET DRAINAGE PROJECT
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Intergovernmental	\$ 107,390	\$ 218,673
Expenditures		
Current		
General government	-	633
Capital outlay	<u>143,187</u>	<u>290,931</u>
Total expenditures	<u>143,187</u>	<u>291,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,797)	(72,891)
Other financing sources (uses)		
Transfers in	<u>35,797</u>	<u>72,891</u>
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Harlingen, Texas
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 994,226	\$ 955,156
Taxes receivable (net of allowances)	368,095	376,194
Account receivable	<u>2,098</u>	<u>1,258</u>
 TOTAL ASSETS	 <u>\$ 1,364,419</u>	 <u>\$ 1,332,608</u>
 LIABILITIES	 \$ -	 \$ -
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	355,420	359,795
 FUND BALANCE		
Restricted	<u>1,008,999</u>	<u>972,813</u>
Total fund balance	<u>1,008,999</u>	<u>972,813</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 1,364,419</u>	 <u>\$ 1,332,608</u>

City of Harlingen, Texas
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Property taxes, including penalty and interest	\$ 3,968,457	\$ 3,966,197
Interest and investment income	<u>905</u>	<u>1,887</u>
Total revenues	3,969,362	3,968,084
Expenditures		
Debt service		
Principal	2,169,054	1,970,000
Interest	<u>1,836,970</u>	<u>1,714,452</u>
Total expenditures	<u>4,006,024</u>	<u>3,684,452</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	(36,662)	283,632
Other financing sources (uses)		
Refunding bond proceeds	3,273,794	-
Payment to refunded bond escrow agent	<u>(3,200,946)</u>	<u>-</u>
Total other financing sources (uses)	<u>72,848</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	36,186	283,632
Fund balance, beginning of year	<u>972,813</u>	<u>689,181</u>
Fund balance, end of year	<u>\$ 1,008,999</u>	<u>\$ 972,813</u>

City of Harlingen, Texas
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes, including penalty and interest	\$ 3,966,944	\$ 3,966,944	\$ 3,968,457	\$ 1,513
Interest and investment income	<u>1,400</u>	<u>1,400</u>	<u>905</u>	<u>(495)</u>
Total revenues	3,968,344	3,968,344	3,969,362	1,018
Expenditures				
Debt service				
Principal retirement	2,165,000	1,970,000	2,169,054	(199,054)
Interest and fiscal agent fees	<u>1,803,329</u>	<u>1,754,871</u>	<u>1,836,970</u>	<u>(82,099)</u>
Total expenditures	<u>3,968,329</u>	<u>3,724,871</u>	<u>4,006,024</u>	<u>(281,153)</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	\$ 15	\$ 243,473	(36,662)	\$ (280,135)
Other financing sources (uses)				
Refunding bond proceeds	-	-	3,273,794	3,273,794
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>(3,200,946)</u>	<u>(3,200,946)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>72,848</u>	<u>72,848</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15</u>	<u>\$ 243,473</u>	36,186	<u>\$ (207,287)</u>
Fund balance, beginning of year			<u>972,813</u>	
Fund balance, end of year			<u>\$ 1,008,999</u>	

City of Harlingen, Texas
CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 389,154	\$ 388,901
Accounts receivable	-	31
TOTAL ASSETS	\$ 389,154	\$ 388,932
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	389,154	388,932
Total fund balance	389,154	388,932
TOTAL LIABILITIES AND FUND BALANCE	\$ 389,154	\$ 388,932

City of Harlingen, Texas
**CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND**
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 222	\$ 411
Expenditures	\$ -	\$ -
NET CHANGE IN FUND BALANCE	222	411
Fund balance, beginning of year	<u>388,932</u>	<u>388,521</u>
Fund balance (deficit), end of year	<u>\$ 389,154</u>	<u>\$ 388,932</u>

City of Harlingen, Texas
STREET IMPROVEMENT FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 122,298	\$ 165,265
Accounts receivable	11	14
Special assessments	23,414	28,713
TOTAL ASSETS	\$ 145,723	\$ 193,992
 LIABILITIES	 \$ -	 \$ -
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	22,647	28,061
 FUND BALANCE		
Committed	123,076	165,931
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 145,723	\$ 193,992

City of Harlingen, Texas
STREET IMPROVEMENT FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Property taxes - including penalty and interest	\$ 5,059	\$ 9,778
Interest and investment income	<u>106</u>	<u>157</u>
Total revenues	5,165	9,935
Expenditures		
Current		
Highways and streets	<u>595,794</u>	<u>356,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(590,629)	(346,656)
Operating financing sources (uses)		
Transfers in	<u>547,774</u>	<u>425,000</u>
Total other financing sources (uses)	547,774	425,000
NET CHANGE IN FUND BALANCE	(42,855)	78,344
Fund balance, beginning of year	<u>165,931</u>	<u>87,587</u>
Fund balance, end of year	<u>\$ 123,076</u>	<u>\$ 165,931</u>

City of Harlingen, Texas
PETITION PAVING
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 602,550	\$ 578,854
Receivables (net of allowance for uncollectibles)		
Accounts	11,293	11,339
Assessments	<u>145,827</u>	<u>145,977</u>
 TOTAL ASSETS	 <u>\$ 759,670</u>	 <u>\$ 736,170</u>
 LIABILITIES		
Accounts payable	\$ 935	\$ 935
Escrow liabilities	<u>556,387</u>	<u>533,262</u>
 TOTAL LIABILITIES	 557,322	 534,197
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	<u>145,977</u>	<u>145,977</u>
 FUND BALANCE		
Restricted	<u>56,371</u>	<u>55,996</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 759,670</u>	 <u>\$ 736,170</u>

City of Harlingen, Texas
PETITION PAVING
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Improvements and assessments	\$ 45	\$ 30
Interest and investment income	330	1,582
Total revenues	375	1,612
 Expenditures	 -	 -
 NET CHANGE IN FUND BALANCE	 375	 1,612
 Fund balance, beginning of year	 55,996	 54,384
 Fund balance, end of year	 \$ 56,371	 \$ 55,996

City of Harlingen, Texas
TDRA NORTHWEST AREA DRAINAGE
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Other receivable	\$ -	\$ <u>125,441</u>
 TOTAL ASSETS	 <u>\$ -</u>	 <u>\$ 125,441</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 53,345
Due to other funds	<u>-</u>	<u>72,096</u>
TOTAL LIABILITIES	-	125,441
 FUND BALANCE	 <u>-</u>	 <u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ -</u>	 <u>\$ 125,441</u>

City of Harlingen, Texas
**TDRA NORTHWEST AREA DRAINAGE
 CAPITAL PROJECTS FUND**
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES**
 For the fiscal years ended September 30,

	2014	2013
Revenues		
Intergovernmental	\$ 104,108	\$ 334,723
Expenditures		
Current		
Highways and streets	-	1,046
Capital outlay	104,108	333,677
Total expenditures	104,108	334,723
NET CHANGE IN FUND BALANCE	-	-
Fund balance, (deficit) beginning of year	-	-
Fund balance (deficit), end of year	\$ -	\$ -

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1999 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 241,957	\$ 391,812
Accounts receivable	<u> -</u>	<u> 9</u>
TOTAL ASSETS	<u>\$ 241,957</u>	<u>\$ 391,821</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>241,957</u>	<u>391,821</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 241,957</u>	<u>\$ 391,821</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 1999 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Interest and investment income	\$ 136	\$ 383
Expenditures	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	136	383
Operating financing sources (uses)		
Transfers out	(150,000)	-
NET CHANGE IN FUND BALANCE	(149,864)	383
Fund balance, beginning of year	391,821	391,438
Fund balance, end of year	\$ 241,957	\$ 391,821

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2001 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	867,391	867,063
Accounts receivable	<u>-</u>	<u>9</u>
 TOTAL ASSETS	 <u>\$ 867,391</u>	 <u>\$ 867,072</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>867,391</u>	<u>867,072</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 867,391</u>	 <u>\$ 867,072</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2001 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 319	\$ 834
Expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	319	834
Fund balance, beginning of year	<u>867,072</u>	<u>866,238</u>
Fund balance, end of year	<u>\$ 867,391</u>	<u>\$ 867,072</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,739,895	\$ 740,304
Investments	-	1,033,956
Accounts receivable	-	56
 TOTAL ASSETS	 \$ 1,739,895	 \$ 1,774,316
 LIABILITIES	 -	 -
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	-	4,000
 FUND BALANCE		
Restricted	1,739,895	1,770,316
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 1,739,895	 \$ 1,774,316

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Interest and investment income	\$ 1,376	\$ 4,282
Miscellaneous	4,000	-
Total revenues	5,376	4,282
Expenditures	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,376	4,282
Other financing sources (uses)		
Transfer (out)	(35,797)	(72,891)
NET CHANGE IN FUND BALANCE	(30,421)	(68,609)
Fund balance, beginning of year	1,770,316	1,838,925
Fund balance, end of year	\$ 1,739,895	\$ 1,770,316

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2010 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Accounts receivable	\$ 7,186	\$ 7,186
TOTAL ASSETS	\$ 7,186	\$ 7,186
 LIABILITIES		
Due to other funds	\$ 161,111	\$ 202,615
TOTAL LIABILITIES	161,111	202,615
 FUND BALANCE		
Unassigned	(153,925)	(195,429)
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,186	\$ 7,186

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2010 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues	\$ -	\$ -
Expenditures		
Current		
General government	-	24,794
Culture and recreation	28,496	-
Total expenditures	28,496	24,794
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,496)	(24,794)
Other financing sources		
Transfers in	70,000	70,000
Total other financing sources (uses)	70,000	70,000
NET CHANGE IN FUND BALANCE	41,504	45,206
Fund balance, beginning of year	(195,429)	(240,635)
Fund balance, end of year	\$ (153,925)	\$ (195,429)

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2012 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 11,696	\$ 11,693
TOTAL ASSETS	<u>\$ 11,696</u>	<u>\$ 11,693</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>11,696</u>	<u>11,693</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,696</u>	<u>\$ 11,693</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2012 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Interest and investment income	\$ 3	\$ -
Expenditures		
Current		
Capital outlay	-	2,242,141
Debt service		
Bond issuance costs and fees	-	95,354
Total expenditures	-	2,337,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3	(2,337,495)
Other financing sources		
Bond issuance	-	2,280,000
Premium on bond issuance	-	69,188
Total other financing sources (uses)	-	2,349,188
NET CHANGE IN FUND BALANCE	3	11,693
Fund balance, beginning of year	11,693	-
Fund balance, end of year	\$ 11,696	\$ 11,693

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2013 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ <u>375,398</u>	\$ <u>2,530,708</u>
TOTAL ASSETS	<u>\$ 375,398</u>	<u>\$ 2,530,708</u>
 LIABILITIES		
Accounts payable	\$ 97,273	\$ 207,935
 FUND BALANCE		
Restricted	<u>278,125</u>	<u>2,322,773</u>
Total fund balance	<u>278,125</u>	<u>2,322,773</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 375,398</u>	<u>\$ 2,530,708</u>

City of Harlingen, Texas
CERTIFICATES OF OBLIGATION PROJECTS, SERIES 2013 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 240	\$ -
Expenditures		
Current		
General government	740	633
Capital outlay	2,044,148	733,976
Debt service		
Bond issuance costs and fees	-	109,521
Total expenditures	<u>2,044,888</u>	<u>844,130</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (2,044,648)	 (844,130)
Other financing sources		
Bond issuance	-	3,070,000
Premium on bond issuance	-	96,903
Total other financing sources (uses)	<u>-</u>	<u>3,166,903</u>
 NET CHANGE IN FUND BALANCE	 (2,044,648)	 2,322,773
Fund balance, beginning of year	<u>2,322,773</u>	<u>-</u>
Fund balance, end of year	<u>\$ 278,125</u>	<u>\$ 2,322,773</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2006 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,199,136	\$ 1,198,517
Accounts receivable	<u> -</u>	<u> 55</u>
TOTAL ASSETS	<u>\$ 1,199,136</u>	<u>\$ 1,198,572</u>
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Restricted	<u>1,199,136</u>	<u>1,198,572</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,199,136</u>	<u>\$ 1,198,572</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2006 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Interest and investment income	\$ 564	\$ 1,210
Expenditures		
Current		
General government	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	564	1,210
Fund balance, beginning of year	<u>1,198,572</u>	<u>1,197,362</u>
Fund balance, end of year	<u>\$ 1,199,136</u>	<u>\$ 1,198,572</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 788,136	\$ 795,222
Accounts receivable	<u> -</u>	<u> 53</u>
 TOTAL ASSETS	 <u>\$ 788,136</u>	 <u>\$ 795,275</u>
 LIABILITIES		
Accounts payable	<u> 98</u>	<u> 7,237</u>
 TOTAL LIABILITIES	 98	 7,237
 FUND BALANCE		
Restricted	<u> 788,038</u>	<u> 788,038</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 788,136</u>	 <u>\$ 795,275</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2007 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	2014	2013
Revenues		
Interest and investment income	\$ 424	\$ 3,106
Expenditures		
Current		
Capital outlay	424	3,181
Total expenditures	424	3,181
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(75)
Other financing sources (uses)		
Transfer out	-	(236,008)
NET CHANGE IN FUND BALANCE	-	(236,083)
Fund balance, beginning of year	788,038	1,024,121
Fund balance, end of year	\$ 788,038	\$ 788,038

**SUPPLEMENTARY
INDIVIDUAL
ENTERPRISE
FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes. The City has the following enterprise funds:

The *Sanitation Fund* is used to account for the operations of the City's solid waste collections and public landfill operations within the City limits.

The *Municipal Golf Course Fund* is used to account for the operation of the City's Municipal Golf Course.

The *Municipal Auditorium Fund* is set up to account for the utilization of the City's auditorium and the Casa de Amistad facility for economic gain as well as the encouragement of the arts.

The *Harlingen Arts and Heritage Museum Fund* is used to account for the operation of the City's museum.

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,274,051	\$ 2,841,960
Investments	3,110,085	3,109,038
Accounts receivables (net of allowances for uncollectibles)	1,853,491	222,888
Due from component units	142,995	616,836
Prepaid Items	1,917	1,510
Total current assets	8,382,539	6,792,232
Capital assets		
Land	417,587	417,587
Construction in progress	240,319	-
Plant and equipment	1,868,129	3,011,620
Accumulated depreciation	(826,362)	(1,067,888)
Total capital assets (net of accumulated depreciation)	1,699,673	2,361,319
TOTAL ASSETS	\$ 10,082,212	\$ 9,153,551

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	\$ 354,541	\$ 261,864
Compensated absences	6,300	6,300
Accrued expenses	41,188	29,457
Estimated liability for landfill postclosure costs, current portion	21,000	21,000
Total current liabilities	423,029	318,621
Long-term liabilities		
Compensated absences	190,889	199,490
Net other post employment benefit obligation	275,815	302,910
Estimated liability for landfill postclosure costs	1,361,180	1,342,387
Total long-term liabilities	1,827,884	1,844,787
TOTAL LIABILITIES	2,250,913	2,163,408
NET POSITION		
Net investment in capital assets	1,699,673	2,361,319
Unrestricted	6,131,626	4,628,824
Total net position	7,831,299	6,990,143
TOTAL LIABILITIES AND NET POSITION	\$ 10,082,212	\$ 9,153,551

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended September 30,

	2014	2013
Operating revenues		
Current use charges	\$ 8,841,070	\$ 8,532,359
Expenditures		
Personal services	1,914,498	2,040,127
Contracted services	1,443,974	1,323,334
Materials and supplies	102,064	148,626
Other expenses	4,117,943	3,241,194
Depreciation and amortization	224,264	186,631
Total expenditures	7,802,743	6,939,912
Operating income	1,038,327	1,592,447
Nonoperating revenues (expenses)		
Intergovernmental	10,314	-
Interest revenue	2,979	5,611
Insurance recovery	1,794,115	-
Gain (loss) on sale of capital assets	(1,007,925)	-
Miscellaneous revenue	3,346	(3,296)
Total nonoperating revenues (expenses)	802,829	2,315
Income before transfers and capital contributions	1,841,156	1,594,762
Transfers and capital contributions		
Transfers (out)	(1,000,000)	(926,000)
Total transfers and capital contributions	(1,000,000)	(926,000)
Increase (decrease) in net position	841,156	668,762
Net position, beginning of year	6,990,143	6,321,381
Net position, end of year	\$ 7,831,299	\$ 6,990,143

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2014	2013
Cash flows from operating activities		
Receipts from customers	\$ 9,314,911	\$ 8,403,910
Payments to suppliers	(5,360,403)	(4,635,642)
Payments to employees	<u>(1,950,194)</u>	<u>(1,880,787)</u>
Net cash provided by operations	2,004,314	1,887,481
 Cash flows from noncapital financing activities		
Transfers to other funds	<u>(1,000,000)</u>	<u>(926,000)</u>
Net cash (used) by noncapital financing activities	(1,000,000)	(926,000)
 Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(571,176)</u>	<u>(290,481)</u>
Net cash (used) by capital and related financing activities	(571,176)	(290,481)
 Cash flows from investing activities		
Interest received	<u>(1,047)</u>	<u>5,817</u>
Net cash provided by investing activities	<u>(1,047)</u>	<u>5,817</u>
 Net increase in cash and cash equivalents	432,091	676,817
 Cash and cash equivalents, beginning of year	<u>2,841,960</u>	<u>2,165,143</u>
 Cash and cash equivalents, end of year	<u>\$ 3,274,051</u>	<u>\$ 2,841,960</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,038,327	\$ 1,592,447
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	224,264	186,631
Other revenue received	3,346	(3,296)
(Increase) decrease in receivables	177,438	(98,244)
(Increase) decrease in prepaid items	(407)	243
(Increase) decrease in due from component units	473,841	(26,909)
Increase (decrease) in accounts payable	92,677	3,029
Increase (decrease) in accrued expenses	11,731	6,199
Increase (decrease) in net other post employment benefit obligation	(27,095)	113,257
Increase (decrease) in compensated absences	(8,601)	46,083
Increase (decrease) in estimated liability for landfill closure and postclosure costs	<u>18,793</u>	<u>68,041</u>
Total Adjustments	<u>965,987</u>	<u>295,034</u>
 Net cash provided by operating activities:	<u>\$ 2,004,314</u>	<u>\$ 1,887,481</u>
 <i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ 10,314	\$ -

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114,961	\$ 8,767
Investments	103,533	403,397
Accounts receivables (net of allowances for uncollectibles)	4,827	4,913
Inventories	28,604	13,137
Total current assets	251,925	430,214
Capital assets		
Land	49,496	49,496
Plant and equipment	4,117,398	4,335,342
Accumulated depreciation	(2,881,030)	(2,958,332)
Total capital assets (net of accumulated depreciation)	1,285,864	1,426,506
 TOTAL ASSETS	 \$ 1,537,789	 \$ 1,856,720

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 23,914	\$ 23,588
Compensated absences	2,000	2,000
Accrued expenses	<u>13,133</u>	<u>9,751</u>
Total current liabilities	39,047	35,339
Long-term liabilities		
Compensated absences	59,745	63,407
Net other post employment benefit obligation	<u>91,938</u>	<u>114,622</u>
Total long-term liabilities	<u>151,683</u>	<u>178,029</u>
 TOTAL LIABILITIES	 190,730	 213,368
NET POSITION		
Net investment in capital assets	1,285,864	1,426,506
Unrestricted	<u>61,195</u>	<u>216,846</u>
 Total net position	 <u>1,347,059</u>	 <u>1,643,352</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 1,537,789</u>	 <u>\$ 1,856,720</u>

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended September 30,

	2014	2013
Operating revenues		
Golf course fees and charges	\$ 982,509	\$ 1,130,416
Operating expenses		
Cost of sales	74,483	110,245
Personal services	633,401	690,729
Contracted services	175,765	166,338
Materials and supplies	108,054	96,758
Other expenses	75,516	102,734
Depreciation and amortization	153,056	139,284
Total operating expense	1,220,275	1,306,088
Operating income (loss)	(237,766)	(175,672)
Nonoperating revenues (expenses)		
Interest revenue	144	504
Miscellaneous revenue	1,546	1,360
Gain (loss) on sale of capital assets	(7,817)	770
Total nonoperating revenues (expenses)	(6,127)	2,634
Income (loss) before transfers and capital contributions	(243,893)	(173,038)
Transfers (out)	(52,400)	(52,400)
Capital contributions	-	24,794
Total transfers and capital contributions	(52,400)	(27,606)
Increase (decrease) in net position	(296,293)	(200,644)
Net position, beginning of year	1,643,352	1,843,996
Net position, end of year	\$ 1,347,059	\$ 1,643,352

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Receipts from customers	\$ 984,055	\$ 1,131,733
Payments to suppliers	(445,491)	(586,091)
Payments to employees	<u>(659,747)</u>	<u>(637,984)</u>
Net cash provided by operations	(121,183)	(92,342)
Cash flows from noncapital financing activities		
Transfers to other funds	<u>(52,400)</u>	<u>(52,400)</u>
Net cash (used) by noncapital financing activities	(52,400)	(52,400)
Cash flows from capital and related financing activities		
Purchase of capital assets	217,944	4,655
Proceeds from sale of assets	<u>(238,175)</u>	<u>770</u>
Net cash provided (used) by capital and related financing activities	(20,231)	5,425
Cash flows from investing activities		
Proceeds for sale of investments	299,864	-
Interest received	<u>144</u>	<u>504</u>
Net cash provided (used) by investing activities	<u>300,008</u>	<u>504</u>
Net increase (decrease) in cash and cash equivalents	106,194	(138,813)
Cash and cash equivalents, beginning of year	<u>8,767</u>	<u>147,580</u>
Cash and cash equivalents, end of year	<u><u>\$ 114,961</u></u>	<u><u>\$ 8,767</u></u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (237,766)	\$ (175,672)
Adjustments to reconcile net income from operations		
to net cash from operating activities		
Depreciation	153,056	139,284
Other revenue received	1,546	1,360
(Increase) decrease in receivables	86	(43)
(Increase) decrease in inventories	(15,467)	-
Increase (decrease) in accounts payable	326	(110,565)
Increase (decrease) in net other post employment benefit pension obligation	(22,684)	37,753
Increase (decrease) in compensated absences	(3,662)	12,988
Increase (decrease) in accrued expenses	<u>3,382</u>	<u>2,553</u>
Total adjustments	<u>116,583</u>	<u>83,330</u>
Net cash provided by operations	<u><u>(121,183)</u></u>	<u><u>(92,342)</u></u>
<i>Supplemental disclosure of noncash activities:</i>		
Contributed capital from other funds	\$ -	\$ 24,794

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 396	\$ 800
Investments	1,000	1,003
Accounts receivables (net of allowances for uncollectibles)	5,663	1,244
Due from other funds	-	224,230
Total current assets	7,059	227,277
Capital assets		
Plant and equipment	4,741,284	4,701,384
Accumulated depreciation	(2,494,188)	(2,222,198)
Total capital assets (net of accumulated depreciation)	2,247,096	2,479,186
TOTAL ASSETS	\$ 2,254,155	\$ 2,706,463
LIABILITIES		
Current liabilities		
Accounts payable	\$ 7,288	\$ 36,691
Compensated absences	-	1,500
Accrued expenses	1,693	1,906
Due to other funds	291,988	377,631
Unearned revenue	1,000	1,000
Total current liabilities	301,969	418,728
Long-term liabilities		
Compensated absences	18,620	23,677
Net other post employment benefit obligation	10,215	12,024
	28,835	35,701
TOTAL LIABILITIES	330,804	454,429
NET POSITION		
Net investment in capital assets	2,247,096	2,479,186
Unrestricted	(323,745)	(227,152)
TOTAL NET POSITION	1,923,351	2,252,034
TOTAL LIABILITIES AND NET POSITION	\$ 2,254,155	\$ 2,706,463

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Operating revenues		
Charges for services	\$ 7,088	\$ 60,332
Rental income	<u>143,202</u>	<u>86,975</u>
Total operating revenues	150,290	147,307
Operating expenses		
Personal services	112,799	136,043
Contracted services	213,784	241,933
Materials and supplies	8,248	17,163
Other expenses	72,116	25,784
Depreciation and amortization	<u>271,991</u>	<u>273,299</u>
Total operating expenses	<u>678,938</u>	<u>694,222</u>
Operating (loss)	(528,648)	(546,915)
Nonoperating revenues (expenses)		
Interest income	2,100	-
Donations revenue	369	-
Miscellaneous revenue	<u>(404)</u>	<u>325</u>
Total nonoperating revenues	<u>2,065</u>	<u>325</u>
Income (loss) before transfers and capital contributions	(526,583)	(546,590)
Transfers and capital contributions		
Transfers in	158,000	158,000
Capital contributions	<u>39,900</u>	<u>-</u>
Total transfers and capital contributions	<u>197,900</u>	<u>158,000</u>
Increase (decrease) in net position	(328,683)	(388,590)
Net position, beginning of year	<u>2,252,034</u>	<u>2,640,624</u>
Net position, end of year	<u>\$ 1,923,351</u>	<u>\$ 2,252,034</u>

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2014	2013
Cash flows from operating activities		
Receipts from customers	\$ 145,836	\$ 138,707
Payments to suppliers	(185,178)	(172,365)
Payments to employees	<u>(121,165)</u>	<u>(123,542)</u>
Net cash provided (used) by operating activities	(160,507)	(157,200)
Cash flows from noncapital financing activities		
Transfers from other funds	158,000	158,000
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest received	<u>2,103</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>2,103</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(404)	800
Cash and cash equivalents, beginning of year	<u>800</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 396</u></u>	<u><u>\$ 800</u></u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (528,648)	\$ (546,915)
Adjustments to reconcile net income to net cash		
from operating activities		
Depreciation	271,990	273,300
Other revenue received	(35)	325
(Increase) decrease in accounts receivable	(4,419)	-
Increase (decrease) in accounts payable	(29,403)	17,888
Increase (decrease) in accrued expenses	(213)	530
Increase (decrease) in net other post employment benefit obligation	(1,809)	4,195
Increase (decrease) in compensated absences	(6,557)	8,306
Increase (decrease) in due to other funds	138,587	94,096
Increase (decrease) in unearned revenues	<u>-</u>	<u>(7,922)</u>
Total Adjustments	<u>368,141</u>	<u>390,718</u>
Net cash provided by operating activities:	<u><u>\$ (160,507)</u></u>	<u><u>\$ (156,197)</u></u>
<i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ 39,900	\$ -

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 42,270	\$ 29,850
Investments	106,599	106,563
Accounts receivables (net of allowances for uncollectibles)	<u>9</u>	<u>12</u>
Total current assets	148,878	136,425
Capital assets		
Plant and equipment	195,878	195,878
Accumulated depreciation	<u>(111,621)</u>	<u>(100,939)</u>
Total capital assets (net of accumulated depreciation)	<u>84,257</u>	<u>94,939</u>
 TOTAL ASSETS	 <u>\$ 233,135</u>	 <u>\$ 231,364</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 13,799	\$ 14,202
Compensated absences	-	200
Accrued expenses	<u>3,081</u>	<u>731</u>
Total current liabilities	16,880	15,133
Long-term liabilities		
Compensated absences	2,740	1,753
Net other post employment benefit obligation	<u>5,108</u>	<u>7,577</u>
Total long-term liabilities	<u>7,848</u>	<u>9,330</u>
 TOTAL LIABILITIES	 <u>24,728</u>	 <u>24,463</u>
NET POSITION		
Net investment in capital assets	84,257	94,939
Unrestricted	<u>124,150</u>	<u>111,962</u>
 TOTAL NET POSITION	 <u>208,407</u>	 <u>206,901</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 233,135</u>	 <u>\$ 231,364</u>

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the fiscal years ended September 30,

	2014	2013
Operating revenues		
Admissions	\$ 3,181	\$ 2,916
Operating expenses		
Personal services	49,487	54,786
Contracted services	37,756	37,417
Materials and supplies	2,222	2,661
Other expenses	11,172	11,485
Depreciation and amortization	10,683	8,872
Total operating expenses	111,320	115,221
Operating income (loss)	(108,139)	(112,305)
Nonoperating revenues (expenses)		
Interest revenue	46	136
Gain on sale of capital assets	358	-
Miscellaneous revenue	9,241	3,551
Total nonoperating revenues	9,645	3,687
Income (loss) before transfers	(98,494)	(108,618)
Transfers		
Transfers in	100,000	100,000
Increase (decrease) in net position	1,506	(8,618)
Net position, beginning of year	206,901	215,519
Net position, end of year	\$ 208,407	\$ 206,901

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2014	2013
Cash flows from operating activities		
Receipts from customers	\$ 12,425	\$ 6,468
Payments to suppliers	(49,240)	(50,389)
Payments to employees	(51,169)	(51,312)
Net cash (used) by operations	(87,984)	(95,233)
 Cash flows from noncapital financing activities		
Transfers from other funds	100,000	100,000
 Cash flows from capital and related financing activities		
Purchases of capital assets	-	(11,004)
Proceeds from the sale of capital assets	358	-
Net cash provided (used) by capital and related financing activities	358	(11,004)
 Cash flows from investing activities		
Interest received on investments	46	136
 Net increase (decrease) in cash and cash equivalents	12,420	(6,101)
 Cash and cash equivalents, beginning of year	29,850	35,951
 Cash and cash equivalents, end of year	\$ 42,270	\$ 29,850
 Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (108,139)	\$ (112,305)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation and amortization	10,682	8,872
Other revenue received	9,241	3,551
(Increase) decrease in inventories	(36)	-
(Increase) decrease in accounts receivable	3	-
(Increase) decrease in prepaid items	-	647
Increase (decrease) in accounts payable	(403)	395
Increase (decrease) in accrued expenses	2,350	132
Increase (decrease) in net other post employment benefit obligation	(2,469)	2,096
Increase (decrease) in compensated absences	787	1,378
Total adjustments	20,155	17,071
 Net cash provided (used) by operations	\$ (87,984)	\$ (95,234)
 <i>Supplemental disclosure of noncash activities</i>	\$ -	\$ -

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**SUPPLEMENTARY
INDIVIDUAL
INTERNAL SERVICE
FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

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City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,904,804	\$ 3,134,805
Receivables (net of allowances for uncollectibles)		
Accounts	26,582	17,711
Inventories	178,113	161,743
Total current assets	4,109,499	3,314,259
Investments	-	1,532,691
Capital assets	19,629,763	17,870,570
Accumulated depreciation	(12,766,895)	(12,024,681)
Capital assets (net of accumulated depreciation)	6,862,868	5,845,889
Total non current assets	6,862,868	7,378,580
 TOTAL ASSETS	 \$ 10,972,367	 \$ 10,692,839
LIABILITIES		
Current liabilities		
Accounts payable	\$ 32,852	\$ 11,090
Compensated absences	36,478	39,926
Accrued expenses	7,712	6,069
Total current liabilities	77,042	57,085
Long-term liabilities		
Net other post employment benefit obligation	36,022	36,022
Total non-current liabilities	36,022	36,022
 TOTAL LIABILITIES	 113,064	 93,107
NET POSITION		
Net investment in capital assets	6,862,868	5,845,889
Unrestricted	3,996,435	4,753,843
Total net position	10,859,303	10,599,732
 TOTAL LIABILITIES AND NET POSITION	 \$ 10,972,367	 \$ 10,692,839

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the fiscal years ended September 30,

	2014	2013
Operating revenues		
Current use charges	\$ 4,010,313	\$ 3,765,904
Operating expenses		
Personal services	377,779	356,045
Contracted services	67,898	66,120
Materials and supplies	2,239,157	2,213,077
Other expenses	92,999	63,794
Depreciation expense	1,754,587	1,606,668
Total operating expenses	4,532,420	4,305,704
Operating income	(522,107)	(539,800)
Nonoperating revenues (expenses)		
Interest revenue	2,788	8,410
Gain on sale/disposal of fixed assets	9,644	276
Total nonoperating revenues	12,432	8,686
Income before transfers and capital contributions	(509,675)	(531,114)
Transfers and capital contributions		
Capital contributions	769,246	172,532
Total transfers and capital contributions	769,246	172,532
Net increase (decrease) in net position	259,571	(358,582)
Net position, beginning of year	10,599,732	10,958,314
Net position, end of year	\$ 10,859,303	\$ 10,599,732

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Received from customers	\$ 4,001,442	\$ 3,769,376
Payments to suppliers	(3,407,035)	(2,340,033)
Payments to employees	<u>(379,584)</u>	<u>(341,795)</u>
Net cash provided by operations	214,823	1,087,548
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities		
Purchases of capital assets	(989,947)	(944,373)
Proceeds from the sale of capital assets	<u>9,644</u>	<u>276</u>
Net cash provided (used) by capital and related financing activities	(980,303)	(944,097)
Cash flows from investing activities		
Purchase of investments	1,532,691	(5,221)
Interest received	<u>2,788</u>	<u>8,410</u>
Net cash provided (used) by investing activities	<u>1,535,479</u>	<u>3,189</u>
Net increase (decrease) in cash and cash equivalents	769,999	146,640
Cash and cash equivalents, beginning of year	<u>3,134,805</u>	<u>2,988,165</u>
Cash and cash equivalents, end of year	<u>\$ 3,904,804</u>	<u>\$ 3,134,805</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ (522,107)	\$ (539,800)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	742,214	1,606,668
(Increase) decrease in receivables	(8,871)	3,472
(Increase) decrease in prepaid expenses	-	376
(Increase) decrease in due from other funds	-	(50)
(Increase) decrease in inventories	(16,370)	196
Increase (decrease) in accounts payable	21,762	2,436
Increase (decrease) in net other post employment benefit obligation	(3,448)	12,081
Increase (decrease) in accrued expenses	<u>1,643</u>	<u>2,169</u>
Total adjustments	<u>736,930</u>	<u>1,627,348</u>
Net cash provided by operations	<u>\$ 214,823</u>	<u>\$ 1,087,548</u>
<i>Supplemental disclosure of noncash activities:</i>		
<i>Contributed capital from other funds</i>	\$ 769,246	\$ 172,532

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 561,416	\$ 514,753
Accounts receivable	9,171	8,380
Prepaid expenses	<u>805</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 571,392</u>	 <u>\$ 523,133</u>
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 7,236	\$ 9,483
Due to other funds	<u>25,000</u>	<u>25,000</u>
Total liabilities	32,236	34,483
 NET POSITION		
Unrestricted net position	<u>539,156</u>	<u>488,650</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 571,392</u>	 <u>\$ 523,133</u>

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Operating revenues		
Current use charges	\$ 3,833,623	\$ 3,473,601
Operating expenses		
Contracted services	<u>3,864,432</u>	<u>3,339,021</u>
Total operating expenses	<u>3,864,432</u>	<u>3,339,021</u>
Operating income (loss)	(30,809)	134,580
Nonoperating revenues (expenses)		
Interest revenue	<u>315</u>	<u>368</u>
Income (loss) before operating transfers	(30,494)	134,948
Transfers		
Transfers in	<u>81,000</u>	<u>73,500</u>
Net increase in net position	50,506	208,448
Net position, beginning of year	<u>488,650</u>	<u>280,202</u>
Net position, end of year	<u>\$ 539,156</u>	<u>\$ 488,650</u>

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Receipts	\$ 3,832,832	\$ 3,476,227
Payments to suppliers	<u>(3,867,484)</u>	<u>(3,343,874)</u>
Net cash provided by operations	(34,652)	132,353
Cash flows from noncapital financing activities		
Transfers from other funds	81,000	73,500
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest received	<u>315</u>	<u>368</u>
Net increase in cash and cash equivalents	46,663	206,221
Cash and cash equivalents, beginning of year	<u>514,753</u>	<u>308,532</u>
Cash and cash equivalents, end of year	<u>\$ 561,416</u>	<u>\$ 514,753</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (30,809)	\$ 134,580
Adjustments to reconcile net income (loss) from operations to net cash from operating activities		
(Increase) decrease in accounts receivable	(791)	2,626
(Increase) decrease in prepaid expenses	(805)	-
Increase (decrease) in accounts payable	<u>(2,247)</u>	<u>(4,853)</u>
Net cash provided by operations	<u>\$ (34,652)</u>	<u>\$ 132,353</u>

COMPONENT UNITS

Discretely presented component units are legally separate organizations that the City of Harlingen must include as part of its financial reporting entity for fair presentation.

Governmental

The **Harlingen Economic Development Corporation, Inc.** is a separately chartered nonprofit 4A corporation. The fund administers 75% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors is appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of \$25,000.

The **Harlingen Community Improvement Board** is a separately chartered nonprofit 4B corporation. The fund administers 25% of the special ½ cent sales tax monies to foster economic development within the City. The Board of Directors are appointed by the City Commission and functions as the decision/policy-making body for all activities related to this component unit subject to prior Commission approval of disbursements in excess of \$25,000.

Business-type

The **Water and Wastewater System Fund** is used to account for the operations of the Waterworks and Wastewater System. This fund is primarily controlled by a board separate from the City Commission.

The **Valley International Airport Fund** is used to account for the operations of the Valley International Airport. This fund is primarily controlled by a board separate from the City Commission.

City of Harlingen, Texas
HARLINGEN ECONOMIC DEVELOPMENT CORPORATION, INC.
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,269,580	\$ 3,309,607
Restricted cash and cash equivalents	-	9,508
Receivables (net of allowances for uncollectibles)		
Accounts	69,259	155,467
Due from other government	324,043	312,382
Prepaid expenses	5,491	126,398
Long-term loans receivable	1,014,827	1,216,837
TOTAL ASSETS	\$ 4,683,200	\$ 5,130,199
LIABILITIES		
Accounts payable	\$ 73,469	\$ 141,960
Accrued expenditures	12,262	5,670
TOTAL LIABILITIES	85,731	147,630
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - noncurrent receivables	1,014,827	1,216,837
FUND BALANCE		
Nonspendable	5,491	126,398
Unassigned	3,577,151	3,639,334
Total fund balance	3,582,642	3,765,732
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,683,200	\$ 5,130,199

City of Harlingen, Texas
**Reconciliation of the Balance Sheet of the Harlingen Economic Development Corporation
to the Component Unit Combining Statement of Net Position**
September 30, 2014

	<u>HEDC Activities</u>
Fund balances -- component unit	\$ 3,582,642
Amounts reported in the statement of activities are different because:	
Long-term investments and notes receivable recorded in governmental activities are not financial resources and therefore are not reported in the governmental funds.	38,743,277
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	1,014,827
Long term liabilities applicable to the component units governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term are reported in the statement of net position.	(37,357,345)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(1,173,453)</u>
Net position of the component unit on the statement of net position	<u>\$ 4,809,948</u>

City of Harlingen, Texas
HARLINGEN ECONOMIC DEVELOPMENT CORPORATION, INC.
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Non property taxes	\$ 4,028,290	\$ 3,968,422
Intergovernmental	177,279	2,498,062
Miscellaneous and program revenues	776,182	873,010
Interest and investment income	<u>10,770</u>	<u>14,474</u>
Total revenues	4,992,521	7,353,968
Expenditures		
Current		
General government	1,909,969	5,648,598
Health and welfare	-	200,000
Investment property purchase	164,901	911,128
Debt service		
Principal retirement	1,395,000	1,355,000
Interest and fiscal agent fees	<u>1,805,741</u>	<u>1,845,262</u>
Total expenditures	5,275,611	9,959,988
Other financing sources (uses)		
Sale of assets	<u>100,000</u>	<u>2,327,085</u>
NET CHANGE IN FUND BALANCE	(183,090)	(278,935)
Fund balance, beginning of year	<u>3,765,732</u>	<u>4,044,667</u>
Fund balance, end of year	<u>\$ 3,582,642</u>	<u>\$ 3,765,732</u>

City of Harlingen, Texas
**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Harlingen Economic Development Corporation
to the Component Unit Combining Statement of Activities**
For the fiscal year ending September 30, 2014

	<u>HEDC Activities</u>
Net change in fund balances -- component unit fund	\$ (183,090)
Amounts reported in the statement of activities are different because:	
Governmental funds report payments to acquire long-term investments as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as investment expense. This is the amount of amortized expenses in the current period.	(515,779)
Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.	1,035,000
Collection of noncurrent receivables is reported as other financing sources in the governmental funds, but the collection reduces the notes receivable in the statement of net position.	290,916
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Long term debt is not recorded at the fund level, and consequently, the accrued interest is (\$256,163) is not recorded either. Also, any changes in compensated absences \$(8,367) and amortization of bond issuance discounts of \$(18,546), are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds.	<u>(283,079)</u>
Change in net position of governmental activities:	<u><u>\$ 343,968</u></u>

City of Harlingen, Texas
HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,894,657	\$ 2,333,306
Receivables (net of allowances for uncollectibles)		
Due from other government	<u>108,148</u>	<u>104,127</u>
 TOTAL ASSETS	 <u>\$ 3,002,805</u>	 <u>\$ 2,437,433</u>
 LIABILITIES		
Accounts payable	\$ 6,541	\$ 477,107
 FUND BALANCE		
Unassigned	<u>2,996,264</u>	<u>1,960,326</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,002,805</u>	 <u>\$ 2,437,433</u>

Reconciliation of the Balance Sheet of the Harlingen Community Improvement Board

Fund balances -- component unit \$ 2,996,264

Amounts reported for the Harlingen Community Improvement Board in the statement of net position are different because:

Long-term investments recorded in governmental activities are not financial resources and therefore are not reported in the governmental funds.

310,034

Notes payable are not due and payable in the current period and therefore are not reported in the balance sheet.

(100,000)

Net position of the component unit on the statement of net position

\$ 3,206,298

City of Harlingen, Texas
HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Non property taxes	\$ 1,342,763	\$ 1,322,808
Miscellaneous and program revenues	625	-
Interest and investment income	<u>1,578</u>	<u>2,074</u>
Total revenues	1,344,966	1,324,882
Expenditures		
Current		
General government	<u>309,028</u>	<u>981,390</u>
Total expenditures	<u>309,028</u>	<u>981,390</u>
EXCESS REVENUES OVER EXPENDITURES	1,035,938	343,492
Other financing sources (uses)		
Note payable proceeds	<u>-</u>	<u>200,000</u>
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>
NET CHANGE IN FUND BALANCE	1,035,938	543,492
Fund balance, beginning of year	<u>1,960,326</u>	<u>1,416,834</u>
Fund balance, end of year	<u>\$ 2,996,264</u>	<u>\$ 1,960,326</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Harlingen Community Improvement Board

Fund balances -- component unit \$ 1,035,938

Amounts reported for the Harlingen Community Improvement Board in the statement of activities are different because:

Long-term investments recorded in governmental activities are not financial resources and therefore are not reported in the governmental funds. 310,034

Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 100,000

Net position of the component unit on the statement of net position \$ 1,445,972

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,087,871	\$ 7,021,186
Investments	7,657,733	7,696,754
Receivables, net of allowances for uncollectibles	1,912,321	1,859,743
Grants receivable	119,238	206,506
Interest receivable	3,414	6,715
Inventories	308,187	227,950
Prepaid expenses	9,191	8,500
Restricted assets		
Cash and cash equivalents	4,362,053	4,253,507
Investments	3,358,136	5,593,699
Total current assets	24,818,144	26,874,560
Noncurrent Assets		
Capital assets		
Non-depreciable assets	9,853,915	8,849,481
Depreciable assets	156,572,117	153,062,963
Accumulated depreciation	(102,820,234)	(98,617,501)
Total capital assets, net	63,605,798	63,294,943
 TOTAL ASSETS	 88,423,942	 90,169,503
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	356,796	430,461
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 88,780,738	 \$ 90,599,964

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	\$ 818,302	\$ 605,048
Due to primary government	232,222	781,188
Compensated absences - current	507,377	458,080
Current maturities of long-term debt, net of deferred amounts	900,000	1,980,000
Other liabilities	440,887	417,403
Payable from restricted assets - current	481,820	505,748
Total current liabilities	3,380,608	4,747,467
Noncurrent liabilities		
Revenue bonds payable, net	14,007,469	14,907,577
Compensated absences	150,000	200,000
Net other post employment benefit obligation	2,835,505	2,414,909
Payable fom restricted assets	1,600,000	1,550,000
Total long-term debt	18,592,974	19,072,486
TOTAL LIABILITIES	21,973,582	23,819,953
NET POSITION		
Net investment in capital assets	50,311,646	48,845,912
Restricted:		
Debt service	825,098	1,815,615
System expansion	3,556,750	3,967,758
Unrestricted	12,113,662	12,150,726
Total net position	66,807,156	66,780,011
TOTAL LIABILITIES AND NET POSITION	\$ 88,780,738	\$ 90,599,964

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Operating revenues		
Charges for services		
Current use charges	\$ 17,719,771	\$ 18,882,503
Operating expenses		
Personnel services	7,158,585	6,875,105
Contracted services	3,331,659	3,399,980
Supplies and maintenance	3,085,041	2,910,264
Other expenses	229,404	318,807
Depreciation	<u>5,165,357</u>	<u>5,222,268</u>
Total operating expenses	<u>18,970,046</u>	<u>18,726,424</u>
Operating income (loss)	(1,250,275)	156,079
Non-operating revenues		
Impact fees	664,367	548,541
Investment earnings	62,478	100,484
Miscellaneous revenue	<u>685,946</u>	<u>805,961</u>
Total non-operating revenues	<u>1,412,791</u>	<u>1,454,986</u>
Non-operating expenses		
Interest and amortization expense	<u>757,533</u>	<u>1,043,360</u>
Total non-operating expenses	757,533	1,043,360
Net income (loss) before transfers and capital contributions	(595,017)	567,705
Capital contributions	<u>622,162</u>	<u>1,469,771</u>
Change in net position	27,145	2,037,476
Net position, beginning, restated	<u>66,780,011</u>	<u>64,742,535</u>
Net position, end of year	<u>\$ 66,807,156</u>	<u>\$ 66,780,011</u>

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Receipts from customers - service revenue	\$ 18,431,443	\$ 20,147,428
Payments to suppliers	(7,060,796)	(6,462,996)
Payments to employees	<u>(6,731,422)</u>	<u>(6,428,373)</u>
Net cash provided by operations	4,639,225	7,256,059
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(4,919,386)	(4,077,469)
Proceeds from disposition of capital assets	61,327	25,052
Proceeds from impact fees	664,367	548,541
Proceeds from grants	-	109,845
Principal paid on revenue bonds	(1,980,000)	(1,910,000)
Interest and fees paid on revenue bonds	<u>(630,665)</u>	<u>(689,264)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,804,357)</u>	<u>(5,993,295)</u>
Cash flows from investing activities		
Purchase of investments	(8,036,662)	(9,065,924)
Maturity of investments	10,311,245	8,313,452
Investment earnings	<u>65,779</u>	<u>103,083</u>
Net cash provided by investing activities	<u>2,340,362</u>	<u>(649,389)</u>
Net increase in cash and cash equivalents	175,230	613,375
Cash and cash equivalents, beginning of year	<u>11,274,693</u>	<u>10,661,318</u>
Cash and cash equivalents, end of year	<u>\$ 11,449,923</u>	<u>\$ 11,274,693</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (1,250,275)	\$ 156,079
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,165,357	5,222,268
Non-operating revenue	624,619	780,909
(Increase) decrease in receivables	34,690	432,097
(Increase) decrease in inventories	(80,237)	58,592
(Increase) decrease in prepaid expenses	(691)	235
Increase (decrease) in accounts payable	213,254	12,071
Increase (decrease) in due to primary government	(548,966)	129,522
Increase (decrease) in compensated absences	(703)	5,721
Increase (decrease) in retiree health care plan liability	420,596	459,174
Increase (decrease) in other liabilities	9,218	(52,528)
Increase (decrease) in payable from restricted assets	<u>52,363</u>	<u>51,919</u>
Total adjustments	<u>5,889,500</u>	<u>7,099,980</u>
Net cash provided by operations	<u>\$ 4,639,225</u>	<u>\$ 7,256,059</u>
<i>Supplemental disclosures of noncash capital activities:</i>		
<i>Water lines, sewer mains and related infrastructure contributed to the Waterworks System by developers and builders</i>	\$ 622,162	\$ 1,469,771

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,236,617	\$ 5,548,011
Investments	499,194	-
Accounts receivable	486,788	364,902
Prepaid expenses and deposits	38,265	92,085
Restricted assets		
Cash and cash equivalents	1,364,981	202,421
Total current assets	6,625,845	6,207,419
NONCURRENT ASSETS		
Capital assets		
Land	5,011,081	5,011,081
Construction in progress	218,328	3,196,249
Buildings	38,474,749	38,259,469
Runways and taxiways	66,613,814	63,396,882
Land improvements	23,266,129	20,844,742
Furniture and fixtures	3,108,597	3,108,597
Machinery and equipment	16,466,244	14,529,443
Less accumulated depreciation	(89,362,581)	(84,280,322)
Net capital assets	63,796,361	64,066,141
Total noncurrent assets	63,796,361	64,066,141
TOTAL ASSETS	\$ 70,422,206	\$ 70,273,560

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	<u>2014</u>	<u>2013</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 105,793	\$ 180,413
Current portion of unearned revenue	299,258	287,578
Current portion of compensated absences	<u>25,000</u>	<u>25,000</u>
Total current liabilities	430,051	492,991
 LONG-TERM LIABILITIES, net of current maturities		
Unearned revenue	1,739,845	1,972,302
Compensated absences	268,262	263,643
Net other post employment benefit obligation	<u>173,695</u>	<u>139,100</u>
Total long-term liabilities	<u>2,181,802</u>	<u>2,375,045</u>
 TOTAL LIABILITIES	 2,611,853	 2,868,036
 NET POSITION		
Net investment in capital assets	61,824,425	61,861,748
Restricted for passenger facility charges	1,364,981	202,421
Unrestricted	<u>4,620,947</u>	<u>5,341,355</u>
 Total net position	 <u>67,810,353</u>	 <u>67,405,524</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 70,422,206</u>	 <u>\$ 70,273,560</u>

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 6,317,437	\$ 6,721,600
Operating expenses		
Personnel	2,790,152	2,681,190
Contracted services	1,677,391	1,950,415
Materials and supplies	554,281	333,590
Other expenses	<u>677,626</u>	<u>661,505</u>
Total operating expenses before depreciation expense	<u>5,699,450</u>	<u>5,626,700</u>
Operating income before depreciation expense	617,987	1,094,900
Depreciation expense	<u>5,168,026</u>	<u>4,986,180</u>
Operating income (loss)	(4,550,039)	(3,891,280)
Nonoperating revenues (expenses)		
Investment income	6,477	8,857
Gain (Loss) on sale of asset	21,250	-
Interest expense	<u>-</u>	<u>(10,800)</u>
Total nonoperating revenues	<u>27,727</u>	<u>(1,943)</u>
Net income (loss) before capital contributions	(4,522,312)	(3,893,223)
Capital contributions		
Passenger facility charges, including interest	1,205,060	1,274,088
Federal and local grants	<u>3,722,081</u>	<u>1,780,639</u>
Total capital contributions	<u>4,927,141</u>	<u>3,054,727</u>
Increase (decrease) in net position	<u>404,829</u>	<u>(838,496)</u>
Net position, beginning of year	<u>67,405,524</u>	<u>68,244,020</u>
Net position, end of year	<u>\$ 67,810,353</u>	<u>\$ 67,405,524</u>

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2014</u>	<u>2013</u>
Net cash from operating activities		
Operating cash receipts from customers	\$ 5,974,774	\$ 6,754,878
Cash payments to suppliers for goods and services	(2,895,503)	(3,229,691)
Cash payments to employees for services	<u>(2,785,533)</u>	<u>(2,703,111)</u>
Net cash provided by operating activities	293,738	822,076
Net cash flows from (to) capital and related financing activities		
Capital contributions - Federal Aviation Administration	3,722,081	1,780,639
Fixed assets additions and construction	(4,898,246)	(2,633,571)
Proceeds from sale of assets	21,250	-
Passenger facility charges, including interest	1,205,060	1,274,088
Interest paid	-	(10,800)
Principal paid on capital lease	<u>-</u>	<u>(507,567)</u>
Net cash provided (used) by capital and related financing activities	50,145	(97,211)
Net cash flows from (to) investing activities		
Purchase of investments	(499,194)	-
Interest received from investments	<u>6,477</u>	<u>8,857</u>
Net cash provided (used) by investing activities	<u>(492,717)</u>	<u>8,857</u>
Net increase (decrease) in cash and cash equivalents	(148,834)	733,722
Cash and cash equivalents, beginning of year	<u>5,750,432</u>	<u>5,016,710</u>
Cash and cash equivalents, end of year	<u>\$ 5,601,598</u>	<u>\$ 5,750,432</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (4,550,039)	\$ (3,891,280)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	5,168,026	4,986,180
(Increase) decrease in accounts receivable	(121,886)	292,486
(Increase) decrease in prepaid expenses	53,820	(15,405)
Increase (decrease) in accounts payable	(74,620)	(302,193)
Increase (decrease) in accrued expenses	-	(19,335)
Increase (decrease) in compensated absences	4,619	(1,350)
Increase (decrease) in net pension obligation	34,595	32,181
Increase (decrease) in unearned revenue	<u>(220,777)</u>	<u>(259,208)</u>
Net cash provided by operating activities	<u>\$ 293,738</u>	<u>\$ 822,076</u>
<i>Supplemental disclosures of noncash activities:</i>		
<i>Revenue recognized in connection with long-term lease</i>	\$ 221,547	\$ 221,547

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CITY OF HARLINGEN, TEXAS

STATISTICAL SECTION

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STATISTICAL SECTION

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

CONTENTS

Financial Trends

Tables 1-7

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Revenue Capacity

Tables 8-14

These schedules contain information to help the reader assess the government’s most significant local revenue sources, the property tax and the hotel/motel tax.

Debt Capacity

Tables 15-17

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

Demographic and Economic Information

Tables 18-19

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Operating Information

Tables 20-22

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

City of Harlingen, Texas
Changes in Net Position-Governmental Activities
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Source	Fiscal Year Ending September 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
General Government	\$ 4,228,100	\$ 4,365,581	\$ 4,468,222	\$ 5,430,037	\$ 5,242,076	\$ 5,875,978	\$ 8,256,220	\$ 8,103,868	\$ 8,045,249	\$ 7,659,290
Public Safety	15,576,410	15,828,226	16,114,155	16,552,488	18,107,032	20,713,031	21,428,593	24,787,803	25,738,359	25,508,640
Highways and Streets	7,079,701	7,592,046	9,356,722	10,740,466	10,662,581	9,329,701	8,501,626	5,162,540	4,778,770	5,381,855
Health and Welfare	2,872,140	2,902,912	2,669,049	2,936,977	3,238,825	3,781,447	3,036,615	4,134,007	4,344,593	4,237,513
Culture and Recreation	4,431,625	4,172,438	4,827,734	5,096,487	5,530,536	5,266,289	7,534,244	5,314,043	5,043,397	4,822,263
Interest on Long Term Debt	800,578	859,114	1,023,685	2,313,417	2,003,317	1,893,780	1,931,829	2,097,551	1,456,615	2,443,285
Total Expenses	34,988,554	35,720,317	38,459,567	43,069,872	44,784,367	46,860,226	50,689,127	49,599,812	49,406,983	50,052,846
Program Revenues:										
Charges for Services:										
General Government	816,243	990,663	993,366	936,518	907,528	720,770	1,261,398	2,144,379	1,663,584	3,065,996
Public Safety	1,267,182	1,472,137	1,670,670	2,150,330	2,203,198	2,268,854	1,942,282	3,160,986	3,053,460	1,944,279
Highways and Streets	-	348,625	159,534	417,265	190,463	138,435	-	166,434	79,736	-
Health and Welfare	917,921	83,767	82,041	86,161	83,850	84,594	12,667	68,944	68,990	841
Culture and Recreation	337,787	383,995	353,702	363,159	395,513	399,721	398,253	605,813	567,548	417,535
Operating Grants and Contributions	2,692,086	1,962,956	2,427,180	4,657,404	5,420,766	3,507,285	2,955,031	2,699,930	2,490,080	2,563,133
Capital Grants and Contributions	7,382,152	3,599,474	4,566,668	3,787,945	584,495	75,834	3,185,634	2,128,092	1,536,151	1,781,492
Total Program Revenues	13,413,371	8,841,617	10,253,161	12,398,782	9,785,813	7,195,493	9,755,265	10,974,578	9,459,549	9,773,276
Net (Expense) Revenue	(21,575,183)	(26,878,700)	(28,206,406)	(30,671,090)	(34,998,554)	(39,664,733)	(40,933,862)	(38,625,234)	(39,947,434)	(40,279,570)
General Revenues and Transfers:										
Taxes:										
Property taxes, levied for general purposes	9,016,861	9,833,334	10,602,676	11,534,234	11,409,148	12,139,878	12,207,003	12,647,309	13,671,706	13,370,041
Property taxes, levied for debt service	3,416,253	3,658,761	3,700,037	3,752,784	3,921,427	4,101,577	4,019,848	3,712,694	3,993,754	3,964,082
Sales taxes	12,387,734	13,540,521	13,900,112	14,493,898	14,671,251	13,672,390	14,057,245	15,275,928	15,873,690	16,113,160
Franchise taxes	3,052,191	3,333,197	3,845,544	3,893,300	3,918,765	3,859,837	3,511,085	3,165,863	3,072,593	3,137,857
Hotel/Motel taxes	833,487	886,715	929,522	977,318	898,129	841,758	819,595	882,322	907,944	944,692
Unrestricted investment earnings	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294	57,125	36,194
Miscellaneous	1,523,583	1,469,548	1,515,338	1,082,427	893,025	1,303,388	344,773	396,610	464,081	694,737
Utility Company Settlement	-	-	-	-	-	-	148,587	109,099	950,909	(12,121)
Transfers	369,238	303,414	(202,819)	175,741	(185,583)	100,572	607,200	473,571	720,400	794,400
Total General Revenues and Transfers	31,028,285	34,066,915	36,222,923	37,836,141	36,180,942	36,202,973	35,803,737	36,742,690	39,712,202	39,043,042
Change in Net Position	\$ 9,453,102	\$ 7,188,215	\$ 8,016,517	\$ 7,165,051	\$ 1,182,388	\$ (3,461,760)	\$ (5,130,125)	\$ (1,882,544)	\$ (235,232)	\$ (1,236,528)

Table 2

City of Harlingen, Texas
Changes in Net Position-Business-type Activities
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year Ending September 30

Source	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Sanitation Services	\$4,529,474	\$5,012,874	\$ 5,441,974	\$ 6,458,458	\$ 7,105,732	\$ 6,796,273	\$ 6,377,740	\$ 6,958,567	\$6,939,912	\$ 7,802,743
Golf Course Services	1,072,804	1,087,353	980,001	1,060,084	1,102,944	1,218,837	1,200,582	1,236,695	1,306,088	1,220,275
Museum Services	92,369	107,635	127,142	106,810	110,291	114,224	131,671	136,315	115,221	111,320
Auditorium Services	660,902	707,877	639,409	738,798	438,688	433,469	683,557	648,809	694,222	678,938
Total Expenses	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803	8,393,550	8,980,386	9,055,443	9,813,276
Program Revenues:										
Charges for Services:										
Sanitation Services	5,622,639	5,527,012	6,550,442	6,998,254	8,402,003	8,394,204	8,415,042	8,495,419	8,532,359	8,841,070
Golf Course Services	1,140,758	1,228,395	1,167,702	1,169,350	1,245,752	1,164,750	1,216,805	1,179,528	1,130,416	982,509
Museum Services	5,468	1,666	1,117	5,323	5,210	3,818	4,010	3,585	2,916	3,181
Auditorium Services	268,899	244,400	304,308	227,409	66,560	108,292	258,815	143,885	147,307	150,290
Total Program Revenues	7,037,764	7,001,473	8,023,569	8,400,336	9,719,525	9,671,064	9,894,672	9,822,417	9,812,998	9,977,050
Net (Expense) Revenue	682,215	85,734	835,043	36,186	961,870	1,108,261	1,501,122	842,031	757,555	163,774
General Revenues and Transfers:										
Unrestricted investment earnings	29,698	63,659	99,829	84,999	23,579	5,129	4,554	7,259	6,251	5,269
Miscellaneous	45,291	47,462	82,821	37,676	16,919	66,046	73,963	18,915	1,940	14,098
Gain on sale of assets	-	-	-	-	(33,806)	19,475	6,082	130	770	778,731
Insurance Recovery	-	-	-	-	53,346	-	-	-	-	-
Capital Contributions	-	-	-	-	134,570	120,000	1,551,967	103,517	24,794	50,214
Transfers	(369,238)	(303,414)	71,746	(175,741)	185,583	(100,572)	(607,200)	(473,571)	(720,400)	(794,400)
Total General Revenues and Transfers	(294,249)	(192,293)	254,396	(53,066)	380,191	110,078	1,029,366	(343,750)	(686,645)	53,912
Change in Net Position	\$387,966	(106,559)	\$1,089,439	(16,880)	\$1,342,061	\$1,218,339	\$2,530,488	\$498,281	\$70,910	217,686

Table 3

City of Harlingen, Texas
Changes in Net Position - Total
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year Ending September 30

Source	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities *	\$34,988,554	\$35,720,317	\$38,459,567	\$43,069,872	\$44,784,370	\$46,860,226	\$50,689,127	\$49,599,812	\$49,406,983	\$50,052,846
Business-type Activities **	6,355,549	6,915,739	7,188,526	8,364,150	8,757,655	8,562,803	8,393,550	8,980,386	9,055,443	9,813,276
Total Expenses	41,344,103	42,636,056	45,648,093	51,434,022	53,542,025	55,423,029	59,082,677	58,580,198	58,462,426	59,866,122
Program Revenues:										
Governmental Activities *	13,413,371	8,841,617	10,253,161	12,398,782	9,785,813	7,195,493	9,755,265	10,974,578	9,459,539	9,773,276
Business-type Activities **	7,037,764	7,001,473	8,023,569	8,400,336	9,719,525	9,791,064	9,894,672	9,925,934	9,837,792	10,027,264
Total Program Revenues	20,451,135	15,843,090	18,276,730	20,799,118	19,505,338	16,986,557	19,649,937	20,900,512	19,297,331	19,800,540
Net (Expense) Revenue	(20,892,968)	(26,792,966)	(27,371,363)	(30,634,904)	(34,036,687)	(38,436,472)	(39,432,740)	(37,679,686)	(39,165,095)	(40,065,582)
Governmental Activities *	31,028,285	34,066,915	36,222,923	37,836,141	36,180,942	36,202,973	35,803,737	36,742,688	39,712,202	39,043,042
Business-type Activities **	(294,249)	(192,293)	254,396	(53,066)	380,191	(9,922)	1,029,366	(447,267)	(711,439)	3,698
Total General Revenues and Transfers	30,734,036	33,874,622	36,477,319	37,783,075	36,561,133	36,193,051	36,833,103	36,295,421	39,000,763	39,046,740
Change in Net Position	\$9,841,068	\$7,081,656	\$9,105,956	\$7,148,171	\$2,524,446	(\$2,243,421)	(\$2,599,637)	(\$1,384,265)	(\$164,332)	(\$1,018,842)

* See Table Changes in Net Position-Governmental Activities

** See Table Changes in Net Position-Business Type Activities

City of Harlingen, Texas
Government-wide Net Position by Category
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year Ending September 30

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$87,515,230	\$76,399,164	\$41,015,422	\$109,813,052	\$110,046,291	\$108,894,810	\$102,913,131	\$103,040,149	\$98,058,748	\$97,835,629
Restricted	-	-	-	-	-	-	4,388,441	4,155,500	4,531,503	9,874,343
Unrestricted	22,932,725	41,237,006	84,570,376	22,937,797	23,886,943	21,576,664	17,038,038	15,261,415	18,598,426	12,242,177
Subtotal Governmental Activities Net Position	110,447,955	117,636,170	125,585,798	132,750,849	133,933,234	130,471,474	124,339,610	122,457,064	121,188,677	119,952,149
Business-type Activities										
Net investment in capital assets	4,564,288	4,478,302	4,460,027	3,945,166	4,709,696	5,662,148	6,881,339	6,648,413	6,361,950	5,316,890
Restricted	30,500	30,500	30,500	30,500	30,500	-	-	-	-	-
Unrestricted	815,079	794,506	1,378,298	1,876,279	2,453,810	2,306,845	3,641,900	4,373,107	4,730,480	5,993,226
Subtotal Business-type Activities Net Position	5,409,867	5,303,308	5,868,825	5,851,945	7,194,006	7,968,993	10,523,239	11,021,520	11,092,430	11,310,116
Primary Government										
Net investment in capital assets	92,079,518	80,877,466	45,475,449	113,758,218	114,755,987	114,556,958	109,794,470	109,688,562	104,420,698	103,152,519
Restricted	30,500	30,500	30,500	30,500	30,500	-	4,388,441	4,155,500	4,531,503	9,874,343
Unrestricted	23,747,804	42,031,512	85,948,674	24,814,076	26,340,753	23,883,509	20,679,938	19,634,522	23,328,906	18,235,403
Total Primary Government Net Position	\$115,857,822	\$122,939,478	\$131,454,623	\$138,602,794	\$141,127,240	\$138,440,467	\$134,862,849	\$133,478,584	\$132,281,107	\$131,262,265

City of Harlingen, Texas
Changes in Fund Balances - Governmental Fund
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	Fiscal Year Ending September 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$28,850,257	\$31,153,649	\$32,881,366	\$34,294,776	\$35,300,239	\$34,702,472	\$34,840,257	\$36,681,332	\$37,899,107	\$38,011,335
Fines & Forfeitures	1,275,156	1,160,728	1,356,102	1,771,756	1,695,162	1,652,900	1,550,411	1,808,440	1,780,275	1,681,265
Licenses & Permits	679,277	832,712	707,343	598,789	603,626	500,265	505,837	552,753	614,735	564,486
Charges for Services	562,294	1,285,748	1,195,867	1,582,889	1,481,764	1,459,209	1,558,349	2,872,412	2,593,675	2,776,305
Intergovernmental	3,317,086	1,962,956	2,427,181	4,657,403	5,420,765	3,437,285	5,693,984	3,936,245	2,957,872	2,674,160
Miscellaneous	851,008	1,467,147	1,509,034	1,052,746	882,423	1,184,703	939,262	1,386,264	1,418,098	1,590,030
Interest and Investment Income	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294	57,126	36,271
Total Revenues	35,964,016	38,904,365	42,009,406	45,884,798	46,038,759	43,120,407	45,176,501	47,316,740	47,320,888	47,333,852
Expenditures:										
General Government	4,366,369	4,276,224	4,822,215	5,483,029	5,591,046	5,860,669	7,725,493	5,765,003	6,052,084	6,552,556
Public Safety	15,492,570	15,335,097	16,290,664	17,092,165	18,626,584	19,881,709	20,274,158	20,495,448	21,286,630	21,804,128
Highways & Streets	3,385,116	3,726,291	5,299,471	6,296,643	6,045,067	5,032,835	4,113,096	4,257,383	3,953,133	4,602,102
Health & Welfare	2,885,803	2,796,907	2,674,945	2,919,664	3,220,659	3,761,018	2,988,993	3,391,215	3,594,105	3,621,978
Culture & Recreation	3,722,331	4,030,060	4,162,877	4,356,273	4,744,840	4,061,901	4,404,463	4,244,459	4,170,128	4,064,968
Capital Outlay	3,351,969	1,642,476	10,815,261	17,470,509	12,462,579	3,780,688	8,485,704	6,358,369	5,982,406	5,683,692
Debt Service										
Principal Retirement	2,750,845	2,957,843	2,985,000	1,349,571	1,960,000	2,150,000	2,298,136	1,940,000	1,970,000	2,302,113
Interest	930,901	929,647	1,590,219	2,372,439	1,947,569	1,993,090	1,852,835	1,752,898	1,714,452	1,872,583
Administrative charges	1,533	2,534	1,400	2,000	2,000	12,635	7,740	-	204,875	-
Total Expenditures	36,887,437	35,697,079	48,642,052	57,342,293	54,600,344	46,534,545	52,150,618	48,204,775	48,927,813	50,504,120
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(923,421)	3,207,286	(6,632,646)	(11,457,495)	(8,561,585)	(3,414,138)	(6,974,117)	(888,035)	(1,606,925)	(3,170,268)
Other Financing Sources (Uses)										
Transfers In	1,401,976	1,245,399	976,562	1,858,564	1,039,866	1,330,694	3,209,870	2,205,645	3,225,142	3,050,709
Transfers Out	(1,032,738)	(941,985)	(1,179,381)	(1,682,823)	(1,225,449)	(1,230,122)	(2,674,670)	(1,879,074)	(2,578,244)	(2,337,309)
Insurance Recovery	-	-	-	-	-	45,206	-	-	-	-
Issuance of Debt	-	3,270,000	32,630,000	-	-	3,090,000	-	-	-	3,273,794
Bond &/or Certificate of Obligation Proceeds	5,620,000	-	-	-	-	2,540,000	-	3,315,000	5,350,000	(3,185,722)
Payment to Refunded Bond Escrow Agent	(1,957,488)	-	-	-	-	(2,514,823)	-	(3,263,508)	-	-
Premium on Debt Issuance	-	-	-	-	-	-	-	-	166,091	-
Capital Lease Proceeds	-	351,490	-	-	-	-	-	-	-	1,483,892
Proceeds from Sale of Capital Assets	672,575	2,401	6,304	29,681	10,602	143,479	148,587	109,099	950,139	-
Total Other Financing Sources (Uses)	4,704,325	3,927,305	32,433,485	205,422	(174,981)	3,404,434	683,787	487,162	7,113,128	2,285,364
Net Change in Fund Balances	\$ 3,780,904	\$ 7,134,591	\$ 25,800,839	\$ (11,252,073)	\$ (8,736,566)	\$ (9,704)	\$ (6,290,330)	\$ (400,873)	\$ 5,506,203	\$ (884,904)
Debt Service as a % of Non-Capital Expenditures	11.0%	11.4%	12.1%	9.3%	9.3%	9.7%	9.5%	8.8%	9.1%	9.3%

City of Harlingen, Texas
General Fund Revenues and Expenditures History
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	Fiscal Year Ending September 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Property taxes - including P & I	\$8,921,528	\$9,444,091	\$9,507,610	\$10,004,029	\$10,618,089	\$10,879,410	\$12,291,052	\$12,690,327	\$13,624,303	\$13,356,797
Non-property taxes	15,439,925	16,873,718	17,418,984	18,067,506	18,248,116	17,253,772	17,272,816	19,063,014	19,091,811	19,440,451
Fines and forfeitures	1,275,156	1,160,728	1,115,274	1,445,669	1,419,706	1,464,075	1,550,411	1,807,782	1,780,146	1,681,265
Licenses and permits	679,277	832,712	707,343	598,789	584,810	500,265	505,837	552,753	614,735	564,486
Charges for services	731,980	920,267	941,188	1,092,497	1,234,933	1,254,346	1,163,357	1,037,873	2,391,671	2,579,831
Intergovernmental	166,479	520,207	361,651	254,576	207,142	1,153,048	1,062,729	254,552	296,070	583,121
Contributions and donations	-	-	-	-	-	-	-	-	827,353	831,217
Miscellaneous	60,095	71,631	122,917	240,330	187,902	99,178	620,067	946,188	173,637	294,913
Interest and investment income	181,564	427,071	605,826	557,126	218,109	98,128	40,517	39,415	31,265	22,098
Total Revenues	27,456,004	30,250,425	30,780,793	32,260,522	32,718,807	32,702,222	34,506,786	36,391,904	38,830,991	39,354,179
Expenditures:										
General Government	3,817,107	3,786,422	4,663,276	4,821,452	4,982,646	4,920,415	4,875,218	4,867,732	5,237,122	5,617,973
Public Safety	14,720,573	14,776,181	15,331,155	16,456,701	17,509,144	18,391,341	19,076,007	18,351,930	20,580,493	21,448,737
Highways & Streets	2,522,892	2,700,372	2,693,758	3,023,051	3,405,349	3,214,484	2,917,958	2,977,519	3,100,048	3,214,699
Health & Welfare	2,210,724	2,149,364	2,220,876	2,337,252	2,651,249	2,630,880	2,458,796	2,554,289	2,785,007	2,906,812
Culture & Recreation	3,128,086	3,444,161	3,467,147	3,581,504	3,796,189	3,777,564	4,168,534	3,853,625	4,024,108	3,844,256
Capital Outlay	285,260	812,263	1,175,649	1,411,576	525,728	398,916	1,879,673	1,210,517	1,197,032	2,714,934
Debt service payments	11,004	101,080	-	79,296	-	-	13,136	-	-	-
Total Expenditures	26,695,646	27,769,843	29,551,861	31,710,832	32,870,305	33,333,600	35,389,322	33,815,612	36,923,810	39,747,411
Excess (Deficiency) of Revenues Over/(Under) Expenditures	760,358	2,480,582	1,228,932	549,690	(151,498)	(631,378)	(882,536)	2,576,292	1,907,181	(393,232)
Other Financing Sources (Uses)										
Budgeted transfers and other financing sources and (uses)	475,575	322,696	(585)	(816,281)	19,977	232,563	1,214,559	(39,150)	480,194	1,792,697
Net change in fund balance	1,235,933	2,803,278	1,228,347	(266,591)	(131,521)	(398,815)	332,023	2,537,142	2,387,375	1,399,465
Beginning fund balance	6,057,000	7,292,933	10,096,211	11,324,558	11,057,967	10,926,446	10,527,631	10,859,654	13,396,796	15,784,171
Ending fund balance	<u>\$7,292,933</u>	<u>\$ 10,096,211</u>	<u>\$11,324,558</u>	<u>\$ 11,057,967</u>	<u>\$ 10,926,446</u>	<u>\$10,527,631</u>	<u>\$10,859,654</u>	<u>\$13,396,796</u>	<u>\$ 15,784,171</u>	<u>\$17,183,636</u>

Table 7

City of Harlingen, Texas
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending September 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$21,547	\$32,883	\$54,783	\$19,865	\$9,148	\$4,887	\$8,080	\$15,636	\$14,336	\$19,599
Unassigned	7,271,385	10,123,235	11,269,775	11,038,102	10,917,298	10,522,744	10,851,574	13,381,160	15,769,835	17,164,037
Subtotal General Fund	<u>7,292,932</u>	<u>10,156,118</u>	<u>11,324,558</u>	<u>11,057,967</u>	<u>10,926,446</u>	<u>10,527,631</u>	<u>10,859,654</u>	<u>13,396,796</u>	<u>15,784,171</u>	<u>17,183,636</u>
General Fund % Change	<u>20.4%</u>	<u>39.3%</u>	<u>11.5%</u>	<u>-2.4%</u>	<u>-1.2%</u>	<u>-3.6%</u>	<u>3.2%</u>	<u>23.4%</u>	<u>17.8%</u>	<u>8.9%</u>
All Other Governmental Funds										
Nonspendable	400,322	441,106	457,202	611,276	876,583	6,789	798	1,104	1,465	-
Committed	2,332,248	3,624,928	4,141,074	6,700,109	5,965,927	6,654,199	1,606,602	9,509,122	1,567,142	1,331,570
Restricted	7,338,141	10,275,822	34,316,072	20,841,711	12,481,310	13,051,939	11,534,935	1,480,266	11,898,209	9,874,343
Unassigned	-	-	-	-	-	-	(51,761)	(837,933)	(195,429)	(218,895)
Subtotal All Other Governmental Funds	<u>10,070,711</u>	<u>14,341,856</u>	<u>38,914,348</u>	<u>28,153,096</u>	<u>19,323,820</u>	<u>19,712,927</u>	<u>13,090,574</u>	<u>10,152,559</u>	<u>13,271,387</u>	<u>10,987,018</u>
Total Governmental Funds										
Nonspendable	421,869	473,989	511,985	631,141	885,731	11,676	8,878	16,740	15,801	19,599
Committed	2,332,248	3,624,928	4,141,074	6,700,109	5,965,927	6,654,199	1,606,602	9,509,122	1,567,142	1,331,570
Restricted	7,338,141	10,275,822	34,316,072	20,841,711	12,481,310	13,051,939	11,534,935	1,480,266	11,898,209	9,874,343
Unassigned	7,271,385	10,123,235	11,269,775	11,038,102	10,917,298	10,522,744	10,799,813	12,543,227	15,574,406	16,945,142
Total Governmental Funds	<u>\$17,363,643</u>	<u>\$24,497,974</u>	<u>\$50,238,906</u>	<u>\$39,211,063</u>	<u>\$30,250,266</u>	<u>\$30,240,558</u>	<u>\$23,950,228</u>	<u>\$23,549,355</u>	<u>\$29,055,558</u>	<u>\$28,170,654</u>
All Governmental Funds Percentage Change	28.49%	41.09%	105.07%	-21.95%	-22.85%	-0.03%	-20.80%	-1.67%	23.38%	-3.05%

Note: The City of Harlingen first implemented GASB Statement No. 54 in fiscal year 2011.

Table 8

City of Harlingen, Texas
Tax Revenues by Source - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Hotel/Motel Taxes	Grand Total
2005	\$ 12,576,845	\$ 12,387,735	\$ 3,052,190	\$ 833,487	\$ 28,850,257
2006	13,393,216	13,540,521	3,333,197	886,715	31,153,649
2007	14,206,188	13,900,112	3,845,544	929,522	32,881,366
2008	14,930,260	14,493,898	3,893,300	977,318	34,294,776
2009	15,330,575	14,671,251	3,918,765	898,129	34,818,720
2010	16,328,487	13,672,390	3,859,837	841,758	34,702,472
2011	16,452,332	14,057,245	3,511,085	819,595	34,840,257
2012	16,444,289	15,275,928	4,078,793	882,322	36,681,332
2013	17,600,278	15,873,690	4,002,690	907,944	38,384,602
2014	17,330,313	16,113,160	3,137,857	944,692	37,526,022
Percentage Change In Dollars Over 10 Years	<u>37.80%</u>	<u>30.07%</u>	<u>2.81%</u>	<u>13.34%</u>	<u>30.07%</u>

City of Harlingen, Texas
Taxable Assessed Value and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ending September 30	Real Residential Single Family	Real Residential Multi-Family	Real Vacant Lots/ Tracts	Real Acreage (Land Only)	Real Farm & Ranch Improvements	Real Commercial	Real and Tangible Personal Utilities	Tangible Personal, Commercial & Industrial	Tangible Personal, Mobile Homes	Real Property Inventory	Special Inventory	Exempt	Total Appraised Value	Less Total Exemptions	Adjustments	Total Taxable Assessed Value	Total Direct Tax Rate	Annual % Change
2005	\$ 919,586,724	\$ 63,866,305	\$ 71,212,574	\$ 99,976,724	\$ 9,877,969	\$ 564,725,204	\$ 74,019,260	\$ 311,430,113	\$ 24,644,237	\$ 3,702,746	\$ 18,313,185	\$ -	\$ 2,161,355,041	\$ 132,703,589	\$ 183,535	\$ 2,028,834,987	0.590559	6.37%
2006	985,635,031	70,321,084	72,572,005	102,145,356	10,263,114	571,240,554	76,380,068	317,088,469	25,371,340	5,618,275	18,125,295	806,614	2,255,567,205	130,823,725	0	2,124,743,480	0.590569	4.73%
2007	1,120,198,367	75,277,924	77,523,856	111,131,900	11,496,550	621,650,294	80,573,423	339,742,457	26,052,587	7,218,014	17,808,977	151,404,138	2,640,078,487	311,599,497	0	2,328,478,990	0.590000	9.59%
2008	1,203,276,059	87,364,093	77,954,373	106,785,310	11,696,515	647,695,888	68,524,040	361,951,074	26,017,359	6,531,199	19,105,549	151,138,046	2,768,039,505	204,507,716	102,138,531	2,461,393,258	0.590000	5.71%
2009	1,244,751,258	107,342,483	76,079,534	100,118,412	11,498,793	655,078,159	78,043,858	364,266,408	25,594,139	8,212,479	20,389,001	169,133,280	2,860,507,804	207,711,381	85,949,218	2,566,847,205	0.590000	4.28%
2010	1,308,281,506	114,665,293	86,030,347	98,101,068	11,871,389	667,709,872	75,445,515	377,239,082	25,268,797	7,187,256	19,951,047	177,089,322	2,968,840,494	214,752,669	78,811,286	2,675,276,539	0.588827	4.22%
2011	1,318,224,240	116,950,700	85,528,469	96,496,499	11,841,531	672,640,392	70,089,816	368,545,689	24,904,511	8,622,072	15,730,782	185,184,548	2,974,759,249	226,921,191	76,850,633	2,670,987,425	0.588827	-0.16%
2012	1,344,724,352	125,142,938	80,612,755	101,376,116	12,037,445	684,313,854	64,184,140	369,969,623	18,702,753	8,875,454	18,209,616	208,669,510	3,036,818,556	257,001,513	83,575,002	2,696,242,041	0.588827	0.95%
2013	1,356,985,849	131,572,346	79,490,812	105,421,460	12,839,492	811,900,683	63,263,718	363,204,883	18,674,253	5,079,949	20,596,563	164,870,000	3,133,900,008	239,668,472	79,977,634	2,814,253,902	0.588827	4.38%
2014	1,368,138,082	137,135,722	77,780,405	104,026,465	12,967,265	817,744,628	64,460,988	392,710,604	19,303,546	4,839,652	22,494,609	165,626,270	3,187,228,236	244,868,703	79,157,227	2,863,202,306	0.588827	1.74%

Note: Valuations shown are certified taxable assessed values reported by the Cameron Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Tax rate is expressed in rate per \$100 taxable assessed valuation.

Percentages

2005	42.55%	2.95%	3.29%	4.63%	0.46%	26.13%	3.42%	14.41%	1.14%	0.17%	0.85%	0.00%
2006	43.70%	3.12%	3.22%	4.53%	0.46%	25.33%	3.39%	14.06%	1.12%	0.25%	0.80%	0.04%
2007	42.43%	2.85%	2.94%	4.21%	0.44%	23.55%	3.05%	12.87%	0.99%	0.27%	0.67%	5.73%
2008	43.47%	3.16%	2.82%	3.86%	0.42%	23.40%	2.48%	13.08%	0.94%	0.24%	0.69%	5.46%
2009	43.52%	3.75%	2.66%	3.50%	0.40%	22.90%	2.73%	12.73%	0.89%	0.29%	0.71%	5.91%
2010	44.07%	3.86%	2.90%	3.30%	0.40%	22.49%	2.54%	12.71%	0.85%	0.24%	0.67%	5.96%
2011	44.31%	3.93%	2.88%	3.24%	0.40%	22.61%	2.36%	12.39%	0.84%	0.29%	0.53%	6.23%
2012	44.28%	4.12%	2.65%	3.34%	0.40%	22.53%	2.11%	12.18%	0.62%	0.29%	0.60%	6.87%
2013	43.30%	4.20%	2.54%	3.36%	0.41%	25.91%	2.02%	11.59%	0.60%	0.16%	0.66%	5.26%
2014	42.93%	4.30%	2.44%	3.26%	0.41%	25.66%	2.02%	12.32%	0.61%	0.15%	0.71%	5.20%

Each category is represented as a percentage of the total appraised value

Table 10

City of Harlingen, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Year	Direct			Underlying		Overlapping	Total
	General Fund	Debt Service Fund	Total	Harlingen CISD	South Texas ISD	Cameron County	
2005	0.418831	0.171728	0.590559	1.550000	0.039200	0.358191	2.537949
2006	0.417934	0.172625	0.590559	1.550000	0.039200	0.358191	2.411950
2007	0.430154	0.159846	0.590000	1.424000	0.039200	0.348191	2.401391
2008	0.435917	0.154083	0.590000	1.125000	0.049200	0.343191	2.107391
2009	0.437800	0.152200	0.590000	1.125000	0.049200	0.353191	2.117391
2010	0.435580	0.153247	0.588827	1.125000	0.049200	0.363191	2.126218
2011	0.434634	0.154193	0.588827	1.219000	0.049200	0.364291	2.221318
2012	0.450426	0.138401	0.588827	1.218000	0.049200	0.384291	2.240318
2013	0.451862	0.136965	0.588827	1.218000	0.049200	0.384291	2.240318
2014	0.449723	0.139104	0.588827	1.218000	0.049200	0.384291	2.240318

Tax rate limit City: \$2.50

Tax due date: January 31

Discount allowed: No

Penalty and Interest: Beginning 7% in February (delinquency date) continues to 18% July after which a 1% per month interest is assessed until taxes are paid.

Source: Tax Department of Respective Entities

Table 11

City of Harlingen, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Totals Collections As Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2005	2004	\$ 11,997,416	\$ 11,318,150	94.34%	\$ 422,615	\$11,740,765	97.86%	\$ 81,167	0.68%
2006	2005	12,547,864	12,015,509	95.76%	500,342	12,515,851	99.74%	71,546	0.57%
2007	2006	13,738,026	13,099,364	95.35%	512,764	13,612,128	99.08%	81,910	0.60%
2008	2007	14,522,220	13,829,284	95.23%	616,455	14,445,739	99.47%	106,360	0.73%
2009	2008	14,988,703	14,387,085	95.99%	587,467	14,974,552	99.91%	138,105	0.92%
2010	2009	15,676,927	14,956,895	95.41%	544,306	15,501,201	98.88%	190,792	1.22%
2011	2010	15,696,199	15,069,584	96.01%	312,222	15,381,806	98.00%	298,041	1.90%
2012	2011	15,845,781	15,277,856	96.42%	309,550	15,587,406	98.37%	553,153	3.49%
2013	2012	16,572,177	16,203,650	97.78%	-	16,203,650	97.78%	498,713	3.01%
2014	2013	16,808,736	16,343,303	97.23%	-	16,343,303	97.23%	465,432	2.77%

Note: Total Tax Collections is the combined Current Year's Tax plus Delinquent Tax collections (not including penalty and interest charges). Delinquent Taxes consists of 20 years of unpaid taxes. The City's current year collections are usually 95% and when adding collections for 20 years of outstanding taxes it is possible to go over 100% when taken against the Current Tax Year's Levy.

**City of Harlingen, Texas
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Years Ending September 30, 2014 and 2005**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>FY 2014 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>	<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>FY 2005 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>
VHS Harlingen Hospital Company	Medical Services	\$78,707,603	2.75%	Harlingen Medical Center Limited	Medical Real Estate Developme	\$30,297,443	1.49%
Boyer Harlingen LC	Real Estate Developers	27,955,724	0.98%	AEP Texas Central	Electricity Suppliers	24,860,018	1.23%
AEP Texas Central Company	Electricity Suppliers	25,210,480	0.88%	Lockheed Martin	Aviation Aersopace Cont.	26,924,012	1.33%
Harlingen Medical Center Realty LI	Medical Real Estate Developers	23,630,475	0.83%	Valley Baptist Medical Dev. Corp.	Medical Services	21,709,555	1.07%
VHS Harlingen Hospital Co LLC	Medical Services	23,498,490	0.82%	Southwestern Bell Telephone	Telephone Utility	21,023,776	1.04%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.73%	Simon Property Group	Shopping Center Operations	19,775,892	0.97%
United Launch Alliance, LLC	Aviation Aerospace	19,688,399	0.69%	Harlingen Medical Center	Medical Services	15,577,779	0.77%
AMS Harlingen I LP	Shopping Center Operations	15,356,929	0.54%	U.S. Ins II LLC	Construction/Developers	10,386,064	0.51%
VHS Valley Real Estate Co. LLC	Medical Real Estate Developers	14,267,294	0.50%	H.E. Butt Grocery Company	Retail Grocers	8,806,966	0.43%
Valley Baptist Realty Corp.	Medical Real Estate Developers	12,555,287	0.44%	Wal Mart Stores, Inc. No. 595	Discount Store	8,130,137	0.40%
		<u>\$261,713,800</u>	<u>9.14%</u>			<u>\$187,491,642</u>	<u>9.24%</u>

Source: Cameron Appraisal District

City of Harlingen, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Direct</u>	<u>Overlapping</u>	<u>Total Direct and Overlapping Rate</u>
2005	2.00%	6.25%	8.25%
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%
2012	2.00%	6.25%	8.25%
2013	2.00%	6.25%	8.25%
2014	2.00%	6.25%	8.25%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2013 and 2014

Table 14

Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total	Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total
Administrative Mgt and General Mgt Consulting Services	\$ (265)	-0.0012%	\$ 436	0.0020%	Communication Equip Repair and Maintenance	\$ 11	0.0001%	\$ 216	0.0010%
Advertising Agencies	3,319	0.0155%	3,003	0.0138%	Communications Services, Not Elsewhere Classified	714	0.0033%	507	0.0023%
Air-Conditioning & Heating Equip and Com & Ind Refrig Equip Mfg	15,053	0.0701%	11,432	0.0527%	Computer and Computer Peripheral Equip and Software Merchant Wholesale	2,512	0.0117%	3,083	0.0142%
All Other Automotive Repair And Maintenance	2,141	0.0100%	5,081	0.0234%	Computer and Office Machine Repair and Maintenance	30,722	0.1431%	30,732	0.1417%
All Other Business Support Services	11,647	0.0542%	9,662	0.0446%	Computer and Software Stores	60,231	0.2805%	87,181	0.4020%
All Other Consumer Goods Rental	19,173	0.0893%	22,681	0.1046%	Computer Maintenance and Repair	3,668	0.0171%	3,267	0.0151%
All Other General Merchandise Stores	437,452	2.0375%	552,202	2.5462%	Computer Related Services, Not Elsewhere Classified	3,960	0.0184%	1,625	0.0075%
All Other Health and Personal Care Stores	4,355	0.0203%	7,902	0.0364%	Computer Systems Design Services	20,646	0.0962%	17,059	0.0787%
All Other Home Furnishings Stores	62,236	0.2899%	72,864	0.3360%	Construction, Mining, and Forestry Machinery and Equip Rental and Leasing	-	0.0000%	-	0.0000%
All Other Information Services	10,121	0.0471%	3,285	0.0151%	Consumer Electronics and Appliances Rental	28,498	0.1327%	37,579	0.1733%
All Other Miscellaneous Electrical Equip and Component Mfg	271	0.0013%	492	0.0023%	Consumer Lending	4,613	0.0215%	5,643	0.0260%
All Other Miscellaneous Fabricated Metal Product Mfg	126	0.0006%	160	0.0007%	Convenience Stores	58,189	0.2710%	76,110	0.3510%
All Other Miscellaneous Mfg	19,396	0.0903%	7,652	0.0353%	Corporate, Subsidiary, and Regional Managing Offices	28,217	0.1314%	21,440	0.0989%
All Other Miscellaneous Store Retailers (except Tobacco Stores)	111,913	0.5213%	86,712	0.3998%	Cosmetics, Beauty Supplies, and Perfume Stores	16,287	0.0759%	15,491	0.0714%
All Other Nonresidential Trade Contractors	-	0.0000%	1,780	0.0082%	Credit Bureaus	3,097	0.0144%	3,619	0.0167%
All Other Nondepository Credit Intermediation	49,067	0.2285%	52,319	0.2412%	Custom Computer Programming Services	47,922	0.2232%	61,010	0.2813%
All Other Personal Services	10,850	0.0505%	(6,100)	-0.0281%	Data Processing, Hosting, and Related Services	21,829	0.1017%	23,553	0.1086%
All Other Plastics Product Mfg	1,023	0.0048%	2,790	0.0129%	Dental Equip and Supplies Mfg	1,452	0.0068%	1,613	0.0074%
All Other Professional, Scientific, and Technical Services	9,770	0.0455%	12,661	0.0584%	Department Stores (except Discount Department Stores)	1,173,331	5.4651%	1,149,491	5.3004%
All Other Publishers	2,713	0.0126%	2,502	0.0115%	Detective, Guard, and Armored Car Services	4,028	0.0188%	2,791	0.0129%
All Other Specialty Food Stores	27,031	0.1259%	26,773	0.1235%	Digital Printing	1,894	0.0088%	2,686	0.0124%
All Other Specialty Trade Contractors	3,437	0.0160%	5,077	0.0234%	Direct Life Insurance Carriers	32	0.0001%	-	0.0000%
All Other Telecommunications	69,996	0.3260%	82,381	0.3799%	Direct Property and Casualty Insurance Carriers	528	0.0025%	637	0.0029%
Analytical Laboratory Instrument Mfg	153	0.0007%	63	0.0003%	Discount Department Stores	1,584,247	7.3790%	1,541,963	7.1101%
Appliance Repair and Maintenance	8,803	0.0410%	10,841	0.0500%	Disinfecting and Pest Control Services	6,190	0.0288%	5,274	0.0243%
Audio and Video Equip Mfg	85	0.0004%	14	0.0001%	Display Advertising	359	0.0017%	1,087	0.0050%
Auto and Home Supply Stores	4,191	0.0195%	3,277	0.0151%	Drinking Places (Alcoholic Beverages)	57,739	0.2689%	34,484	0.1590%
Automobile and Other Motor Vehicle Merchant Wholesalers	3,048	0.0142%	4,638	0.0214%	Drugs and Druggists' Sundries Merchant Wholesalers	2,580	0.0120%	3,876	0.0179%
Automotive Body, Paint, and Interior Repair and Maintenance	28,399	0.1323%	32,914	0.1518%	Drycleaning and Laundry Services (except Coin-Operated)	20,883	0.0973%	20,625	0.0951%
Automotive Glass Replacement Shops	1,372	0.0064%	2,035	0.0094%	Durable Goods, Not Elsewhere Classified	3,795	0.0177%	1,232	0.0057%
Automotive Oil Change and Lubrication Shops	18,392	0.0857%	19,037	0.0878%	Eating Places	177,193	0.8253%	141,472	0.6523%
Automotive Parts And Accessories Stores	264,915	1.2339%	272,051	1.2544%	Educational Support Services	100	0.0005%	440	0.0020%
Baked Goods Stores	146	0.0007%	-	0.0000%	Electric Power Distribution	821,325	3.8255%	769,332	3.5475%
Barber Shops	-	0.0000%	-	0.0000%	Electric Services	12,805	0.0596%	10,145	0.0468%
Beauty Salons	4,704	0.0219%	3,986	0.0184%	Electrical And Electronic Appliance, Television, Radio Set Merchant Wholesale	2,389	0.0111%	645	0.0030%
Beauty Shops	8,830	0.0411%	12,695	0.0585%	Electrical and Electronic Repair Shops, Not Elsewhere	2,656	0.0124%	1,697	0.0078%
Beer, Wine, and Liquor Stores	122,527	0.5707%	120,242	0.5544%	Electrical Apparatus And Equip, Wiring Supplies, And Related Equip Wholesal	45,819	0.2134%	48,185	0.2222%
Book Publishers	8,337	0.0388%	10,960	0.0505%	Electrical Contractors And Other Wiring Installation Contractors	12,684	0.0591%	15,834	0.0730%
Book, Periodicals, and Newspaper Merchant Wholesalers	172	0.0008%	645	0.0030%	Electrical Work	2,315	0.0108%	4,560	0.0210%
Book Stores	8,149	0.0380%	7,894	0.0364%	Electromedical and Electrotherapeutic Apparatus Mfg	-	0.0000%	2,125	0.0098%
Building Cleaning and Maintenance Services, Not	10,595	0.0493%	8,975	0.0414%	Electronic Computer Mfg	8,706	0.0405%	31,923	0.1472%
Burial Casket Mfg	12,356	0.0576%	10,002	0.0461%	Electronic Parts & Equipment, Not Elsewhere Classified	-	0.0000%	-	0.0000%
Business Associations	1,340	0.0062%	1,654	0.0076%	Electronic Shopping	76,370	0.3557%	80,637	0.3718%
Business Services, Not Elsewhere Classified	41,088	0.1914%	39,631	0.1827%	Elementary and Secondary Schools	851	0.0040%	524	0.0024%
Business to Business Electronic Markets	3,795	0.0177%	4,821	0.0222%	Engineering Services	38,717	0.1803%	29,350	0.1353%
Cable and Other Subscription Programming	67,651	0.3151%	55,029	0.2537%	Equipment Rental and Leasing, Not Elsewhere Classified	46,897	0.2184%	40,555	0.1870%
Cafeterias, Grill Buffets, And Buffets	176,861	0.8238%	176,438	0.8136%	Exterminating and Pest Control Services	139,130	0.6480%	133,120	0.6138%
Camera and Photographic Supplies Stores	-	0.0000%	-	0.0000%	Facilities Support Services	3,452	0.0161%	5,510	0.0254%
Car Washes	411	0.0019%	1,082	0.0050%	Family Clothing Stores	587,230	2.7352%	517,407	2.3858%
Carpentry Work	1,003	0.0047%	-	0.0000%	Financial Transactions Processing, Reserve, and Clearinghouse Activities	8,249	0.0384%	9,233	0.0426%
Carpet and Upholstery Cleaning Services	17,675	0.0823%	13,193	0.0608%	Fitness and Recreational Sports Centers	68,255	0.3179%	50,939	0.2349%
Catalog and Mail-Order Houses	22	0.0001%	19	0.0001%	Floor Covering Stores	5,732	0.0267%	4,675	0.0216%
Caterers	7,760	0.0361%	6,012	0.0277%	Florists	21,807	0.1016%	22,804	0.1052%
Children's and Infants' Clothing Stores	4,076	0.0190%	3,341	0.0154%	Food (Health) Supplement Stores	1,376	0.0064%	4,715	0.0217%
Claims Adjusting	-	0.0000%	333	0.0015%	Footwear Merchant Wholesalers	716	0.0033%	621	0.0029%
Clothing Accessories Stores	26,427	0.1231%	193,639	0.8929%	Full-Service Restaurants	903,820	4.2098%	980,238	4.5200%
Collection Agencies	1,818	0.0085%	1,183	0.0055%	Furniture Merchant Wholesalers	1,786	0.0083%	67	0.0003%
Colleges, Universities, and Professional Schools	38	0.0002%	149	0.0007%	Furniture Stores	249,834	1.1637%	259,718	1.1976%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2013 and 2014

Table 14

Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total	Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total
Commercial and Institutional Building Construction	40,477	0.1885%	34,112	0.1573%	Gasoline Service Stations	3,138	0.0146%	2,942	0.0136%
Commercial Bakeries	1,172	0.0055%	-	0.0000%	Gasoline Stations with Convenience Stores	628,534	2.9275%	534,271	2.4636%
Commercial Banking	3,381	0.0157%	788	0.0036%	General Automotive Repair	38,411	0.1789%	36,456	0.1681%
Commercial Lithographic Printing	11,479	0.0535%	11,044	0.0509%	General Line Grocery Merchant Wholesalers	3,624	0.0169%	821	0.0038%
Commercial Printing, Not Elsewhere Classified	-	0.0000%	101	0.0005%	General Medical and Surgical Hospitals	669,014	3.1161%	567,203	2.6154%
Commercial Screen Printing	842	0.0039%	1,001	0.0046%	General Rental Centers	7,507	0.0350%	8,232	0.0380%
Commercial/Industrial Machinery (Exc Auto/Electronic) Repair/Maintenance	13,519	0.0630%	17,431	0.0804%	General Warehousing and Storage	8,432	0.0393%	18,902	0.0872%
Gift, Novelty, and Souvenir Stores	87,757	0.4088%	86,253	0.3977%	Ophthalmic Goods Merchant Wholesalers	11,324	0.0527%	5,562	0.0256%
Graphic Design Services	7,914	0.0369%	10,174	0.0469%	Optical Goods Stores	1,632	0.0076%	1,896	0.0087%
Hardware Merchant Wholesalers	113	0.0005%	401	0.0018%	Other	3,996,662	18.6154%	4,208,390	19.4052%
Hardware Stores	40,288	0.1876%	35,066	0.1617%	Other Accounting Services	120	0.0006%	67	0.0003%
Hobby, Toy, and Game Stores	13,897	0.0647%	16,089	0.0742%	Other Activities Related to Credit Intermediation	5,848	0.0272%	4,661	0.0215%
Home Furnishing Merchant Wholesalers	6,339	0.0295%	4,928	0.0227%	Other Apparel Accessories and Other Apparel Mfg	845	0.0039%	1,336	0.0062%
Home Health Equip Rental	1,574	0.0073%	733	0.0034%	Other Building Equip Contractors	277	0.0013%	1,690	0.0078%
Hotels (except Casino Hotels) and Motels	7,329	0.0341%	12,120	0.0559%	Other Building Material Dealers	213,859	0.9961%	156,499	0.7216%
Household Appliance Stores	255,892	1.1919%	291,635	1.3448%	Other Chemical and Allied Products Merchant Wholesalers	11,530	0.0537%	12,602	0.0581%
Independent Artists, Writers, and Performers	116	0.0005%	216	0.0010%	Other Clothing Stores	62,625	0.2917%	61,037	0.2814%
Industrial and Personal Service Paper Merchant Wholesalers	538	0.0025%	-	0.0000%	Other Commercial and Industrial Machinery and Equip Rental and Leasing	88,090	0.4103%	113,667	0.5241%
Industrial Machinery and Equip Merchant Wholesalers	8,962	0.0417%	11,522	0.0531%	Other Commercial and Service Industry Machinery Mfg	1,699	0.0079%	2,745	0.0127%
Industrial Machinery and Equipment	5,680	0.0265%	1,379	0.0064%	Other Commercial Equip Merchant Wholesalers	4,168	0.0194%	2,928	0.0135%
Industrial Supplies Merchant Wholesalers	16,803	0.0783%	11,273	0.0520%	Other Commercial Printing	970	0.0045%	1,121	0.0052%
Instruments and Related Products Mfg for Measuring, Displaying, and Controlling	20	0.0001%	528	0.0024%	Other Communications Equip Mfg	134	0.0006%	-	0.0000%
Insurance Agencies and Brokerages	-	0.0000%	(76)	-0.0003%	Other Computer Peripheral Equip Mfg	2,830	0.0132%	1,415	0.0065%
Internet Publishing/Broadcasting/Web Search Portals	696	0.0032%	601	0.0028%	Other Computer Related Services	4,768	0.0222%	5,581	0.0257%
Investigation Services	62	0.0003%	64	0.0003%	Other Construction Material Merchant Wholesalers	10,636	0.0495%	3,919	0.0181%
Janitorial Services	22,262	0.1037%	18,551	0.0855%	Other Direct Insurance (except Life, Health, and Medical) Carriers	2,047	0.0095%	2,266	0.0104%
Jewelry (except Costume) Mfg	20	0.0001%	-	0.0000%	Other Direct Selling Establishments	26,061	0.1214%	27,456	0.1266%
Jewelry Stores	104,955	0.4889%	94,836	0.4373%	Other Electric Power Generation	378,419	1.7626%	279,467	1.2886%
Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	359	0.0017%	1,817	0.0084%	Other Electronic and Precision Equip Repair and Maintenance	582	0.0027%	4,029	0.0186%
Kidney Dialysis Centers	1,244	0.0058%	15,665	0.0722%	Other Electronic Parts and Equip Merchant Wholesalers	61,640	0.2871%	61,380	0.2830%
Landscaping Services	24,961	0.1163%	26,645	0.1229%	Other Grocery and Related Products Merchant Wholesalers	795	0.0037%	289	0.0013%
Lessors of Miniwarehouses and Self-Storage Units	5,086	0.0237%	5,246	0.0242%	Other Mgt Consulting Services	133	0.0006%	648	0.0030%
Lessors of Nonresidential Buildings (except Miniwarehouses)	326	0.0015%	-	0.0000%	Other Miscellaneous Durable Goods Merchant Wholesalers	11,258	0.0524%	27,158	0.1252%
Lessors of Other Real Estate Property	1,389	0.0065%	2,198	0.0101%	Other Miscellaneous Nondurable Goods Merchant Wholesalers	35,863	0.1670%	20,843	0.0961%
Limited-Service Restaurants	1,262,314	5.8795%	1,293,114	5.9627%	Other Personal and Household Goods Repair and Maintenance	1,637	0.0076%	1,953	0.0090%
Linen Supply	4,121	0.0192%	-	0.0000%	Other Professional Equip and Supplies Merchant Wholesalers	1,495	0.0070%	1,280	0.0059%
Luggage and Leather Good Stores	707	0.0033%	917	0.0042%	Other Services Related to Advertising	2,942	0.0137%	5,628	0.0260%
Lumber and Other Building Materials Dealers	7,205	0.0336%	5,361	0.0247%	Other Services to Buildings and Dwellings	9,929	0.0462%	11,479	0.0529%
Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	754	0.0035%	5,162	0.0238%	Paint and Coating Mfg	-	0.0000%	7,135	0.0329%
Mail-Order Houses	40,708	0.1896%	29,149	0.1344%	Painting and Wall Covering Contractors	1,333	0.0062%	420	0.0019%
Manifold Business Forms Printing	11,810	0.0550%	11,695	0.0539%	Passenger Car Leasing	259	0.0012%	345	0.0016%
Manufacturing Industries, Not Elsewhere Classified	-	0.0000%	-	0.0000%	Passenger Car Rental	762	0.0036%	-	0.0000%
Marketing Consulting Services	2,899	0.0135%	3,216	0.0148%	Periodical Publishers	1,817	0.0085%	1,893	0.0087%
Medical Laboratories	4,397	0.0205%	5,350	0.0247%	Pet and Pet Supplies Stores	74,502	0.3470%	63,182	0.2913%
Medical, Dental, and Hospital Equip and Supplies Merchant Wholesalers	383,704	1.7872%	379,520	1.7500%	Pet Care (except Veterinary) Services	781	0.0036%	-	0.0000%
Medical, Dental, and Hospital Equipment and Supplies	10,290	0.0479%	7,010	0.0323%	Petroleum and Petroleum Products Wholesalers (Except Bulk Stations/Terminals)	1,462	0.0068%	1,421	0.0066%
Medicinal and Botanical Mfg	39	0.0002%	37	0.0002%	Petroleum Bulk Stations and Terminals	7,985	0.0372%	1,441	0.0066%
Men's Clothing Stores	846	0.0039%	558	0.0026%	Pharmaceutical Preparation Mfg	-	0.0000%	-	0.0000%
Metal Service Centers and Other Metal Merchant Wholesalers	11,695	0.0545%	5,411	0.0249%	Pharmacies and Drug Stores	188,505	0.8780%	189,034	0.8717%
Metal Window and Door Mfg	127	0.0006%	4,233	0.0195%	Photographic Equip and Supplies Merchant Wholesalers	63	0.0003%	169	0.0008%
Miscellaneous Apparel and Accessory Stores	1,308	0.0061%	1,341	0.0062%	Photography Studios, Portrait	12,271	0.0572%	9,623	0.0444%
Miscellaneous Food Stores	3,334	0.0155%	3,387	0.0156%	Plumbing and Heating Equip and Supplies (Hydronics) Merchant Wholesalers	36,717	0.1710%	64,201	0.2960%
Miscellaneous General Merchandise Stores	46,793	0.2180%	90,763	0.4185%	Plumbing, Heating and Air-Conditioning	33,038	0.1539%	35,959	0.1658%
Miscellaneous Homefurnishings Stores	2,700	0.0126%	679	0.0031%	Plumbing, Heating, and Air-Conditioning Contractors	24,134	0.1124%	24,572	0.1133%
Miscellaneous Personal Services, Not Elsewhere	221	0.0010%	214	0.0010%	Polish and Other Sanitation Good MFG	-	0.0000%	-	0.0000%
Miscellaneous Retail Stores, Not Elsewhere Classified	120,712	0.5622%	110,991	0.5118%	Power and Communication Line and Related Structures Construction	5,607	0.0261%	6,526	0.0301%
Mobile Food Services	8,253	0.0384%	11,274	0.0520%	Prerecorded Tape, Compact Disc, and Record Stores	16,948	0.0789%	15,837	0.0730%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2013 and 2014

Table 14

Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total	Category:	Fiscal 2013	% of Total	Fiscal 2014	% of Total
Motor Vehicle Supplies and New Parts	2,831	0.0132%	977	0.0045%	Quick Printing	785	0.0037%	-	0.0000%
Motor Vehicle Supplies and New Parts Merchant Wholesalers	81,577	0.3800%	42,748	0.1971%	Radio and Television Broadcasting and Wireless Communications Equip Mfg	63	0.0003%	358	0.0016%
Musical Instrument and Supplies Stores	26,440	0.1231%	24,830	0.1145%	Radio, Television, and Other Electronics Stores	93,916	0.4374%	109,613	0.5054%
New Car Dealers	161,111	0.7504%	184,083	0.8488%	Radiotelephone Communications	560	0.0026%	-	0.0000%
New Single-Family Housing Construction (except Operative Builders)	22,794	0.1062%	12,663	0.0584%	Real Estate Agents and Managers	227	0.0011%	-	0.0000%
Newspaper Publishers	-	0.0000%	-	0.0000%	Recreational Vehicle Dealers	187	0.0009%	-	0.0000%
Nondurable Goods, Not Elsewhere Classified	-	0.0000%	22	0.0001%	Refrigeration and Air-Conditioning Service and Repair	5,475	0.0255%	4,553	0.0210%
Nonresidential Electrical Contractors	4,941	0.0230%	6,618	0.0305%	Refrigeration Equip and Supplies Merchant Wholesalers	5,560	0.0259%	14,447	0.0666%
Nonresidential Plumbing and HVAC Contractors	4,547	0.0212%	2,656	0.0122%	Religious Organizations	-	0.0000%	-	0.0000%
Office Administrative Services	487	0.0023%	2,762	0.0127%	Repair Shops and Related Services, Not Elsewhere	17,474	0.0814%	11,269	0.0520%
Office Equip Merchant Wholesalers	10,167	0.0474%	7,615	0.0351%	Residential Electrical Contractors	4,461	0.0208%	4,214	0.0194%
Office Machinery and Equip Rental and Leasing	45,619	0.2125%	47,695	0.2199%	Residential Plumbing and HVAC Contractors	31,220	0.1454%	29,226	0.1348%
Office Machinery MFG	-	0.0000%	105	0.0005%	Retail Bakeries	-	0.0000%	-	0.0000%
Office Supplies and Stationery Stores	124,458	0.5797%	118,328	0.5456%	Retail Nurseries, Lawn and Garden Supply Stores	1,238	0.0058%	1,522	0.0070%
Offices of Other Holding Companies	2,293	0.0107%	820	0.0038%	Roofing Contractors	35,979	0.1676%	39,324	0.1813%
Sales Financing	20,678	0.0963%	14,978	0.0691%	Telecommunications Resellers	51,718	0.2409%	77,339	0.3566%
Satellite Telecommunications	186	0.0009%	1,861	0.0086%	Telephone Apparatus Mfg	203	0.0009%	1,571	0.0072%
Security Guards and Patrol Services	352	0.0016%	228	0.0011%	Telephone Communications, Except Radiotelephone	7,532	0.0351%	6,040	0.0279%
Security Systems Services (except Locksmiths)	35,093	0.1635%	25,725	0.1186%	Tire and Tube Merchant Wholesalers	30,531	0.1422%	40,101	0.1849%
Service Establishment Equip and Supplies Merchant Wholesalers	44,617	0.2078%	36,756	0.1695%	Tire Dealers	70,598	0.3288%	123,914	0.5714%
Services, Not Elsewhere Classified	-	0.0000%	-	0.0000%	Tire Retreading and Repair Shops	675	0.0031%	-	0.0000%
Shoe Stores	165,258	0.7697%	167,858	0.7740%	Toy and Hobby Goods and Supplies Merchant Wholesalers	86,847	0.4045%	258	0.0012%
Sign Mfg	8,743	0.0407%	13,598	0.0627%	Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing	103	0.0005%	223	0.0010%
Site Preparation Contractors	2,313	0.0108%	34	0.0002%	Used Car Dealers	105	0.0005%	168	0.0008%
Small Arms MFG	235	0.0011%	2,845	0.0131%	Used Merchandise Stores	9,569	0.0446%	15,457	0.0713%
Snack and Nonalcoholic Beverage Bars	58,928	0.2745%	44,557	0.2055%	Vending Machine Operators	2,489	0.0116%	2,517	0.0116%
Soft Drink Mfg	10,646	0.0496%	9,573	0.0441%	Veterinary Services	1,539	0.0072%	2,364	0.0109%
Software Publishers	7,091	0.0330%	14,890	0.0687%	Warm Air Heating and Air-Conditioning Equip and Supplies Merchant Wholes	69,694	0.3246%	68,419	0.3155%
Software Reproducing	6,027	0.0281%	7,291	0.0336%	Warm Air Heating and Air-Conditioning Equipment and Supplies	-	0.0000%	-	0.0000%
Solid Waste Collection	1,372	0.0064%	1,681	0.0078%	Watch, Clock, and Jewelry Repair	955	0.0044%	752	0.0035%
Special Trade Contractors, Not Elsewhere Classified	14,660	0.0683%	17,252	0.0796%	Wholesale Trade Agents and Brokers	30,810	0.1435%	43,209	0.1992%
Sporting and Athletic Goods Mfg	2,492	0.0116%	3,504	0.0162%	Wineries	745	0.0035%	845	0.0039%
Sporting and Recreational Goods and Supplies Merchant Wholesalers	1,200	0.0056%	1,115	0.0051%	Wired Telecommunications Carriers	321,050	1.4954%	284,834	1.3134%
Sporting Goods Stores	405,289	1.8877%	383,066	1.7664%	Wireless Telecommunications Carriers (Except Satellite)	849,591	3.9572%	958,488	4.4197%
Stationery and Office Supplies Merchant Wholesalers	3,242	0.0151%	3,178	0.0147%	Women's Accessory and Specialty Stores	1,623	0.0076%	1,864	0.0086%
Supermarkets and Other Grocery (except Convenience) Stores	850,358	3.9607%	903,962	4.1682%	Women's Clothing Stores	97,622	0.4547%	112,453	0.5185%
Surgical and Medical Instrument Mfg	27,241	0.1269%	20,795	0.0959%	Women's, Children's, and Infants' Clothing and Accessories Merchant Wholes	559	0.0026%	1,260	0.0058%
Surgical Appliance and Supplies Mfg	4,272	0.0199%	1,436	0.0066%	Grand	21,469,662	100.0000%	21,686,892	100.0000%

Source: Office of State of Texas Comptroller

Note: Categories must have four or more taxpayers in order to be reported by the specific industry code. If any industry code has fewer than four, the allocated sales tax for the industry code is added to an "Other" category. Allocated sales tax is base

Table 15

City of Harlingen, Texas
Ratio of Total Debt Outstanding by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Notes Payable	Rebatable Arbitrage	General Obligation Debt	Certificates of Obligation Debt	Debt			
2005	\$ 104,887	\$ -	\$ 14,775,000	\$ 4,785,000	\$ -	\$ 19,664,887	1.74%	1,102
2006	354,427	-	16,360,000	3,600,000	115,000	20,429,427	1.65%	1,097
2007	274,588	33,267	25,265,000	24,340,000	90,000	50,002,855	3.78%	2,542
2008	162,789	-	24,265,000	24,060,000	60,000	48,547,789	3.49%	2,270
2009	89,771	-	23,040,000	23,325,000	30,000	46,484,771	2.77%	2,076
2010	13,136	-	23,590,000	23,745,000	-	47,348,136	3.18%	2,061
2011	886,416	-	22,160,000	22,890,000	-	45,936,416	3.05%	1,999
2012	1,208,323	-	20,885,000	22,340,000	-	44,433,323	2.95%	1,934
2013	786,416	-	19,465,000	27,140,000	-	47,391,416	3.02%	1,982
2014	646,416	-	17,995,000	26,455,000	-	45,096,416	2.87%	1,886

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

See Schedule 17 for personal income

Table 16

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2014

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Harlingen</u>	<u>City of Harlingen's Share of Debt</u>
<u>DIRECT DEBT</u>			
City of Harlingen	\$45,096,416	100.00%	\$45,096,416
<u>OVERLAPPING DEBT</u>			
Cameron County	87,460,000	0.01%	11,293
Harlingen Consolidated Independent School District	148,648,000	100.00%	148,648,000
Rio Hondo Independent School District	20,637,686	1.80%	372,198
San Benito Independent School District	<u>89,220,000</u>	1.71%	<u>1,528,116</u>
Overlapping Debt	\$345,965,686		150,559,607
Total Direct and Overlapping Debt	<u><u>\$391,062,102</u></u>		<u><u>\$195,656,023</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of the another government unit's assessed value that is within the City's boundaries and dividing by each unit's total assessed value.

Table 17

**City of Harlingen, Texas
Legal Debt Margin
Last Ten Fiscal Years**

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	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed Value	\$2,028,834,987	\$2,124,743,480	\$2,328,478,990	\$2,461,393,258	\$2,566,847,205	\$2,675,276,539	\$2,670,987,425	\$2,696,242,041	\$2,863,202,306	\$2,863,202,306
Legal Debt Margin										
Legal Debt Limit \$2.50 per \$100 of assessed valuation	\$50,720,875	\$53,118,587	\$58,211,975	\$61,534,831	\$64,171,180	\$66,881,913	\$66,774,686	\$67,406,051	\$71,580,058	\$71,580,058
General Obligation Bonds	14,775,000	16,360,000	25,265,000	24,265,000	23,040,000	23,590,000	22,160,000	20,885,000	19,465,000	17,995,000
Deduct Amount Available in Debt Service Fund	(300,037)	(3,374,766)	(348,648)	(498,901)	(495,882)	(515,108)	(591,967)	(689,181)	(972,813)	(1,008,996)
Applicable Debt Margin	<u>14,474,963</u>	<u>12,985,234</u>	<u>24,916,352</u>	<u>23,766,099</u>	<u>22,544,118</u>	<u>23,074,892</u>	<u>21,568,033</u>	<u>20,195,819</u>	<u>18,492,187</u>	<u>16,986,004</u>
Legal Debt Margin	<u>\$36,245,912</u>	<u>\$40,133,353</u>	<u>\$33,295,623</u>	<u>\$37,768,732</u>	<u>\$41,627,062</u>	<u>\$43,807,021</u>	<u>\$45,206,653</u>	<u>\$47,210,232</u>	<u>\$53,087,871</u>	<u>\$54,594,054</u>
As a % of debt limit	<u>71.46%</u>	<u>75.55%</u>	<u>57.20%</u>	<u>61.38%</u>	<u>64.87%</u>	<u>65.50%</u>	<u>67.70%</u>	<u>70.04%</u>	<u>74.17%</u>	<u>76.27%</u>

Table 18

City of Harlingen, Texas
Economic and Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (PCPI) (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (1)
2005	63,404	1,131,697,996	17,849	28.9	17,341	6.4%
2006	66,459	1,237,732,416	18,624	30.7	17,580	7.9%
2007	67,300	1,323,589,100	19,667	28.5	17,684	5.2%
2008	65,043	1,391,074,641	21,387	31.9	17,894	5.7%
2009	74,950	1,677,980,600	22,388	32.4	18,081	8.8%
2010	** 64,849	1,489,840,926	22,974	31.8	18,225	9.3%
2011	65,466	1,504,015,884	22,974	31.3	18,146	9.7%
2012	66,122	1,536,410,792	23,236	32.8	18,176	10.3%
2013	65,679	1,570,319,211	23,909	32.8	18,360	9.9%
2014	65,665	1,628,623,330	24,802	33.1	18,475	7.7%

Sources: Harlingen Economic Development Corporation

(3) Harlingen Consolidated Independent School District

(2) US Department of Commerce, Bureau of Economic Analysis (Brownsville-Harlingen Metropolitan Statistical Area)

(1) US Census Bureau (estimate)

* 2010 U.S. Census

City of Harlingen, Texas
Principal Employers
For the Fiscal Years Ending September 30, 2013 and 2004

2014				2005			
Name of Employer	Number of Employees	Rank	Percentage Total City Employment	Name of Employer	Number of Employees	Rank	Percentage of Total City Employment
Harlingen Consolidated Independent School District	3,321	1	17.98%	Harlingen Consolidated Independent School District	2,396	1	10.21%
Valley Baptist Medical Center	3,234	2	17.51%	Valley Baptist Medical Center	2,062	2	8.78%
Vicki Roy Home Health	975	3	5.28%	Vicki Roy Home Health	878	3	3.74%
Dish Network	883	4	4.78%	EchoStar Communications	868	4	3.70%
Advanced Call Center Technologies	740	5	4.01%	Texas State Technical College	551	5	2.35%
City of Harlingen	620	6	3.36%	City of Harlingen	535	6	2.28%
HEB (3) Harlingen Locations	607	8	9.60%	West Corporation	413	7	1.76%
Bee First Primary Home Care	600	7	3.25%	Harlingen Medical Center	365	8	1.55%
Cardone Industries	600	9	3.25%	Wal Mart Supercenter	319	9	1.36%
Texas State Technical College	572	10	3.10%	Su Clinica Familiar	263	10	1.12%
Total Principal Employers	12,152		65.78%	Total Principal Employers	8,650		36.85%
Other Employers	6,322		34.22%	Other Employers	14,824		63.15%
Total Employers	18,474		100.00%	Total Employers	23,474		100.00%

Source: Harlingen Economic Development Corporation

Table 20

City of Harlingen, Texas
City Employees by Function/Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Administrative Services</u>										
City Manager	4	4	4	4	4	4	4	4	4	4
City Secretary	1	1	1	1	1	1	1	1	1	1
City Attorney	2	2	3	3	3	3	3	3	3	3
Public Information Officer	0	0	0	0	0	0	0	0	0	1
Internal Auditor	1	1	1	1	1	1	1	1	1	1
Total Administrative Services	8	8	9	10						
<u>Human Resources</u>										
Human Resources	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5	3	3
Civil Service	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1	1
Risk Management	3	3	3	3	3	3	3	3	3	3
Total Human Resources	8.0	8.0	8	8	8	8	8	7	7	7
<u>Police Department</u>										
Police Department	127	127	127	127	127	127	134	134	134	134
Police Services	50	48	48	48	48	48	49	49	52	52
Total Police Department	177	175	175	175	175	175	183	183	186	186
<u>Fire Department</u>										
Fire Suppression	107	107	107	107	107	107	107	107	107	107
Fire Prevention	5	5	5	5	5	5	6	6	6	6
Total Fire Department	112	112	112	112	112	112	113	113	113	113
<u>Financial Services</u>										
Finance	12	12	12	12	12	12	12	11	11	11
Municipal Court	9	9	10	11	11	11	10	10	10	10
Vital Statistics	3	3	3	3	4	4	4	4	4	4
Management Info. Systems	4	6	6	6	6	6	6	6	3	3
Total Financial Services	28	30	31	32	33	33	32	31	28	28
<u>Development Services</u>										
Planning & Development	6.9	6	6	5	5	5	5	5	5	5
Engineering	1	1	2	4.5	4	4	4	4	5	5
Building Inspection	9	8	8	8	7	7	7	6	6	6
Public Buildings	18.3	18.3	18	17.5	19	19	19	19	19	19
Animal Control	4	4	4	4	4	4	4	4	4	4
Environmental Health	8	5	5	5	5	5	5	5	5	5
Storm Water Management	0	0	0	0	1	1	1	1	1	1
Code Enforcement	0	5	5	5	8	8	8	8	8	8
Total Development Services	47.2	47.3	48	49	52	53	53	52	53	53
<u>Public Works</u>										
Public Works Administration	4.1	3.2	2.7	3	5	5	4	4	4	4
Street Maintenance	26.1	26.1	26.4	26	25	25	25	25	25	25
Street Cleaning	6	6	6	6	6	6	6	6	6	6
Sanitation Landfill	13.9	15.2	13.2	12.2	11	11	10	10	10	10
Sanitation Recycling Center	1	1	1	1	1	1	2	2	2	2
Sanitation	38.2	38.2	39.1	39.3	45	43	44	42	42	42
Traffic Signal Maintenance	4	4	4	4	4	4	4	4	4	4
Internal Services	11	10.2	10.2	10.2	10	10	10	10	10	10
Metropolitan Planning Org.	3.1	3	3	3	3	3	3	3	3	3
Total Public Works	107.4	106.9	105.6	104.7	110	108	108	106	106	106
<u>Public Services</u>										
Public Services Administration	2	2	2	2	2	2	2	2	2	2
Parks	39	39	39	28	14	14	14	16	18	18
Parks Maintenance	0	0	0	0	13	13	13	17	17	17
Recreation	4	4	4	4	4	4	4	4	3	3
Pendleton Pool	0	7	7	8	8	8	8	8	8	8
Municipal Golf Course	27	27	27	27	24	24	24	24	24	24
Municipal Auditorium	2	2	2.2	2.2	2	2	2	2	2	2
Library	26	26	26	26	26	26	26	25	25	25
Harlingen Arts & Heritage Museum	2	2	2.2	2.2	3	3	3	3	3	3
Total Public Services	102	109	109.4	99.4	96	96	96	101	102	102
<u>Community Destination</u>										
C.D.B.G.	6	6	6	6	6	6	6	4	4	5
Harlingen Downtown District	2.5	3	3	3	3	3	3	3	3	3
La Placita District	1	0	0	0	0	0	0	0	0	0
Convention & Visitor's Bureau	0	0	0	0	0	3	3	3	3	4
EDC	0	0	0	3	4	4	5	5	5	5
Total Community Destination	9.5	9	9	12	13	16	17	15	15	17
<u>Valley International Airport</u>										
Airport	40	40	38	39	47	49	40	39	49	53
Total Valley International Airport	40	40	38	39	47	49	40	39	49	53
<u>Harlingen Waterworks System</u>										
Waterworks	71.6	70.3	69.2	71.7	70.6	68.25	66.75	104.0	104.5	110.5
Wastewater	73.1	80.4	90.4	82.2	69.8	72.25	69.75	31.5	31.5	30.5
Total Harlingen Waterworks	144.7	150.7	159.6	153.9	140.4	140.5	136.5	135.5	136.0	141.0
Grand Total	783.8	795.9	804.6	794.0	795.4	799.5	795.5	791.5	804.0	816.0

City of Harlingen, Texas
Operating Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL FACILITIES										
Airports										
Number of airports:	1	1	1	1	1	1	1	1	1	1
Scheduled airplane flights per day departing:	17	17	17	17	16	16	13	13	13	13
Scheduled airplane flights per day arriving:	17	17	17	17	16	16	13	13	13	13
Passenger enplaning and deplaning per year (approximate)	859,473	857,135	875,427	824,084	744,379	726,424	700,520	664,805	606,635	583,652
Fire Protection										
Number of stations:	7	7	7	7	7	7	7	7	7	7
Number of hydrants:	2,167	2,287	2,287	2,322	2,335	2,335	1,990	1,990	2,519	2,546
Number of fighters:	107	107	107	109	109	110	110	110	109	109
Employees per 1,000 population:	1.68	1.65	1.59	1.60	1.45	1.60	1.69	1.69	1.65	1.65
Police Protection										
Number of stations:	1	1	1	1	1	1	1	1	1	1
Number of sub-stations:	1	1	1	1	1	1	1	1	1	2
Number of sworn officers:	127	127	127	127	131	132	128	132	131	141
Sworn officers per 1,000 population:	2.00	1.95	1.9	1.88	1.74	1.76	1.98	1.76	1.75	2
										14
Libraries										
Number of libraries (public):	1	1	1	1	1	1	1	1	1	1
Number of volumes:	159,671	151,017	145,637	170,512	148,928	173,068	169,121	157,061	168,643	122,221
Circulation of volumes:	156,116	168,038	132,850	134,335	115,393	111,430	117,768	148,460	177,061	172,489
Circulation per capita:	3.79	2.58	2.1	2.1	1.5	1.7	3.68	3.98	4.75	2.63
Library cards in force (approximate)	41,182	37,552	39,954	39,954	27,415	27,570	32,025	37,281	37,281	2
Parks and Recreation										
Park acreage developed:	643	643	643	723	723	723	723	723	723	723
Park acreage undeveloped:	648	648	648	568	568	568	568	568	568	568
Private golf course:	3	3	3	3	3	3	2	2	3	3
Public golf course:	1	1	1	1	1	1	2	2	3	3
Number of holes:	72	72	72	72	72	72	72	72	90	90
Playgrounds:	18	18	18	18	18	18	18	18	18	13
Streets										
Miles of paved streets:	255.16	235.76	237.89	240.19	251.71	254.48	257.32	257.88	259.08	260.31
Miles of unpaved streets:	8.71	8.71	8.71	11.07	11.07	10.98	11.73	11.73	11.73	10.87
Miles of alleys:	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	66.69	66.69
Miles of paved alleys:	13.63	13.63	13.85	13.63	13.63	13.76	13.76	13.76	15.44	15.44
Miles of sidewalks:	40.75	40.75	40.75	41.25	47.52	47.52	48.21	50.00	102.32	102.87
Number of streetlights:	3,562	3,410	3,483	3,527	3,572	3,597	3,653	3,751	3,858	3,908

**City of Harlingen, Texas
Operating Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL FACILITIES - Continued										
Utilities										
Water System										
Number of water plants:	2	2	2	2	2	2	2	2	2	2
Miles of water mains:	472.79	478.69	486.63	490.5	492.58	493	493	500	500	505
Daily average consumption:	11 MGD	13.8 MGD	9.42 MGD	12.56 MGD	12.83 MGD	10.03 MGD	13.0 MGD	13.3 MGD	13.1 MGD	13.1 MGD
Plant capacity:	35 MGD	39 MGD	39 MGD	38.8 MGD	26.0 MGD	28.0 MGD	28.0 MGD	35.0 MGD	35.0 MGD	35.0 MGD
Number of service connections:	22,102	23,133	23,357	23,581	23,996	23,824	24,144	24,445	24,592	24,876
Storage tank capacity:	22.75 MG	23.25 MG								
Sewage System										
Number of disposal plants:	2	2	2	2	2	1	1	1	1	1
Miles of sanitary sewers:	281.08	286.84	295.54	300.45	306.14	310	310	313	314	310
Number of lift stations:	74	78	77	74	70	69	69	63	58	63
Combined daily average treatment	6.0 MGD	6.16 MGD	6.11 MGD	6.742 MGD	6.2 MGD	6.2 MGD	6.2 MGD	5.8 MGD	5.7 MGD	5.75 MGD
Maximum capacity of treatment plant:	15.1 MGD	10.6 MGD	10.6 MGD	9.96 MGD	9.96 MGD	9.0 MGD	9.0 MGD	6.5 MGD	6.5 MGD	7.25 MGD
number of service connections:	17,961	18,676	18,790	19,008	19,197	19,226	19,457	19,633	19,762	19,675
Schools										
Texas State Technical College - Harlingen										
Number of classrooms:	189	166	192	220	223	184	185	151	212	182
Number of administrative personnel:	11	11	9	8	8	12	11	11	11	13
Number of full-time professors:	162	160	149	154	155	157	148	157	156	155
Number of full-time students:	4,881	4,464	4,384	4,290	4,486	5,526	5,400	4,868	5,217	4,937
Number of part-time students:	7,845	8,041	7,797	9,861	11,530	11,091	11,595	10,702	9,054	7,928
Major counties served:	4	4	4	4	4	4	4	4	4	4
Annual budet:	43.8 million	48.5 million	49.7 million	49.8 million	49.4 million	57.6 million	61 million	58 million	67 million	67 million
Harlingen Consolidated Independent School District										
Number of square miles:	82.85	82.85	82.85	62.65	82	82	82	82	82	82
Total number of school buildings:	26	26	26	27	28	28	28	28	30	30
Elementary campuses:	16	16	16	16	17	17	17	17	17	17
Middle school campuses:	5	5	5	5	5	5	5	5	5	5
High school campuses:	2	2	2	3	3	3	3	3	4	4
Elementary Alternative Education:	1	1	1	1	1	1	1	1	2	2
Secondary Alternative Education:	1	1	1	1	1	1	1	1	1	1
Alternative High School	1	1	1	1	1	1	1	1	1	1
Number of teachers:	1,039	1,118	1,122	1,140	1,193	1,230	1,201	1,176	1,203	1,214
Number of students:	17,341	17,580	17,684	17,894	18,081	18,225	18,146	18,176	18,360	18,475
Annual budget:	115.9 million	120.3 million	130.2 million	134.0 million	139.5 million	147.8 million	149.9 million	149.2 million	157.4 million	162.8 million
Net bonded - indebtedness:	127.8 million	122.4 million	126.3 million	120.6 million	114.9 million	109.1 million	255.0 million	244.8 million	153.6 million	162.5 million

Source: Various City Departments and Component Units

GOVERNMENT

Date of Incorporation: April 15,1910
 Adoption of Home Rule: February 24,1927
 Form of Government: City Commission - Manager
 Area in square miles: 38
 Population: 1990 census 48,735
 2000 census 57,564
 2010 census 64,849
 2013 65,679
 Total Personal Income \$1,570,319,211
 Per Capita Personal Income \$23,909

City of Harlingen, Texas
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2005	19,560,000	300,037	19,259,963	0.95%	304
2006	20,075,000	334,766	19,740,234	0.93%	297
2007	49,695,000	348,648	49,346,352	2.12%	733
2008	48,385,000	498,901	47,886,099	1.95%	736
2009	46,395,000	495,882	45,899,118	1.79%	612
2010	47,335,000	515,108	46,819,892	1.75%	722
2011	45,050,000	591,967	44,458,033	1.66%	679
2012	43,225,000	688,077	42,536,923	1.58%	643
2013	46,605,000	972,810	45,632,190	1.62%	695
2014	44,450,000	1,008,996	43,441,004	1.52%	662

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

- (1) This is the general bonded debt of both governmental and business type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the schedule of Assessed Value and the Estimated Actual Value of Taxable Property for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics.

SINGLE AUDIT SECTION

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

The Honorable Mayor and
Members of the City Commission
City of Harlingen

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Harlingen, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Harlingen's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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We noted certain matters that we reported to management of City of Harlingen, Texas, in a separate letter dated March 27, 2015.

Purpose of this Report

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

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

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 27, 2015

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

The Honorable Mayor and
Members of the City Commission
City of Harlingen, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

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

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

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

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 27, 2015

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted? _____ yes X none reported

Federal Awards

Internal control over major programs:

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

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.218	Community Development Block Grant
20.106	Airport Development Aid
97.039	Hazard Mitigation Grant

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

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

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended September 30, 2014

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

PROGRAM

DESCRIPTION

None noted that were required to be reported

Section III - Federal Award Findings

None noted that were required to be reported

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS - CONTINUED
CORRECTIVE ACTION PLAN
Year Ended September 30, 2014

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

None noted that were required to be reported

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City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
Year Ended September 30, 2014

None that were required to be reported.

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

(01) Federal Grantor / Pass-Through Grantor Program Title	(02) Project / Contract Number	(03) Federal CFDA Number	(04) Federal Expenditure
U.S. Department of Housing and Urban Development			
<u>Passed through Texas Department of Housing and Community Affairs</u>			
Community Development Block Grant	B-08-MC-48-0504	14.218	6,397
Community Development Block Grant	B-10-MC-48-0504	14.218	14,620
Community Development Block Grant	B-11-MC-48-0504	14.218	49,180
Community Development Block Grant	B-12-MC-48-0504	14.218	443,835
Community Development Block Grant	B-13-MC-48-0504	14.218	<u>344,907</u>
			858,939
HOME Investment Partnership Program	M-08-MC-48-0504	14.239	500
HOME Investment Partnership Program	M-10-MC-48-0504	14.239	244,566
HOME Investment Partnership Program	M-11-MC-48-0504	14.239	285,546
HOME Investment Partnership Program	M-12-MC-48-0504	14.239	1,503
HOME Investment Partnership Program	M-13-MC-48-0504	14.239	<u>4,278</u>
Total Passed through Texas Department of Housing and Community Affairs			1,395,332
Neighborhood Stabilization Program (HERA)	77090000123	14.228	<u>2,461</u>
Total Passed through Texas Department of Housing and Community Affairs			1,397,793
<u>Passed through Texas Department of Rural Affairs</u>			
North Area Drainage Improvement	DRS-010063	14.228	<u>104,109</u>
Total Passed through Texas Department of Rural Affairs			<u>104,109</u>
Total U.S. Department of Housing and Urban Development			1,501,902
U.S. Department of Homeland Security			
<u>Passed through Texas Department of Public Safety -</u>			
<u>Division of Emergency Management</u>			
FEMA - 3rd Street Drainage Ditch Improvements	DR-1931-00	97.039	<u>107,391</u>
Total Passed through Texas Department of Public Safety			<u>107,391</u>
Total U.S. Department of Homeland Security			107,391
U.S. Department of Transportation			
Direct Program:			
<u>Federal Aviation Administration</u>			
Airport Development Aid Program Grant	3-48-0101-48-09	20.106	21,272
Airport Development Aid Program Grant	3-48-0101-53-11	20.106	169,897
Airport Development Aid Program Grant	3-48-0101-55-13	20.106	3,481,410
Airport Development Aid Program Grant	3-48-0101-56-14	20.106	<u>49,502</u>
Total Direct from Federal Aviation Administration			3,722,081

See accompanying notes on accounting policies of Federal awards.

City of Harlingen, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2014

(01) Federal Grantor / Pass-Through Grantor Program Title	(02) Project / Contract Number	(03) Federal CFDA Number	(04) Federal Expenditure
<u>Passed Through Department of Highways and Public Transportation</u>			
Metropolitan Planning Organization Grant	50-9XXF0018	20.505	249,709
Total Passed through Texas Department of Highways and Public Transportation			<u>249,709</u>
Total U.S. Department of Transportation			<u>3,971,790</u>
<u>National Highway Traffic Safety Administration</u>			
<u>Passed through Texas Department of Transportation</u>			
STEP - Single Year - 2014 Comprehensive	2014-Harlinge-S-1YG-0091	20.600	34,094
STEP - Impaired Driving Mobilization	2014-Harlingen-IDM-00018	20.601	<u>7,021</u>
Total National Highway Traffic Safety Administration			<u>41,115</u>
Direct Programs			
<u>Office of the Governor - Criminal Justice Division</u>			
Crime Victims Liaison - CVL	VA-25552-02	16.575	30,257
Crime Victims Liaison - CVL	VA-25552-03	16.575	<u>2,972</u>
Total Direct from Office of the Governor - Criminal Justice Division			33,229
<u>Texas Office of the Attorney General</u>			
Internet Crimes Against Children (ICAC)	2012-MC-FX-K047	16.800	<u>4,204</u>
Total Direct from Office of Bureau of Justice Assistance			4,204
<u>Office of Justice Programs</u>			
ARRA - Community Oriented Policing Services (COPS) Grant	2009-RK-WX0815	16.710	<u>74,731</u>
Total Direct from Office of Justice Programs			74,731
			<u>112,164</u>
Total Federal Awards Expended			<u>\$ 5,734,362</u>

City of Harlingen, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
Year Ended September 30, 2014

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Harlingen, Texas, for the year ended September 30, 2014. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

2. Measurement Focus and Basis of Accounting

The federal grant funds were accounted for in the Special Revenue Funds and a component of the Governmental Fund type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

City of Harlingen, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
EXIT CONFERENCE
Year Ended September 30, 2014

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

Elvia Treviño, Finance Director

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

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CONTINUING DISCLOSURE

REQUIREMENTS OF

SEC RULE 15(C) 2-12

City of Harlingen, Texas
General Fund Revenues and Expenditures History
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	Fiscal Year Ending September 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Property taxes - including P & I	\$8,921,528	\$9,444,091	\$9,507,610	\$10,004,029	\$10,618,089	\$10,879,410	\$12,291,052	\$12,690,327	\$13,624,303	\$13,356,797
Non-property taxes	15,439,925	16,873,718	17,418,984	18,067,506	18,248,116	17,253,772	17,272,816	19,063,014	19,091,811	19,440,451
Fines and forfeitures	1,275,156	1,160,728	1,115,274	1,445,669	1,419,706	1,464,075	1,550,411	1,807,782	1,780,146	1,681,265
Licenses and permits	679,277	832,712	707,343	598,789	584,810	500,265	505,837	552,753	614,735	564,486
Charges for services	731,980	920,267	941,188	1,092,497	1,234,933	1,254,346	1,163,357	1,037,873	2,391,671	2,579,831
Intergovernmental	166,479	520,207	361,651	254,576	207,142	1,153,048	1,062,729	254,552	296,070	583,121
Contributions and donations	-	-	-	-	-	-	-	-	827,353	831,217
Miscellaneous	60,095	71,631	122,917	240,330	187,902	99,178	620,067	946,188	173,637	294,913
Interest and investment income	181,564	427,071	605,826	557,126	218,109	98,128	40,517	39,415	31,265	22,098
Total Revenues	27,456,004	30,250,425	30,780,793	32,260,522	32,718,807	32,702,222	34,506,786	36,391,904	38,830,991	39,354,179
Expenditures:										
General Government	3,817,107	3,786,422	4,663,276	4,821,452	4,982,646	4,920,415	4,875,218	4,867,732	5,237,122	5,617,973
Public Safety	14,720,573	14,776,181	15,331,155	16,456,701	17,509,144	18,391,341	19,076,007	18,351,930	20,580,493	21,448,737
Highways & Streets	2,522,892	2,700,372	2,693,758	3,023,051	3,405,349	3,214,484	2,917,958	2,977,519	3,100,048	3,214,699
Health & Welfare	2,210,724	2,149,364	2,220,876	2,337,252	2,651,249	2,630,880	2,458,796	2,554,289	2,785,007	2,906,812
Culture & Recreation	3,128,086	3,444,161	3,467,147	3,581,504	3,796,189	3,777,564	4,168,534	3,853,625	4,024,108	3,844,256
Capital Outlay	285,260	812,263	1,175,649	1,411,576	525,728	398,916	1,879,673	1,210,517	1,197,032	2,714,934
Debt service payments	11,004	101,080	-	79,296	-	-	13,136	-	-	-
Total Expenditures	26,695,646	27,769,843	29,551,861	31,710,832	32,870,305	33,333,600	35,389,322	33,815,612	36,923,810	39,747,411
Excess (Deficiency) of Revenues Over/(Under) Expenditures	760,358	2,480,582	1,228,932	549,690	(151,498)	(631,378)	(882,536)	2,576,292	1,907,181	(393,232)
Other Financing Sources (Uses)										
Budgeted transfers and other financing sources and (uses)	475,575	322,696	(585)	(816,281)	19,977	232,563	1,214,559	(39,150)	480,194	1,792,697
Net change in fund balance	1,235,933	2,803,278	1,228,347	(266,591)	(131,521)	(398,815)	332,023	2,537,142	2,387,375	1,399,465
Beginning fund balance	6,057,000	7,292,933	10,096,211	11,324,558	11,057,967	10,926,446	10,527,631	10,859,654	13,396,796	15,784,171
Ending fund balance	<u>\$ 7,292,933</u>	<u>\$ 10,096,211</u>	<u>\$ 11,324,558</u>	<u>\$ 11,057,967</u>	<u>\$ 10,926,446</u>	<u>\$ 10,527,631</u>	<u>\$ 10,859,654</u>	<u>\$ 13,396,796</u>	<u>\$ 15,784,171</u>	<u>\$ 17,183,636</u>

City of Harlingen, Texas
PROPERTY TAX RATE, LEVY AND COLLECTIONS HISTORY
September 30, 2014

Fiscal Year Ended 9/30	Tax Year	Property Tax Rate	General Fund	Debt Service Fund	Tax Levy	Percentage Current Collection	Percentage Total Collections
2005	2004	0.579944	0.418831	0.171728	11,997,416	94.34%	97.86%
2006	2005	0.590559	0.417934	0.172625	12,547,864	95.76%	99.74%
2007	2006	0.590559	0.430154	0.159846	13,738,026	95.35%	99.08%
2008	2007	0.590000	0.435917	0.154083	14,522,362	95.23%	99.47%
2009	2008	0.590000	0.437800	0.152200	14,988,796	95.99%	99.91%
2010	2009	0.588827	0.435580	0.153247	15,677,296	95.41%	98.88%
2011	2010	0.588827	0.434634	0.154193	15,696,199	96.01%	98.00%
2012	2011	0.588827	0.450426	0.138401	15,845,781	96.42%	98.37%
2013	2012	0.588827	0.451862	0.136965	16,572,177	97.78%	97.78%
2014	2013	0.588827	0.449723	0.139104	16,808,736	97.23%	97.23%

City of Harlingen, Texas
Valuation and General Obligation Debt History
September 30, 2014

Fiscal Year Ending 9/30	Estimated City Population (1)	Taxable Assessed Valuation (2)	Per Capita Taxable Assessed Valuation	Per Capita General Obligation (G.O.) Tax Debt (3)	Ratio G.O. Tax Debt to Taxable Assessed Valuation	Percentage of Total Tax Collection
2005	63,404	2,028,834,987	31,999	233	0.73%	97.86%
2006	66,459	2,124,743,480	32,682	252	0.77%	99.74%
2007	67,300	2,328,478,990	33,968	369	1.09%	99.08%
2008	65,043	2,461,393,258	37,843	373	0.99%	99.47%
2009	74,950	2,566,847,205	34,247	307	0.90%	99.91%
2010	64,849	2,675,276,539	41,254	364	0.88%	98.88%
2011	65,466	2,670,987,425	40,800	338	0.83%	98.00%
2012	66,122	2,696,242,041	40,777	316	0.77%	98.37%
2013	65,679	2,814,253,902	43,594	296	0.69%	97.78%
2014	65,665	2,863,202,306	43,603	274	0.63%	97.23%

- (1) City Planning and Development Department
- (2) As reported by the Cameron County Appraisal District on City's annual State Property Tax Board Report: subject to change during the ensuing year.
- (3) Does not include self-supporting debt

City of Harlingen, Texas
Taxable Assessed Valuations By Category
September 30, 2014

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2014		2013		2011		2010	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,368,138,082	42.93%	\$1,356,985,849	43.30%	\$1,318,224,240	44.31%	\$1,308,281,506	44.07%
Real, Residential, Multi-Family	137,135,722	4.30%	131,572,346	4.20%	116,950,700	3.93%	114,665,293	3.86%
Real, Vacant Lots/Tracts	77,780,405	2.44%	79,490,812	2.54%	85,528,469	2.88%	86,030,347	2.90%
Real, Acreage (Land Only)	104,026,465	3.26%	105,421,460	3.36%	96,496,499	3.24%	98,101,068	3.30%
Real, Farm and Ranch Improvements	12,967,265	0.41%	12,839,492	0.41%	11,841,531	0.40%	11,871,389	0.40%
Real, Commercial and Industrial	817,744,628	25.66%	811,900,683	25.91%	672,640,392	22.61%	667,709,872	22.49%
Real and Tangible Personal Utilities	64,460,988	2.02%	63,263,718	2.02%	70,089,816	2.36%	75,445,515	2.54%
Tangible Personal, Commercial and Industrial	392,710,604	12.32%	363,204,883	11.59%	368,545,689	12.39%	377,239,082	12.71%
Tangible Personal, Mobile Homes	19,303,546	0.61%	18,674,253	0.60%	24,904,511	0.84%	25,268,797	0.85%
Real Property, Inventory	4,839,652	0.15%	5,079,949	0.16%	8,622,072	0.29%	7,187,256	0.24%
Special Inventory	22,494,609	0.71%	20,596,563	0.66%	15,730,782	0.53%	19,951,047	0.67%
Total Exempt Property	165,626,270	5.20%	164,870,000	5.26%	185,184,548	6.23%	177,089,322	5.96%
Total Appraised Value Before Exemptions	3,187,228,236	100.00%	3,133,900,008	100.00%	2,974,759,249	100.00%	2,968,840,494	100.00%
Less: Total Exemptions/Reductions/Adjustments	324,025,930		319,646,106		303,771,824		293,563,955	
Taxable Assessed Value	\$2,863,202,306		\$2,814,253,902		\$2,670,987,425		\$2,675,276,539	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2011		2010		2009		2008	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,318,224,240	44.31%	\$1,308,281,506	44.07%	\$1,244,751,258	43.52%	\$1,203,276,059	43.47%
Real, Residential, Multi-Family	116,950,700	3.93%	114,665,293	3.86%	107,342,483	3.75%	87,364,093	3.16%
Real, Vacant Lots/Tracts	85,528,469	2.88%	86,030,347	2.90%	76,079,534	2.66%	77,954,373	2.82%
Real, Acreage (Land Only)	96,496,499	3.24%	98,101,068	3.30%	100,118,412	3.50%	106,785,310	3.86%
Real, Farm and Ranch Improvements	11,841,531	0.40%	11,871,389	0.40%	11,498,793	0.40%	11,696,515	0.42%
Real, Commercial and Industrial	672,640,392	22.61%	667,709,872	22.49%	655,078,159	22.90%	647,695,888	23.40%
Real and Tangible Personal Utilities	70,089,816	2.36%	75,445,515	2.54%	78,043,858	2.73%	68,524,040	2.48%
Tangible Personal, Commercial and Industrial	368,545,689	12.39%	377,239,082	12.71%	364,266,408	12.73%	361,951,074	13.08%
Tangible Personal, Mobile Homes	24,904,511	0.84%	25,268,797	0.85%	25,594,139	0.89%	26,017,359	0.94%
Real Property, Inventory	8,622,072	0.29%	7,187,256	0.24%	8,212,479	0.29%	6,531,199	0.24%
Special Inventory	15,730,782	0.53%	19,951,047	0.67%	20,389,001	0.71%	19,105,549	0.69%
Total Exempt Property	185,184,548	6.23%	177,089,322	5.96%	169,133,280	5.91%	151,138,046	5.46%
Total Appraised Value Before Exemptions	2,974,759,249	100.00%	2,968,840,494	100.00%	2,860,507,804	100.00%	2,768,039,505	100.00%
Less: Total Exemptions/Reductions/Adjustments	303,771,824		293,563,955		293,660,599		306,646,247	
Taxable Assessed Value	\$2,670,987,425		\$2,675,276,539		\$2,566,847,205		\$2,461,393,258	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2007		2006	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$1,120,198,367	42.43%	\$985,635,031	43.70%
Real, Residential, Multi-Family	75,277,924	2.85%	70,321,084	3.12%
Real, Vacant Lots/Tracts	77,523,856	2.94%	72,572,005	3.22%
Real, Acreage (Land Only)	111,131,900	4.21%	102,145,356	4.53%
Real, Farm and Ranch Improvements	11,496,550	0.44%	10,263,114	0.46%
Real, Commercial and Industrial	621,650,294	23.55%	571,240,554	25.33%
Real and Tangible Personal Utilities	80,573,423	3.05%	76,380,068	3.39%
Tangible Personal, Commercial and Industrial	339,742,457	12.87%	317,088,469	14.06%
Tangible Personal, Mobile Homes	26,052,587	0.99%	25,371,340	1.12%
Real Property, Inventory	7,218,014	0.27%	5,618,275	0.25%
Special Inventory	17,808,977	0.67%	18,125,295	0.80%
Total Exempt Property	151,404,138	5.73%	806,614	0.04%
Total Appraised Value Before Exemptions	2,640,078,487	100.00%	2,255,567,205	100.00%
Less: Total Exemptions/Reductions/Adjustments	311,599,497		130,823,725	
Taxable Assessed Value	\$2,328,478,990		\$2,124,743,480	

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2014

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Harlingen</u>	<u>City of Harlingen's Share of Debt</u>
<u>DIRECT DEBT</u>			
City of Harlingen	\$45,096,416	100.00%	\$45,096,416
<u>OVERLAPPING DEBT</u>			
Cameron County	87,460,000	0.01%	11,293
Harlingen Consolidated Independent School District	148,648,000	100.00%	148,648,000
Rio Hondo Independent School District	20,637,686	1.80%	372,198
San Benito Independent School District	89,220,000	1.71%	1,528,116
Overlapping Debt	<u>\$345,965,686</u>		<u>150,559,607</u>
Total Direct and Overlapping Debt	<u><u>\$391,062,102</u></u>		<u><u>\$195,656,023</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of the another government unit's assessed value that is within the City's boundaries and dividing by each unit's total assessed value.

City of Harlingen, Texas
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Years Ending September 30, 2014

Principal Taxpayer	Type of Business	FY 2014 Taxable Assessed Valuation	Percentage Of Total Taxable Assessed Valuation
VHS Harlingen Hospital Company	Medical Services	\$78,707,603	2.75%
Boyer Harlingen LC	Real Estate Developers	27,955,724	0.98%
AEP Texas Central Company	Electricity Suppliers	25,210,480	0.88%
Harlingen Medical Center Realty LI	Medical Real Estate Developers	23,630,475	0.83%
VHS Harlingen Hospital Co LLC	Medical Services	23,498,490	0.82%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.73%
United Launch Alliance, LLC	Aviation Aerospace	19,688,399	0.69%
AMS Harlingen I LP	Shopping Center Operations	15,356,929	0.54%
VHS Valley Real Estate Co. LLC	Medical Real Estate Developers	14,267,294	0.50%
Valley Baptist Realty Corp.	Medical Real Estate Developers	12,555,287	0.44%
		\$261,713,800	9.14%

Source: Cameron Appraisal District

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DEBT SERVICE SCHEDULE

CITY OF HARLINGEN
DEBT SERVICE REQUIREMENTS TO MATURITY - PRIMARY GOVERNMENT
BY FISCAL YEAR

SOURCE OF FUNDING-PROPERTY TAX RATE

FISCAL YEAR ENDING	2006 G. O. BONDS		2007 CERTIFICATE OF OBLIGATION		2007 G. O. BONDS		2010 CERTIFICATE OF OBLIGATION		2010 G. O. REFUNDING BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
9/30/2015	\$ 155,000	\$ 91,841	\$ 600,000	\$ 774,738	\$ 270,000	\$ 380,969	\$ 130,000	\$ 95,481	\$ 480,000	\$ 13,625
9/30/2016	160,000	85,935	810,000	746,538	365,000	368,269	135,000	92,169	305,000	3,813
9/30/2017	165,000	79,635	1,120,000	707,938	510,000	350,769	140,000	88,381	-	-
9/30/2018	175,000	72,835	1,285,000	659,838	590,000	328,769	145,000	84,106	-	-
9/30/2019	180,000	65,735	1,335,000	606,603	615,000	304,284	145,000	79,756	-	-
9/30/2020	190,000	58,335	1,415,000	549,884	715,000	276,853	150,000	75,144	-	-
9/30/2021	195,000	50,513	1,475,000	489,356	745,000	246,275	155,000	69,994	-	-
9/30/2022	205,000	42,263	1,540,000	425,288	775,000	213,975	160,000	64,481	-	-
9/30/2023	210,000	33,625	1,610,000	357,344	810,000	179,788	170,000	58,494	-	-
9/30/2024	220,000	24,595	1,680,000	285,375	845,000	143,584	175,000	52,025	-	-
9/30/2025	230,000	15,088	1,760,000	209,025	885,000	105,188	180,000	45,144	-	-
9/30/2026	240,000	5,100	1,840,000	128,025	925,000	64,463	190,000	37,744	-	-
9/30/2027	-	-	1,925,000	43,313	970,000	21,825	195,000	30,044	-	-
9/30/2028	-	-	-	-	-	-	205,000	22,044	-	-
9/30/2029	-	-	-	-	-	-	215,000	13,509	-	-
9/30/2030	-	-	-	-	-	-	220,000	4,538	-	-
9/30/2031	-	-	-	-	-	-	-	-	-	-
9/30/2032	-	-	-	-	-	-	-	-	-	-
9/30/2033	-	-	-	-	-	-	-	-	-	-
9/30/2034	-	-	-	-	-	-	-	-	-	-
9/30/2035	-	-	-	-	-	-	-	-	-	-
	<u>2,325,000</u>	<u>625,500</u>	<u>18,395,000</u>	<u>5,983,263</u>	<u>9,020,000</u>	<u>2,985,009</u>	<u>2,710,000</u>	<u>913,053</u>	<u>785,000</u>	<u>17,438</u>

2011 G. O. REFUNDING BONDS		2012 CERTIFICATE OF OBLIGATION		2013 CERTIFICATE OF OBLIGATION		2013 G. O. OF OBLIGATION		TOTAL	TOTAL	GRAND
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL PRINCIPAL & INTEREST
\$ 275,000	\$ 61,602	\$ -	\$ 56,588	\$ 30,000	\$ 82,075	\$ 425,000	\$ 64,275	\$ 2,365,000	\$ 1,621,194	\$ 3,986,194
285,000	54,910	75,000	56,588	45,000	81,475	430,000	55,725	2,610,000	1,545,421	4,155,421
285,000	48,099	115,000	54,338	100,000	80,575	435,000	47,075	2,870,000	1,456,810	4,326,810
250,000	41,706	140,000	50,888	140,000	78,575	275,000	39,975	3,000,000	1,356,692	4,356,692
255,000	35,671	140,000	46,688	155,000	75,775	285,000	34,375	3,110,000	1,248,888	4,358,888
260,000	29,517	150,000	42,488	150,000	72,675	195,000	29,575	3,225,000	1,134,471	4,359,471
265,000	23,243	145,000	39,488	160,000	69,675	200,000	25,125	3,340,000	1,013,669	4,353,669
275,000	16,790	150,000	36,588	165,000	66,475	210,000	20,000	3,480,000	885,860	4,365,860
280,000	10,157	150,000	33,588	165,000	63,175	215,000	14,688	3,610,000	750,858	4,360,858
285,000	3,405	160,000	30,588	165,000	59,875	220,000	9,250	3,750,000	608,697	4,358,697
-	-	140,000	27,388	195,000	54,925	260,000	3,250	3,650,000	460,007	4,110,007
-	-	145,000	24,588	195,000	49,075	-	-	3,535,000	308,994	3,843,994
-	-	145,000	21,325	205,000	43,225	-	-	3,440,000	159,731	3,599,731
-	-	15,000	18,063	55,000	37,075	-	-	275,000	77,182	352,182
-	-	20,000	17,650	50,000	35,425	-	-	285,000	66,584	351,584
-	-	25,000	17,100	50,000	33,925	-	-	295,000	55,563	350,563
-	-	100,000	16,413	205,000	32,425	-	-	305,000	48,838	353,838
-	-	115,000	13,663	200,000	26,275	-	-	315,000	39,938	354,938
-	-	110,000	10,500	210,000	20,275	-	-	320,000	30,775	350,775
-	-	120,000	7,200	210,000	13,975	-	-	330,000	21,175	351,175
-	-	120,000	3,600	220,000	7,150	-	-	340,000	10,750	350,750
<u>2,715,000</u>	<u>325,100</u>	<u>2,280,000</u>	<u>625,320</u>	<u>3,070,000</u>	<u>1,084,100</u>	<u>3,150,000</u>	<u>343,313</u>	<u>44,450,000</u>	<u>12,902,095</u>	<u>\$57,352,095</u>