



Comprehensive Annual Financial Report

Year Ended September 30, 2013
City of Harlingen, Texas

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

For The Fiscal Year Ended September 30, 2013

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."

April 16, 2014

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, 2013. 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, 2013, 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 auditors' report is located at the front of the financial section of this report.

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

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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 friendly 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. Harlingen is also home to The Veterans Outpatient Surgical and Ambulatory Center, part of the Valley Texas Coastal Bend Health Care System for the VA. 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 continues to be the largest airport in the Rio Grande Valley for the number of enplanements with 44.8% of the market share.

Overall construction in Harlingen during FY 2012-13 was up over the prior year by \$30 million in construction permits issued by the City. In 2013, the City issued 111 building permits for new homes for a total dollar value of over \$13.67 million, with an average construction cost for each home at \$123,156. The commercial/business sector issued permits for 35 new commercial structures with a construction value of \$55.78 million. The City issued 599 building permits with a total dollar value of \$116.50 million.

Total sales tax collected by the City, the Economic Development Corporation (EDC-4A) and the Harlingen Community Improvement Board (HCIB-4B) increased to \$21,011,015 in FY 2012-13 compared to the \$20,216,515 collected in FY 2011-12, a 3.93% or \$794,500 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 2012-2013 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.

In conforming to the mission statement, emphasis was placed on the following initiatives:

- ❖ The FY 2013 property tax rate remained constant at \$.588827 per \$100 value.
- ❖ Constructed new water stations for our Municipal Golf Course to improve the players golfing experience.
- ❖ Installed a reverse osmosis water system that is being used to fill the water stations throughout the golf course.
- ❖ Worked with a developer to complete construction of the Harlingen Heights and Horizon Drive Road Improvement Projects.
- ❖ Worked with a contractor to complete a demonstration project at the traffic island on Commerce in front of the H.E.B. Store using artificial grass.
- ❖ Constructed new sidewalks along 13th Street, Rio Hondo Road, Lincoln Avenue, and 7th Street.
- ❖ Constructed a new walking trail for the Police Department. The trail is located directly behind the Police Station for easy access to our PD Personnel.
- ❖ Installed/replaced a total of 252 street name signs throughout the city during this fiscal year.
- ❖ Replaced 54 existing electrical school flashing beacons with new solar powered units to reduce our energy consumption and associated costs.
- ❖ Completed construction of the new Rangerville Park Pavilion.
- ❖ Completed construction of a new restroom facility at McKelvey Park.
- ❖ Completed construction of a new restroom/concession facility at Arroyo Park.
- ❖ Continued funding major repairs to City buildings using the General Fund and Special Revenue funds.
- ❖ Continued funding the Harlingen 100 Plan projects and re-evaluating existing needs of the City.

GOALS FOR YEAR 2013-14 AND BEYOND

The Mayor and Commission continue to set goals for the upcoming year. Highlights of the strategies, goals and objectives supported by the Mayor and Commissioners include the following:

- Complete & Implement the Comprehensive Plan. This document maps out the future growth for Harlingen and establishes zoning and land use for the City's overall growth. It sets the blue print for our parks, trails, capital needs and is a culmination of hundreds of hours of work from staff and volunteers.
- Continue to beautify the City by demolishing dilapidated structures throughout the City. These structures serve as gang hangouts and havens for illegal activities. Since 2010 approximately 233 structures have been demolished.
- Continue to work with the University of Texas system to expand our Regional Academic Health Center into a full medical school in Harlingen.
- Continue the innovative and aggressive approach towards economic development opportunities
- Continue the strong support for Capital Improvements within the City
- Support the expansion of airline services at Valley International Airport.

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, 2013, 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, 2012. 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. Most recently, the City has allocated a large amount of funds into the parks, by upgrading park equipment, adding a new water splash park and constructing walking trails 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 balances for general governmental operating funds totaled \$15,784,171 at September 30, 2013. The unassigned fund balance for the General Fund totaled \$15,769,835 an increase of \$2,387,375 over last year. The combined fund balance of the Special Revenue Funds totaled \$4,532,859, which includes the Catastrophic Emergency Fund committed fund balance of \$856,296.

The fund balance of the General Fund presented above provided the City with the equivalent of approximately one hundred and fifty-six (156) days of operating expenditures. 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 the equivalent of approximately one-hundred and sixty-four (164) days of expenditures.

Debt Administration

The City has a goal of attaining and maintaining a fund balance of 25% of the highest annual debt service. The fund balance restricted for debt service of \$972,813 is 13.68% of the highest annual principal and interest requirements.

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 capital contributions for the years ended September 30, 2013 and 2012, as follows:

<u>Proprietary Funds</u>	<u>2013</u>	<u>2012</u>
Sanitation Fund	\$ 668,762	\$ 754,866
Municipal Golf Course Fund	(200,644)	(15,389)
Harlingen Arts & Heritage Museum	(8,618)	(27,348)
Municipal Auditorium Fund	(388,590)	(213,848)

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. In addition to hosting a variety of independent promoters and presentations, the municipal auditorium is home to a number of community groups and organizations including Harlingen CISD, UTPA Ballet Folklorico and Gloria G. Canales Ballet Folklorico.

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, 44.8% of the Rio Grande Valley's domestic air travel was through the City's airport facilities.

Southwest Airlines (eight 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 Airlines.

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 60-90 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, 2012. 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-eight years (fiscal years ended 1985 to 2012). 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 the preparation of the annual financial report. Also, I would 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



Government Finance Officers Association

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

Presented to

**City of Harlingen
Texas**

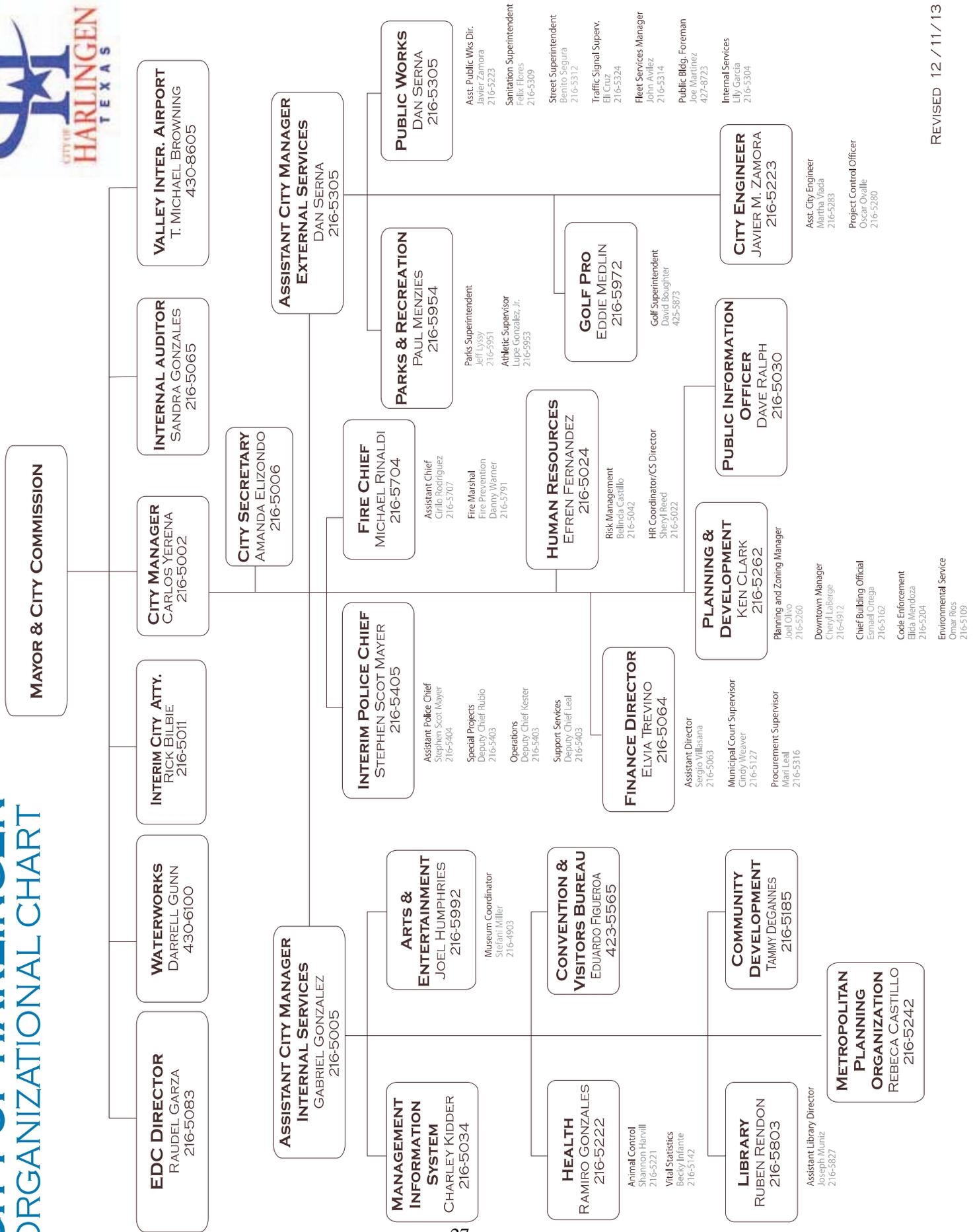
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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CITY OF HARLINGEN ORGANIZATIONAL CHART



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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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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, 2013, 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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Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, as listed on the table of contents on pages 35 through 49 and pages 124 through 128 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 April 15, 2014, 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
April 15, 2014

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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, 2013. Please read it in conjunction with the transmittal letter on pages 17 and the City's financial statements, which begin on page 53.

FINANCIAL HIGHLIGHTS

The City's total net position decreased \$164,332, directly related to this year's operations. The City also restated beginning net position as a result of the implementation of a new accounting standard GASB Statement No 65, effectively decreasing the net position as of October 1, 2012 by \$1,033,145 from \$122,457,064 to \$121,423,919. The governmental activities net position decreased by \$235,242 or approximately 0.2%, while the net position of our business-type activities increased by \$70,910 or approximately 0.6%.

During the year, the City's Governmental expenses were \$235,242 more than the \$49,171,741 generated in taxes and other revenues for governmental activities before special items.

The revenues for the City's business-type activities were \$70,910 more than the expenses of \$9,055,443. In the business-type activities, the charges for services exceeded expenses by \$757,555 before transfers out and other general revenues.

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.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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, deferred outflows of resources and liabilities 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.

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

The City's net position, which is the difference between assets and deferred outflows of resources and liabilities, is one indicator of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one 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 the 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, 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 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.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

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 2012-13, 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	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
ASSETS						
Current and Other assets	\$ 40,341,853	\$ 34,876,638	\$ 6,745,082	\$ 6,114,186	\$ 47,086,935	\$ 40,990,824
Due from Component units	164,352	61,739	616,836	589,927	781,188	651,666
Internal Balances	153,401	59,305	(153,401)	(59,305)	-	-
Capital assets, net						
Non-depreciable assets	16,797,764	17,411,122	467,083	467,083	17,264,847	17,878,205
Depreciable assets	122,271,806	123,574,905	5,894,867	6,181,330	128,166,673	129,756,235
Total Capital assets, net	139,069,570	140,986,027	6,361,950	6,648,413	145,431,520	147,634,440
Total assets	\$ 179,729,176	\$ 175,983,709	\$ 13,570,467	\$ 13,293,221	\$ 193,299,643	\$ 189,276,930
LIABILITIES						
Current and other liabilities	\$ 3,923,441	\$ 4,129,046	\$ 379,190	\$ 466,951	\$ 4,302,631	\$ 4,595,997
Non-current liabilities						
Est. Liability for landfill post closure	-	-	1,342,387	1,274,346	1,342,387	1,274,346
Due in one year	2,435,000	2,870,000	31,000	31,000	2,466,000	2,901,000
Due more than one year	52,182,058	47,560,744	725,460	499,404	52,907,518	48,060,148
Total Liabilities	58,540,499	54,559,790	2,478,037	2,271,701	61,018,536	56,831,491
NET POSITION						
Net investment in capital assets	98,058,748	103,040,149	6,361,950	6,648,413	104,420,698	109,688,562
Restricted	4,531,503	4,155,500	-	-	4,531,503	4,155,500
Unrestricted	18,598,426	14,228,270	4,730,480	4,373,107	23,328,906	18,601,377
Total net position *	121,188,677	121,423,919	11,092,430	11,021,520	132,281,107	132,445,439
	\$ 179,729,176	\$ 175,983,709	\$ 13,570,467	\$ 13,293,221	\$ 193,299,643	\$ 189,276,930

* As a result of implementing GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing the net position as of October 1, 2012 by \$1,033,145 from \$122,457,064 to \$121,423,919 in the governmental activities. The decrease results from no longer deferring and amortizing bond issue costs.

Net position of the City's governmental activities decreased 0.19% or \$235,242 from \$121,423,919 to \$121,188,677 for FY 2012-13. The net position of the City's business-type activities increased 0.64% or \$70,910 from \$11,021,520 to \$11,092,430 for FY 2012-13.

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	
	Restated		Restated		Restated	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 5,433,318	\$ 6,146,556	\$ 9,812,998	\$ 9,822,417	\$ 15,246,316	\$ 15,968,973
Operating grants and contributions	2,490,080	2,699,930	-	-	2,490,080	2,699,930
Capital grants and contributions	1,536,141	2,128,092	24,794	103,517	1,560,935	2,231,609
General Revenues:					-	-
Property taxes	17,665,460	16,360,003	-	-	17,665,460	16,360,003
Sales taxes	15,873,690	15,275,928	-	-	15,873,690	15,275,928
Other taxes	3,980,537	4,048,185	-	-	3,980,537	4,048,185
Unrestricted investment earnings	57,125	79,294	6,251	7,259	63,376	86,553
Other	464,081	505,707	1,940	19,045	466,021	524,752
Gain on sale of assets	950,909	-	770	-	951,679	-
Total revenues	48,451,341	47,243,695	9,846,753	9,952,238	58,298,094	57,195,933
EXPENSES						
Program expenses:						
General government	8,045,249	8,103,868	-	-	8,045,249	8,103,868
Public safety	25,738,359	24,787,803	-	-	25,738,359	24,787,803
Highways and streets	4,778,770	5,162,540	-	-	4,778,770	5,162,540
Health and welfare	4,344,593	4,134,007	-	-	4,344,593	4,134,007
Culture and recreation	5,043,397	5,314,043	-	-	5,043,397	5,314,043
Interest on long-term debt	1,456,615	2,002,841	-	-	1,456,615	2,002,841
Sanitation	-	-	6,939,912	6,958,567	6,939,912	6,958,567
Golf	-	-	1,306,088	1,236,695	1,306,088	1,236,695
Museum	-	-	115,221	136,315	115,221	136,315
Municipal Auditorium	-	-	694,222	648,809	694,222	648,809
Total expenses	49,406,983	49,505,102	9,055,443	8,980,386	58,462,426	58,485,488
Excess (deficiency) before transfers and other financing sources	(955,642)	(2,261,407)	791,310	971,852	(164,332)	(1,289,555)
Other financing sources						
Transfers	720,400	473,571	(720,400)	(473,571)	-	-
Change in net position	(235,242)	(1,787,836)	70,910	498,281	(164,332)	(1,289,555)
Net position, beginning restated	121,423,919	123,211,755	11,021,520	10,523,239	132,445,439	133,734,994
Net position, ending	\$ 121,188,677	\$ 121,423,919	\$ 11,092,430	\$ 11,021,520	\$ 132,281,107	\$ 132,445,439

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Total revenues generated from both governmental and business-type activities this year amounted to \$58,298,094. Total expenses incurred from both governmental and business-type activities this year amounted to \$58,462,426 which resulted in a decrease in net position of 0.12% or \$164,332.

Governmental Activities

Total revenue generated from governmental activities this year amounted to \$48,451,341. Expenses came in at \$49,406,983, reducing net position by \$955,642 before transfers. A net increase of \$720,400 in transfers from other activities resulted in an all-inclusive decrease to net position of \$235,242.

The cost of all governmental activities this year was \$49,406,983. 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 \$39,712,202. Expenditures of \$5,433,318 were paid by those who directly benefited from them. \$2,490,080 was paid by operating grants and contributions. \$1,536,141 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	
	2013	2012	2013	2012
General government	\$ 8,045,249	\$ 8,103,868	\$ 5,090,637	\$ 4,732,257
Public safety	25,738,359	24,787,803	22,100,010	21,271,275
Highway and streets	4,778,770	5,162,540	3,913,519	3,645,968
Health and welfare	4,344,593	4,134,007	3,410,683	2,991,730
Culture and recreation	5,043,397	5,314,043	3,975,980	3,886,453
Interest on long-term debt	1,456,615	2,002,841	1,456,615	2,002,841
	<u>\$ 49,406,983</u>	<u>\$ 49,505,102</u>	<u>\$ 39,947,444</u>	<u>\$ 38,530,524</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$9,812,998. Expenses came in at \$9,055,443, leaving \$757,555 as an increase to net position before transfers and capital contributions. A decrease of \$720,400 in transfers to other activities and an increase of capital contributions of \$24,794 resulted in an all-inclusive increase in net position amounting to \$70,910.

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 increased to \$29,055,558, or \$5,506,203 more than last year. The General Fund Balance increased by \$2,387,375. The capital project funds netted an increase of \$2,393,780. All other combined governmental fund balances increased by \$725,048.

GOVERNMENTAL FUNDS – A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues and operating transfers-in for the years ended September 30, 2013 and 2012. Following is a detailed analysis of the revenues:

There was a net increase in total revenues (including transfers-in and other financing sources) of \$4,065,776 or 7.7%. Taxes represent 66.5% of total revenues and transfers in. Taxes increased by 3.3% or \$1,217,775. Transfers in and other financial sources represent 17.0% of total revenues and transfers in. Transfers in and other financial sources increased by \$4,061,628 due to bond proceeds from Certificates of Obligation Series 2012 and 2013 and from proceeds from sale of capital assets.

Revenues and transfers in	2013	% of Total	2012	Amount of Increase / (Decrease)	Percent of Increase / (Decrease)
Taxes	\$ 37,899,107	66.5%	\$ 36,681,332	\$ 1,217,775	3.3%
Fines and forfeitures	1,780,275	3.1%	1,808,440	(28,165)	-1.6%
Licenses and Permits	614,735	1.1%	552,753	61,982	11.2%
Charges for services	2,593,675	4.5%	2,872,412	(278,737)	-9.7%
Intergovernmental	2,957,872	5.2%	3,936,245	(978,373)	-24.9%
Contributions and donations	897,353	1.6%	891,777	5,576	0.6%
Miscellaneous	520,745	0.9%	494,487	26,258	5.3%
Interest and investment income	57,126	0.1%	79,294	(22,168)	-28.0%
Transfers in and other financial sources	<u>9,691,372</u>	17.0%	<u>5,629,744</u>	<u>4,061,628</u>	72.1%
Total	<u>\$ 57,012,260</u>	100.0%	<u>\$ 52,946,484</u>	<u>\$ 4,065,776</u>	7.7%

Taxes

The increase in taxes is attributable to the increases in both property and sales taxes. Ad valorem (property) taxes increased \$1,155,989 or 7.0%. Sales tax revenue picked up \$597,762 or 3.9% over FY 2012. Franchise Fees decreased \$93,270 or 2.9%. In summary the City netted a total increase of taxes of \$1,217,775.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 increased \$1,155,989 or 7.0% over the previous fiscal year.

Current Ad Valorem Tax

The collection of current ad valorem tax increased by \$899,823 or 5.7%.

Prior Years (Delinquent) Taxes

Collection of prior year's taxes increased \$267,058 or 53.8%. \$763,067 was collected in FY 2013 compared to the \$496,011 that was collected in FY 2012.

Penalty and Interest

Penalty and interest collections increased \$5,269 or 1.3%. A total of \$401,520 was remanded in FY 2013 compared to the \$396,251 in FY 2012.

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 \$16,160 or 7.6%. A total of \$196,267 was collected in FY 2013 compared to \$212,427 that was collected in FY 2012.

Collection Rate

The collection rate for only current year taxes is 98.0%. When comparing the collection of current and delinquent to the current tax levy, the collection rate is 106.2%.

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.

Sales Tax 1 ½ cent Reported in the General Fund

Sales tax revenues increased to \$15,873,690 which is an increase of \$597,762. This represents a 3.9% increase compared to the prior year.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Hotel/Motel Occupancy Taxes

Hotel/Motel occupancy taxes increased \$25,622 or 2.9%. \$907,944 was collected in FY 2013 compared to \$882,322 in FY 2012.

Other Taxes

Other taxes consist mainly of franchise taxes with a small amount of bingo and mixed beverage taxes. These taxes decreased \$2,985 or 2.2% from the prior year.

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 increased from \$23,143 in 2012 to \$26,944 in 2013.

Fines and Forfeitures

Fines and forfeitures decreased by 1.6% or \$28,165 from the previous year.

Licenses and Permits

Licenses and permits increased \$61,982 or 11.2% compared to FY 2012. The construction market for residential and commercial continues to show signs of growth, as this is the fourth year in the last six that this revenue has increased.

Charges for Services

This category had a decrease of \$278,737 or 9.7% from last year's total revenue of \$2,872,412. While most items here had slight decreases, the General Fund revenues were down \$129,980.

Intergovernmental

This area decreased by 24.9% or \$978,373 attributed mainly to a reduction in grant revenue.

Miscellaneous and Program Revenues

Revenues increased by \$26,258 or 5.3% from the prior year.

Interest and Investment Income

This revenue category decreased by \$22,168 or 28.0%, to end FY 2013 at a total of \$57,126 compared to \$79,294 from FY 2012. This revenue has been on the decline since FY 2008 due to the economy and falling interest rates.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Transfers-In and Other Financing Sources

Revenues increased by \$4,061,628, due mainly to other financing sources consisting of bond proceeds from Certificates of Obligation Series 2012 and 2013.

Expenditures and Transfers-Out

The following table presents a summary of governmental funds' expenditures, transfers-out and other financing uses for the years ended September 30, 2013 and 2012.

<u>Expenditures and Transfers-Out</u>	<u>2013</u>	<u>% of Total</u>	<u>2012</u>	<u>Amount of Increase / (Decrease)</u>	<u>Percent of Increase / (Decrease)</u>
General Government	\$ 6,052,084	11.8%	\$ 5,765,003	\$ 287,081	5.0%
Public Safety	21,286,630	41.3%	20,495,448	791,182	3.9%
Highways and Streets	3,953,133	7.7%	4,257,383	(304,250)	-7.1%
Health and Welfare	3,594,105	7.0%	3,391,215	202,890	6.0%
Cultural and Recreation	4,170,128	8.1%	4,244,459	(74,331)	-1.8%
Capital Outlay	5,982,406	11.6%	6,358,369	(375,963)	-5.9%
Debt Service:					
Principal	1,970,000	3.8%	1,940,000	30,000	1.5%
Interest and Fiscal Charges	1,919,327	3.7%	1,752,898	166,429	9.5%
Transfers Out and other financing uses	<u>2,578,244</u>	5.0%	<u>5,142,582</u>	<u>(2,564,338)</u>	-49.9%
	<u>\$ 51,506,057</u>		<u>\$ 53,347,357</u>	<u>\$(1,841,300)</u>	

General Government

General government expenditures increased by \$287,081 or 5.0%.

Public Safety

Expenditures for public safety increased \$791,182 or 3.9%. The increase is attributed to the cost of living adjustments to Police and Fire salaries & benefits. Also in 2013, six officers retired causing an increase in wage expenses due to payout of earned benefits.

Highways and Streets

Highways and street expenditures decreased by \$304,520 or 7.1%. The City continues to scale back on street projects throughout FY 2013. The decrease in expenditures is also attributable to reduced expenditures for the Transit Program.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Health and Welfare

Expenditures increased \$202,890 or 6.0%. The majority of the increase in expenditures was in the Community Development Fund. Expenditures also increased due to light fixture updates in the Public Library.

Cultural and Recreational

Cultural and recreational expenditures decreased \$74,331 or 1.8%.

Capital Outlay

Expenditures for capital outlay decreased \$375,963 or 5.9%. The decrease is partly due to a decline in major projects.

Debt Service

Total debt service expenditures increased by \$196,429 or 5.3%. Principal payments on the City's debt obligation increased \$30,000 while interest and fiscal charges increased by \$166,429.

Transfers-Out

Transfers-out and other financing uses decreased \$2,564,338 or 49.9%. The decrease is due to the General Obligation Bond Refunding, Series 2011 payment to escrow in FY 2012. There was no bond refunding activity in FY 2013.

FUND BALANCE

Combined fund balance for all of the governmental funds increased \$5,506,203 from a balance of \$23,549,355 in the prior year to \$29,055,558. Fund balances by fund type are discussed below.

General Fund

The revenues and other financing sources generated \$40,759,530 while expenditures and other financing uses were \$38,372,155. The net effect is an increase in the general fund balance of \$2,387,375. The fund balance as of September 30, 2013 is \$15,784,171.

Special Revenue Funds

The combined fund balance of the special revenue funds increased from \$4,091,443 to \$4,532,859 or by \$441,416. This is the result of revenues and other financing sources exceeding expenditures and other financing uses. The most significant increase was \$367,393 in the FEMA Jefferson Street Drainage fund.

CITY OF HARLINGEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Service Fund

The Debt Service fund balance is \$972,813 which is an increase of \$283,632 from prior year. The fund balance represents 24.7% of the general obligation and certificate of obligation's debt service requirements for the next 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 increased by \$2,393,780. The Capital Project fund balance increase is attributable to the Certificates of Obligation Series 2013 which had a \$2,322,733 increase to fund balance.

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 \$36,940 or 0.4% over the prior year. Operating expenses decreased by \$18,655 or 0.3% over the prior year. The net income for the year was \$668,762 which includes transfers out of \$926,000

Municipal Golf Course Fund

Operating revenues decreased by \$49,112 or 4.2% over the prior year. Operating expenses increased by \$69,393 or 5.6% over the prior year. The net loss for the year was \$200,644 which includes transfers out of \$52,400 and \$24,794 of capital contributions received

Municipal Auditorium Fund

Operating revenues increased by \$3,422 or 2.4% over the prior year. Operating expenses increased by \$45,413 or 7.0% over the prior year. The net loss for the year was \$388,590 which includes transfers in of \$158,000

Harlingen Arts and Heritage Museum Fund

Operating revenues decreased by \$669 or 18.7% over the prior year. Operating expenses decreased by \$21,094 or 15.5% over the prior year. The net loss for the year was \$8,618 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 \$267,505 or 7.6% over the prior year. Operating expenses decreased by \$86,809 or 2.0% over the prior year. The net loss for the year was \$358,582 which includes \$172,532 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 decreased by \$25,550 or 0.7% and operating expenses increased by \$187,380 or 5.3%. The net income for the year is \$208,448 which includes a transfer in of \$73,500. 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 \$145,431,519 in capital assets.

CAPITAL ASSETS NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,348,105	\$ 6,123,314	\$ 467,083	\$ 467,083	\$ 5,815,188	\$ 6,590,397
Construction in progress	11,449,659	11,287,808		-	11,449,659	11,287,808
Building	24,539,332	24,855,729	3,201,914	3,292,163	27,741,246	28,147,892
Improvements other than building	15,054,567	14,667,989	1,648,182	1,837,158	16,702,749	16,505,147
Machinery and equipment	10,772,601	12,029,977	1,044,771	1,052,009	11,817,372	13,081,986
Infrastructure	71,905,305	72,021,210	-	-	71,905,305	72,021,210
Total	\$ 139,069,569	\$ 140,986,027	\$ 6,361,950	\$ 6,648,413	\$ 145,431,519	\$ 147,634,440

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 \$46,605,000 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	
	2013	2012	2013	2012	2013	2012
General Obligation debt (backed by City)	\$ 19,465,000	\$ 20,885,000	\$ -	\$ -	\$ 19,465,000	\$ 20,885,000
Certificates of Obligation	27,140,000	22,340,000	-	-	27,140,000	22,340,000
	<u>\$ 46,605,000</u>	<u>\$ 43,225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,605,000</u>	<u>\$ 43,225,000</u>

During this fiscal year, the City as a Primary Government issued new debt. The primary government issued Certificates of Obligation, Series 2012 and 2013 for the purpose of acquiring, constructing, improving and repairing City Streets and sidewalks, together with water, sewer and drainage improvements along with other capital projects.

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 2013-14 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 .588827. Within the governmental funds, revenues were conservatively budgeted with an increase of \$452,510 or 1.2% and expenditures were increased by \$210,907 or 0.5%.

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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 24,688,780	\$ 6,501,378	\$ 31,190,158	\$ 18,212,110
Investments	8,780,518	-	8,780,518	45,808,973
Receivables, net	5,527,412	229,057	5,756,469	3,009,842
Inventories	161,743	13,137	174,880	227,950
Due from component units	164,352	616,836	781,188	-
Internal balances	153,401	(153,401)	-	-
Loans receivable	1,167,599	-	1,167,599	1,146,837
Prepaid items and deposits	15,801	1,510	17,311	226,983
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	-	-	4,465,436
Investments	-	-	-	5,593,699
Capital assets, net				
Non-depreciable assets	16,797,764	467,083	17,264,847	17,056,810
Depreciable assets	<u>122,271,806</u>	<u>5,894,867</u>	<u>128,166,673</u>	<u>110,304,274</u>
 TOTAL ASSETS	 179,729,176	 13,570,467	 193,299,643	 206,052,914
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,461</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 179,729,176</u>	 <u>\$ 13,570,467</u>	 <u>\$ 193,299,643</u>	 <u>\$ 206,483,375</u>
LIABILITIES				
Accounts payable	\$ 1,060,060	\$ 336,345	\$ 1,396,405	\$ 1,404,528
Accrued expenses	1,379,588	41,845	1,421,433	922,960
Due to primary government	-	-	-	781,188
Other liabilities	415,414	1,000	416,414	417,403
Unearned revenue	535,117	-	535,117	287,578
Escrow liabilities	533,262	-	533,262	-
Payable from restricted assets	-	-	-	2,055,748
Non - current liabilities				
Estimated liability for landfill postclosure, due in more than one year	-	1,342,387	1,342,387	-
Due in one year	2,435,000	31,000	2,466,000	3,958,080
Due in more than one year	<u>52,182,058</u>	<u>725,460</u>	<u>52,907,518</u>	<u>56,244,049</u>
TOTAL LIABILITIES	58,540,499	2,478,037	61,018,536	66,071,534
NET POSITION				
Net investment in capital assets	98,058,748	6,361,950	104,420,698	110,707,660
Restricted	4,531,503	-	4,531,503	5,985,794
Unrestricted	<u>18,598,426</u>	<u>4,730,480</u>	<u>23,328,906</u>	<u>23,718,387</u>
	<u>121,188,677</u>	<u>11,092,430</u>	<u>132,281,107</u>	<u>140,411,841</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 179,729,176</u>	 <u>\$ 13,570,467</u>	 <u>\$ 193,299,643</u>	 <u>\$ 206,483,375</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, 2013

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,045,249	\$ 1,663,584	\$ 753,235	\$ 537,793
Public safety	25,738,359	3,053,460	412,357	172,532
Highways and streets	4,778,770	79,736	459,568	325,947
Health and welfare	4,344,593	68,990	864,920	-
Culture and recreation	5,043,397	567,548	-	499,869
Interest on long term debt	<u>1,456,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>49,406,983</u>	<u>5,433,318</u>	<u>2,490,080</u>	<u>1,536,141</u>
Business-type activities:				
Sanitation services	6,939,912	8,532,359	-	-
Golf course services	1,306,088	1,130,416	-	24,794
Museum services	115,221	2,916	-	-
Auditorium services	<u>694,222</u>	<u>147,307</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>9,055,443</u>	<u>9,812,998</u>	<u>-</u>	<u>24,794</u>
Total primary government	<u>\$ 58,462,426</u>	<u>\$ 15,246,316</u>	<u>\$ 2,490,080</u>	<u>\$ 1,560,935</u>
Component Units				
Economic development services	\$ 10,196,799	\$ -	\$ 2,498,062	\$ -
Community improvement services	981,390	-	-	-
Water and sewer services	19,769,784	19,431,044	-	1,469,771
Airport services	<u>10,623,680</u>	<u>6,721,600</u>	<u>-</u>	<u>3,054,727</u>
Total component units	<u>\$ 41,571,653</u>	<u>\$ 26,152,644</u>	<u>\$ 2,498,062</u>	<u>\$ 4,524,498</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 on sale of assets

Transfers

Total general revenues

Change in net position

Net position--beginning, restated

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
\$ (5,090,637)	\$ -	\$ (5,090,637)	\$ -
(22,100,010)	-	(22,100,010)	-
(3,913,519)	-	(3,913,519)	-
(3,410,683)	-	(3,410,683)	-
(3,975,980)	-	(3,975,980)	-
(1,456,615)	-	(1,456,615)	-
<u>(39,947,444)</u>	<u>-</u>	<u>(39,947,444)</u>	<u>-</u>
-	1,592,447	1,592,447	-
-	(150,878)	(150,878)	-
-	(112,305)	(112,305)	-
<u>-</u>	<u>(546,915)</u>	<u>(546,915)</u>	<u>-</u>
<u>-</u>	<u>782,349</u>	<u>782,349</u>	<u>-</u>
(39,947,444)	782,349	(39,165,095)	-
			\$ (7,698,737)
			(981,390)
			1,131,031
			<u>(847,353)</u>
			(8,396,449)
13,671,706	-	13,671,706	-
3,993,754	-	3,993,754	-
15,873,690	-	15,873,690	5,291,230
3,072,593	-	3,072,593	-
907,944	-	907,944	-
57,125	6,251	63,376	125,889
464,081	1,940	466,021	1,118,589
950,909	770	951,679	100,000
<u>720,400</u>	<u>(720,400)</u>	<u>-</u>	<u>-</u>
<u>39,712,202</u>	<u>(711,439)</u>	<u>39,000,763</u>	<u>6,635,708</u>
(235,242)	70,910	(164,332)	(1,760,741)
<u>121,423,919</u>	<u>11,021,520</u>	<u>132,445,439</u>	<u>142,172,582</u>
<u>\$ 121,188,677</u>	<u>\$ 11,092,430</u>	<u>\$ 132,281,107</u>	<u>\$ 140,411,841</u>

City of Harlingen, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2013

	General Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 7,229,289	\$ 25,795	\$ 13,784,138	\$ 21,039,222
Investments	6,213,862	-	1,033,965	7,247,827
Receivables (net of allowance for uncollectibles)				
Taxes	1,080,528	-	404,907	1,485,435
Accounts	1,127,807	125,842	344,989	1,598,638
Assessments	-	12,815	145,977	158,792
Due from other governments	1,249,527	-	1,008,978	2,258,505
Due from other funds	1,774,657	-	-	1,774,657
Due from component units	142,472	-	21,830	164,302
Loans receivable	17,272	1,150,327	-	1,167,599
Prepaid items	<u>14,336</u>	<u>-</u>	<u>1,465</u>	<u>15,801</u>
 TOTAL ASSETS	 <u>\$ 18,849,750</u>	 <u>\$ 1,314,779</u>	 <u>\$ 16,746,249</u>	 <u>\$ 36,910,778</u>
LIABILITIES				
Accounts payable	\$ 565,685	\$ 6,166	\$ 467,636	\$ 1,039,487
Accrued expenditures	403,360	2,971	474,369	880,700
Other liabilities	407,948	7,466	-	415,414
Due to other funds	-	117,999	1,478,256	1,596,255
Unearned revenue	535,117	-	-	535,117
Escrow liabilities	<u>-</u>	<u>-</u>	<u>533,262</u>	<u>533,262</u>
 TOTAL LIABILITIES	 1,912,110	 134,602	 2,953,523	 5,000,235
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,030,389	-	359,795	1,390,184
Unavailable revenue - payments in lieu of taxes	69,080	-	-	69,080
Unavailable revenue - special assessments	-	12,815	-	12,815
Unavailable revenue - noncurrent receivables	-	950,045	-	950,045
Unavailable revenue - other	<u>54,000</u>	<u>200,281</u>	<u>178,580</u>	<u>432,861</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 1,153,469	 1,163,141	 538,375	 2,854,985
FUND BALANCES				
Nonspendable	14,336	-	1,465	15,801
Restricted	-	17,036	11,881,173	11,898,209
Committed	-	-	1,567,142	1,567,142
Unassigned	<u>15,769,835</u>	<u>-</u>	<u>(195,429)</u>	<u>15,574,406</u>
 TOTAL FUND BALANCES	 <u>15,784,171</u>	 <u>17,036</u>	 <u>13,254,351</u>	 <u>29,055,558</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 18,849,750</u>	 <u>\$ 1,314,779</u>	 <u>\$ 16,746,249</u>	 <u>\$ 36,910,778</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, 2013

	<u>Governmental Activities</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances -- total governmental funds	\$ 29,055,558
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 \$140,986,027 less internal service funds assets of (\$6,335,652).	133,223,681
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	2,854,985
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.	11,088,382
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.	(197,118)
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.	(54,343,992)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(492,819)</u>
Net position of governmental activities	<u><u>\$ 121,188,677</u></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, 2013

	General Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes - including penalty and interest	\$ 13,624,303	\$ -	\$ 3,975,975	\$ 17,600,278
Nonproperty taxes	19,091,811	-	1,207,018	20,298,829
Fines and forfeitures	1,780,146	-	129	1,780,275
Licenses and permits	614,735	-	-	614,735
Charges for services	2,391,671	-	202,004	2,593,675
Intergovernmental	296,070	1,496,277	1,165,525	2,957,872
Contributions and donations	827,353	-	70,000	897,353
Miscellaneous	173,637	57,960	289,148	520,745
Interest and investment income	31,265	6,843	19,018	57,126
Total revenues	<u>38,830,991</u>	<u>1,561,080</u>	<u>6,928,817</u>	<u>47,320,888</u>
Expenditures				
Current				
General government	5,237,122	193,217	621,745	6,052,084
Public safety	20,580,493	-	706,137	21,286,630
Highways and streets	3,100,048	-	853,085	3,953,133
Health and welfare	2,785,007	809,098	-	3,594,105
Culture and recreation	4,024,108	-	146,020	4,170,128
Capital outlay	1,197,032	554,542	4,230,832	5,982,406
Debt service				
Principal	-	-	1,970,000	1,970,000
Interest	-	-	1,714,452	1,714,452
Bond issuance costs and fees	-	-	204,875	204,875
Total expenditures	<u>36,923,810</u>	<u>1,556,857</u>	<u>10,447,146</u>	<u>48,927,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,907,181	4,223	(3,518,329)	(1,606,925)
Other financing sources (uses)				
Transfers in	978,400	-	2,246,742	3,225,142
Transfers (out)	(1,448,345)	-	(1,129,899)	(2,578,244)
Bond issuance	-	-	5,350,000	5,350,000
Premium on bond issuance	-	-	166,091	166,091
Proceeds from sale of capital assets	950,139	-	-	950,139
Total other financing sources (uses)	<u>480,194</u>	<u>-</u>	<u>6,632,934</u>	<u>7,113,128</u>
NET CHANGE IN FUND BALANCES	2,387,375	4,223	3,114,605	5,506,203
Fund balance, beginning of year	<u>13,396,796</u>	<u>12,813</u>	<u>10,139,746</u>	<u>23,549,355</u>
Fund balance, end of year	<u>\$ 15,784,171</u>	<u>\$ 17,036</u>	<u>\$ 13,254,351</u>	<u>\$ 29,055,558</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, 2013

**Governmental
Activities**

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

Net change in fund balances -- total governmental funds	\$ 5,506,203
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 (\$6,618,250) exceeded capital outlay (\$5,982,406) in the current period.	(635,844)
Governmental funds do not report the disposal or transfers of capital assets.	(790,851)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	7,783
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.	(150,134)
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.	2,461,907
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.	(5,350,000)
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 (\$29,080) was calculated for long term debt. Also, any changes in compensated absences (\$839,765), OPEB (\$334,639) and NPO (\$86,532) payable during the year are reported as an increase or decrease to expenses in the statement of activities but not in the governmental funds.	(1,118,101)
Governmental funds report the effect of issuance costs (\$51,492), deferred loss on refunding \$64,334 and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(166,205)
Change in net position of governmental activities:	<u>\$ (235,242)</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
September 30, 2013

	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	\$ 5,950,998	\$ 412,164	\$ 1,803	\$ 136,413	\$ 6,501,378	\$ 3,649,558
Accounts receivables (net of allowances for uncollectibles)	222,888	4,913	1,244	12	229,057	26,041
Inventories	-	13,137	-	-	13,137	161,743
Due from other funds	-	-	224,230	-	224,230	-
Due from component units	616,836	-	-	-	616,836	50
Prepaid items	1,510	-	-	-	1,510	-
Total current assets	6,792,232	430,214	227,277	136,425	7,586,148	3,837,392
Non current assets						
Investments	-	-	-	-	-	1,532,691
Capital assets						
Land	417,587	49,496	-	-	467,083	-
Plant and equipment	3,011,620	4,335,342	4,701,384	195,878	12,244,224	17,870,570
Accumulated depreciation	<u>(1,067,888)</u>	<u>(2,958,332)</u>	<u>(2,222,198)</u>	<u>(100,939)</u>	<u>(6,349,357)</u>	<u>(12,024,681)</u>
Total capital assets (net of accumulated depreciation)	<u>2,361,319</u>	<u>1,426,506</u>	<u>2,479,186</u>	<u>94,939</u>	<u>6,361,950</u>	<u>5,845,889</u>
Total non current assets	<u>2,361,319</u>	<u>1,426,506</u>	<u>2,479,186</u>	<u>94,939</u>	<u>6,361,950</u>	<u>7,378,580</u>
TOTAL ASSETS	<u>\$9,153,551</u>	<u>\$1,856,720</u>	<u>\$2,706,463</u>	<u>\$231,364</u>	<u>\$13,948,098</u>	<u>\$11,215,972</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, 2013

	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	\$ 261,864	\$ 23,588	\$ 36,691	\$ 14,202	\$ 336,345	\$ 20,573
Due to other funds	-	-	377,631	-	377,631	25,000
Compensated absences	6,300	2,000	1,500	200	10,000	39,926
Accrued expenses	29,457	9,751	1,906	731	41,845	6,069
Unearned revenue	-	-	1,000	-	1,000	-
Estimated liability for landfill postclosure costs, current portion	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
Total current liabilities	318,621	35,339	418,728	15,133	787,821	91,568
Long-term liabilities						
Compensated absences	199,490	63,407	23,677	1,753	288,327	-
Net other post employment benefit obligation	302,910	114,622	12,024	7,577	437,133	36,022
Estimated liability for landfill postclosure costs	<u>1,342,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,342,387</u>	<u>-</u>
Total long term liabilities	<u>1,844,787</u>	<u>178,029</u>	<u>35,701</u>	<u>9,330</u>	<u>2,067,847</u>	<u>36,022</u>
TOTAL LIABILITIES	2,163,408	213,368	454,429	24,463	2,855,668	127,590
NET POSITION						
Net investment in capital assets	2,361,319	1,426,506	2,479,186	94,939	6,361,950	5,845,889
Unrestricted	<u>4,628,824</u>	<u>216,846</u>	<u>(227,152)</u>	<u>111,962</u>	<u>4,730,480</u>	<u>5,242,493</u>
Total net position	<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>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,153,551</u>	<u>\$ 1,856,720</u>	<u>\$ 2,706,463</u>	<u>\$ 231,364</u>	<u>\$ 13,948,098</u>	<u>\$ 11,215,972</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, 2013

	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	\$ 8,532,359	\$ -	\$ 60,332	\$ -	\$ 8,592,691	\$ 7,239,505
Golf course fees and charges	-	1,130,416	-	-	1,130,416	-
Rental income	-	-	86,975	-	86,975	-
Admissions	-	-	-	2,916	2,916	-
Total operating revenues	<u>8,532,359</u>	<u>1,130,416</u>	<u>147,307</u>	<u>2,916</u>	<u>9,812,998</u>	<u>7,239,505</u>
Operating expenses						
Cost of sales	-	112,249	-	-	112,249	-
Personnel services	2,040,127	688,725	136,043	54,786	2,919,681	356,045
Contracted services	1,323,334	166,338	241,933	37,417	1,769,022	3,405,141
Materials and supplies	148,626	96,758	17,163	2,661	265,208	2,213,077
Other expenses	3,241,194	102,734	25,784	11,485	3,381,197	63,794
Depreciation and amortization	186,631	139,284	273,299	8,872	608,086	1,606,668
Total operating expense	<u>6,939,912</u>	<u>1,306,088</u>	<u>694,222</u>	<u>115,221</u>	<u>9,055,443</u>	<u>7,644,725</u>
Operating income (loss)	1,592,447	(175,672)	(546,915)	(112,305)	757,555	(405,220)
Nonoperating revenues (expenses)						
Interest revenue	5,611	504	-	136	6,251	8,778
Gain (loss) on sale/disposal of capital assets	-	770	-	-	770	276
Miscellaneous revenue	(3,296)	1,360	325	3,551	1,940	-
Total nonoperating revenues (expenses)	<u>2,315</u>	<u>2,634</u>	<u>325</u>	<u>3,687</u>	<u>8,961</u>	<u>9,054</u>
Income (loss) before operating transfers	1,594,762	(173,038)	(546,590)	(108,618)	766,516	(396,166)
Transfers and capital contributions						
Transfers in	-	-	158,000	100,000	258,000	73,500
Transfers (out)	(926,000)	(52,400)	-	-	(978,400)	-
Capital contributions	-	24,794	-	-	24,794	172,532
Total transfers and capital contributions	<u>(926,000)</u>	<u>(27,606)</u>	<u>158,000</u>	<u>100,000</u>	<u>(695,606)</u>	<u>246,032</u>
NET INCOME (LOSS)	668,762	(200,644)	(388,590)	(8,618)	70,910	(150,134)
Net position, beginning of year, restated	<u>6,321,381</u>	<u>1,843,996</u>	<u>2,640,624</u>	<u>215,519</u>	<u>11,021,520</u>	<u>11,238,516</u>
Net position, end of year	<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>

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, 2013

	Business-type Activities				Governmental	
	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	\$ 8,403,910	\$ 1,131,733	\$ 139,710	\$ 6,468	\$ 9,681,821	\$ 7,245,603
Payments to suppliers	(4,635,642)	(586,091)	(172,365)	(50,389)	(5,444,487)	(5,683,907)
Payments to employees	(1,880,787)	(637,984)	(123,542)	(51,312)	(2,693,625)	(341,795)
Net cash provided (used) by operations	1,887,481	(92,342)	(156,197)	(95,233)	1,543,709	1,219,901
Cash flows from (to) noncapital financing activities						
Transfers (to) other funds	(926,000)	(52,400)	-	-	(978,400)	-
Transfers from other funds	-	-	158,000	100,000	258,000	73,500
Net cash provided (used) by noncapital financing activities	(926,000)	(52,400)	158,000	100,000	(720,400)	73,500
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	-	770	-	-	770	276
Purchase of capital assets	(290,481)	4,655	-	(11,004)	(296,830)	(944,373)
Net cash provided (used) by capital and related financing activities	(290,481)	5,425	-	(11,004)	(296,060)	(944,097)
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(5,221)
Interest received	5,817	504	-	136	6,457	8,778
Net cash provided (used) by investing activities	5,817	504	-	136	6,457	3,557
Net increase (decrease) in cash and cash equivalents	676,817	(138,813)	1,803	(6,101)	533,706	352,861
Cash and cash equivalents, beginning of year	5,274,181	550,977	-	142,514	5,967,672	3,296,697
Cash and cash equivalents, end of year	<u>\$ 5,950,998</u>	<u>\$ 412,164</u>	<u>\$ 1,803</u>	<u>\$ 136,413</u>	<u>\$ 6,501,378</u>	<u>\$ 3,649,558</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,592,447	\$ (175,672)	\$ (546,915)	\$ (112,305)	\$ 757,555	\$ (405,220)
Adjustments to reconcile net income from operations to net cash from operating activities						
Depreciation and amortization	186,631	139,284	273,300	8,872	608,087	1,606,668
Other revenue received	(3,296)	1,360	325	3,551	1,940	-
(Increase) decrease in receivables	(98,244)	(43)	-	1	(98,286)	6,098
(Increase) decrease in prepaid items	243	-	-	647	890	376
(Increase) decrease in due from component units	(26,909)	-	-	-	(26,909)	-
(Increase) decrease in due from other funds	-	-	-	-	-	(50)
(Increase) decrease in inventories	-	-	-	-	-	196
Increase (decrease) in accounts payable	3,029	(110,565)	17,888	395	(89,253)	(2,417)
Increase (decrease) in due to other funds	-	-	94,096	-	94,096	-
Increase (decrease) in accrued expenses	6,199	2,553	530	132	9,414	2,169
Increase (decrease) net other post employment benefit obligations	113,257	37,753	4,195	2,096	157,301	12,081
Increase (decrease) in compensated absences	46,083	12,988	8,306	1,378	68,755	-
Increase (decrease) in unearned revenues	-	-	(7,922)	-	(7,922)	-
Increase (decrease) in estimated liability for landfill closure and post closure costs	68,041	-	-	-	68,041	-
Total adjustments	295,034	83,330	390,718	17,072	786,154	1,625,121
Net cash provided (used) by operations	<u>\$ 1,887,481</u>	<u>\$ (92,342)</u>	<u>\$ (156,197)</u>	<u>\$ (95,233)</u>	<u>\$ 1,543,709</u>	<u>\$ 1,219,901</u>
<i>Supplemental disclosure of noncash activities:</i>						
Contributed capital from other funds	\$ -	\$ 24,794	\$ -	\$ -	\$ 24,794	\$ 172,532

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

City of Harlingen, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2013

	<u>Pension Trust fund</u> Firemen's Relief and Retirement
ASSETS	
Cash and cash equivalents	\$ 50,052
Investments, at fair value:	
Money market funds	407,191
Mutual funds - equity	14,382,711
Mutual funds - fixed income	7,756,298
Mutual funds - specialty	<u>4,344,184</u>
TOTAL ASSETS	<u><u>\$ 26,940,436</u></u>
LIABILITIES	
Accounts payable	\$ 103
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>26,940,333</u>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 26,940,436</u></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, 2013

	<u>Pension Trust Fund</u>
INVESTMENT INCOME	
Net appreciation in fair value of investments	\$ 2,732,754
Interest	<u>279,995</u>
Total investment income	3,012,749
Less investment expense	<u>(160,495)</u>
 Net investment income	 <u>2,852,254</u>
 CONTRIBUTIONS	
Employer	699,601
Plan member	<u>698,881</u>
Total contributions	1,398,482
 TOTAL ADDITIONS	 4,250,736
 DEDUCTIONS	
Benefits	1,339,865
Refunds of contributions	247,530
Administrative expense	<u>26,335</u>
 TOTAL DEDUCTIONS	 <u>1,613,730</u>
 NET CHANGE IN PLAN NET POSITION	 2,637,006
 Net position held in trust for pension benefits	
Beginning of year	<u>24,303,327</u>
End of year	<u>\$ 26,940,333</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, 2013

	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,309,607	\$ 2,333,306	\$ 7,021,186	\$ 5,548,011	\$ 18,212,110
Investments	38,112,219	-	7,696,754	-	45,808,973
Receivables (net of allowances for uncollectible)					
Accounts	155,467	-	1,859,743	364,902	2,380,112
Grants	312,382	-	206,506	-	518,888
Interest	-	-	6,715	-	6,715
Due from other governments	-	104,127	-	-	104,127
Prepaid items	126,398	-	8,500	92,085	226,983
Inventories	-	-	227,950	-	227,950
Restricted assets:					
Cash and cash equivalents	9,508	-	4,253,507	202,421	4,465,436
Investments	-	-	5,593,699	-	5,593,699
Total current assets	<u>42,025,581</u>	<u>2,437,433</u>	<u>26,874,560</u>	<u>6,207,419</u>	<u>77,544,993</u>
Capital assets					
Non-depreciable assets	-	-	8,849,481	8,207,329	17,056,810
Depreciable assets	-	-	153,062,963	140,139,133	293,202,096
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(98,617,501)</u>	<u>(84,280,321)</u>	<u>(182,897,822)</u>
Total capital assets, net	-	-	63,294,943	64,066,141	127,361,084
Long-term receivable from primary government	<u>1,146,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,146,837</u>
TOTAL ASSETS	<u>43,172,418</u>	<u>2,437,433</u>	<u>90,169,503</u>	<u>70,273,560</u>	<u>206,052,914</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>430,461</u>	<u>-</u>	<u>430,461</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 43,172,418</u>	<u>\$ 2,437,433</u>	<u>\$ 90,599,964</u>	<u>\$ 70,273,560</u>	<u>\$ 206,483,375</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, 2013

	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	Total
LIABILITIES					
Current liabilities					
Accounts payable	\$ 141,960	\$ 477,107	\$ 605,048	\$ 180,413	\$ 1,404,528
Other liabilities	-	-	417,403	-	417,403
Accrued expenses	922,960	-	-	-	922,960
Unearned revenues	-	-	-	287,578	287,578
Compensated absences - current	-	-	458,080	-	458,080
Due to primary government	-	-	781,188	-	781,188
Payable from restricted assets - current	-	-	505,748	-	505,748
Current portion of non-current liabilities	<u>1,395,000</u>	<u>100,000</u>	<u>1,980,000</u>	<u>25,000</u>	<u>3,500,000</u>
Total current liabilities	2,459,920	577,107	4,747,467	492,991	8,277,485
Non-current liabilities					
Notes and capital leases payable	-	100,000	-	-	100,000
Bonds and certificates of obligation payable	36,246,518	-	14,907,577	-	51,154,095
Compensated absences	-	-	200,000	263,643	463,643
Unearned revenues	-	-	-	1,972,302	1,972,302
Payable from restricted assets	-	-	1,550,000	-	1,550,000
Net other post employment obligation	<u>-</u>	<u>-</u>	<u>2,414,909</u>	<u>139,100</u>	<u>2,554,009</u>
Total long-term debt	<u>36,246,518</u>	<u>100,000</u>	<u>19,072,486</u>	<u>2,375,045</u>	<u>57,794,049</u>
TOTAL LIABILITIES	38,706,438	677,107	23,819,953	2,868,036	66,071,534
NET POSITION					
Net investment in capital assets	-	-	48,845,912	61,861,748	110,707,660
Nonspendable	-				
Restricted for:					
Debt service	-	-	1,815,615	-	1,815,615
System expansion	-	-	3,967,758	-	3,967,758
Passenger facility charges	-	-	-	202,421	202,421
Unrestricted	<u>4,465,980</u>	<u>1,760,326</u>	<u>12,150,726</u>	<u>5,341,355</u>	<u>23,718,387</u>
Total net position	<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>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 43,172,418</u>	<u>\$ 2,437,433</u>	<u>\$ 90,599,964</u>	<u>\$ 70,273,560</u>	<u>\$ 206,483,375</u>

City of Harlingen, Texas
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the fiscal year ending September 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Harlingen Economic Development Corporation				
Economic development services	\$ 10,196,799	\$ -	\$ 2,498,062	\$ -
Total Harlingen Economic Development Corporation	<u>10,196,799</u>	<u>-</u>	<u>2,498,062</u>	<u>-</u>
Harlingen Community Improvement Board				
Community improvement services	981,390	-	-	-
Total Harlingen Community Improvement Board	<u>981,390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Harlingen Waterworks System				
Water and sewer services	19,769,784	19,431,044	-	1,469,771
Total Harlingen Waterworks System	<u>19,769,784</u>	<u>19,431,044</u>	<u>-</u>	<u>1,469,771</u>
Valley International Airport				
Airport services	10,623,680	6,721,600	-	3,054,727
Total Valley International Airport	<u>10,623,680</u>	<u>6,721,600</u>	<u>-</u>	<u>3,054,727</u>
 Total component units	 <u>\$ 41,571,653</u>	 <u>\$ 26,152,644</u>	 <u>\$ 2,498,062</u>	 <u>\$ 4,524,498</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	Water and Wastewater System	Valley International Airport	Total
\$ (7,698,737)				\$ (7,698,737)
(7,698,737)				(7,698,737)
	(981,390)			(981,390)
	(981,390)			(981,390)
		1,131,031		1,131,031
		1,131,031		1,131,031
			(847,353)	(847,353)
			(847,353)	(847,353)
				(8,396,449)
3,968,422	1,322,808	-	-	5,291,230
14,474	2,074	100,484	8,857	125,889
312,628	-	805,961	-	1,118,589
100,000	-	-	-	100,000
4,395,524	1,324,882	906,445	8,857	6,635,708
(3,303,213)	343,492	2,037,476	(838,496)	(1,760,741)
7,769,193	1,416,834	64,742,535	68,244,020	142,172,582
\$ 4,465,980	\$ 1,760,326	\$ 66,780,011	\$ 67,405,524	\$ 140,411,841

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**NOTES TO THE
FINANCIAL STATEMENTS**

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City of Harlingen, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013

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, 2013

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.

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 two 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.

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.

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013

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, 2013 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, 2013

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

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as described below.

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, 2013

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, 2013

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, 2012, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2013.

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, 2013

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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, 2013

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, 2013 and by the indicated amounts. The deficit will be reimbursed by another fund.

Certificate of Obligation Bonds, Series 2010 Project Fund	\$ <u>195,429</u>
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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, 2013, 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.

Investments

Investments at fair value, including accrued interest, as of September 30, 2013 are as follows:

	Investment Maturities (in years)		
	Fair Value	1 or less	Real Property
Primary Government			
TexPool	\$11,572,692	\$11,572,692	\$ -
Certificates of deposits	<u>8,780,518</u>	<u>8,780,518</u>	<u>-</u>
	<u>\$20,353,210</u>	<u>\$20,353,210</u>	<u>\$ -</u>
	Investment Maturities (in years)		
	Fair Value	1 or less	Real Property
Component Units			
TexStar	\$ 2,173,102	\$ 2,173,102	\$ -
TexPool	2,902,646	2,902,646	-
Certificates of deposits	13,290,452	13,290,452	-
Land	-	-	3,490,998
Buildings and improvements	<u>-</u>	<u>-</u>	<u>34,621,221</u>
	<u>\$18,366,200</u>	<u>\$18,366,200</u>	<u>\$38,112,219</u>

A reconciliation of cash and investments follows:

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$16,736,090	\$ 2,881,376	\$19,617,466	\$17,601,799
TexPool	7,952,690	3,620,002	11,572,692	2,902,646
TexStar	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173,102</u>
	24,688,780	6,501,378	31,190,158	22,677,547
Certificates of deposit	8,780,518	-	8,780,518	13,290,452
Land	-	-	-	3,490,998
Buildings and improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,621,221</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,112,219</u>
	<u>\$33,469,298</u>	<u>\$ 6,501,378</u>	<u>\$39,970,676</u>	<u>\$74,080,218</u>

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

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 Holding</u>	<u>Rate</u>
<i>0-3 months</i>					79.63%	
Certificates of Deposit	Lone Star National Bank					
	45202523A	11/25/13	\$ 1,033,956	\$ 1,033,956		0.30%
	45202516A	11/25/13	2,067,912	2,067,912		0.30%
	45204389	12/01/13	<u>1,532,691</u>	<u>1,532,691</u>		0.50%
			4,634,559	4,634,559		
Pools	TexPool		11,572,692	11,572,692		
<i>3-6 months</i>					10.20%	
Certificates of Deposit	Lone Star National Bank					
	45202517	02/25/13	2,075,870	2,075,870		0.30%
<i>9-12 months</i>					10.17%	
Certificates of Deposit	Lone Star National Bank					
	45202514A	08/25/13	<u>2,070,080</u>	<u>2,070,080</u>		0.30%
			<u>\$20,353,201</u>	<u>\$20,353,201</u>		
<u>Components Units</u>						
Pools	TexStar		\$ 2,173,102	\$ 2,173,102		
	TexPool		<u>2,902,646</u>	<u>2,902,646</u>		
			5,075,748	5,075,748		
<i>9-12 months</i>					7.05%	
Certificates of Deposit	CD 230525	07/24/14	1,000,000	1,000,000		22.00%
	CD 230653	08/19/14	1,000,000	1,000,000		22.00%
	CD 230720	08/27/14	1,000,000	1,000,000		22.00%
	CD6710100142	04/24/14	<u>1,000,000</u>	<u>1,000,000</u>		23.00%
			4,000,000	4,000,000		

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

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 Holding</u>	<u>Rate</u>
<i>Over 1 year</i>					77.56%	
Certificates of Deposit						
	CD 3851-11202250	11/07/13	\$ 1,007,917	\$ 1,007,917		59.50%
	CD 3851-11201740	02/17/14	1,010,487	1,010,487		50.00%
	CD 228296	12/10/13	1,005,009	1,005,009		0.59%
	CD 3851-11428376	01/23/14	1,006,689	1,006,689		57.00%
	CD3851-11006172	05/01/15	1,001,753	1,001,753		52.00%
	CD 229190	03/17/14	1,002,995	1,002,995		40.00%
	CD 229037	06/24/14	1,003,894	1,003,894		52.00%
	CD 2700001207	05/01/14	1,002,171	1,002,171		44.00%
	CD 230576	10/03/14	1,000,000	1,000,000		25.00%
	CD 272005109	03/01/14	<u>249,537</u>	<u>249,537</u>		1.15%
			9,290,452	9,290,452		
	<u>Investment property</u>					
	Bass Pro Shop land		3,490,998	N/A		
	Bass Pro Shop building		<u>34,621,221</u>	N/A		
			<u>38,112,219</u>			
			<u>\$56,478,419</u>	<u>\$18,366,200</u>		

Credit Risk

As of September 30, 2013, 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, 2013 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, 2013

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, 2013. The composition of these investments is as follows:

	<u>Fair Value</u>
Mutual funds - equities	
Domestic	\$10,503,743
International	3,878,968
Mutual funds - fixed income	
Domestic	6,980,545
International	775,752
Mutual funds – specialty	4,344,184
Cash and equivalents	<u>407,192</u>
	<u>\$26,890,384</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 \$7,756,297 is subject to interest rate risk. Of this total, \$2,868,646 is in high yield bonds which are rated BB. The remaining amount of \$4,887,651 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, 2013

NOTE D - RECEIVABLES

Receivables at September 30, 2013 consist of the following:

	Governmental Activities					Governmental Activities Total
	General Fund	Community Development Fund	Other Governmental Funds	Total	Internal Service Funds	
Taxes	\$1,235,677	\$ -	\$ 475,757	\$1,711,434	\$ -	\$1,711,434
Accounts	1,127,807	125,842	344,989	1,598,638	26,041	1,624,679
Assessments	-	12,815	145,977	158,792	-	158,792
Due from other governments	<u>1,249,527</u>	<u>-</u>	<u>1,008,978</u>	<u>2,258,505</u>	<u>-</u>	<u>2,258,505</u>
Gross receivables	3,613,011	138,657	1,975,701	5,727,369	26,041	5,753,410
Allowance for uncollectibles	<u>(155,149)</u>	<u>-</u>	<u>(70,850)</u>	<u>(225,999)</u>	<u>-</u>	<u>(225,999)</u>
Net receivables	<u>\$3,457,862</u>	<u>\$138,657</u>	<u>\$1,904,851</u>	<u>\$5,501,370</u>	<u>\$ 26,041</u>	<u>\$5,527,411</u>

Receivables at September 30, 2013, consist of the following:

	Business-type Activities				Total
	Sanitation	Municipal Golf Course	Municipal Auditorium	Harlingen Arts and Heritage Museum	
Accounts	\$222,888	\$ 4,913	\$ 1,244	\$ 12	\$229,057
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$222,888</u>	<u>\$ 4,913</u>	<u>\$ 1,244</u>	<u>\$ 12</u>	<u>\$229,057</u>

	Component Units				Total
	Harlingen Economic Development Corporation	Harlingen Community Improvement Board	Harlingen Waterworks System	Valley International Airport	
Accounts	\$155,467	\$ -	\$2,094,743	\$367,390	\$2,617,600
Grants	-	-	206,506	-	206,506
Interest	-	-	6,715	-	6,715
Due from other governments	<u>312,382</u>	<u>104,127</u>	<u>-</u>	<u>-</u>	<u>416,509</u>
Gross receivables	467,849	104,127	2,307,964	367,390	3,247,330
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(235,000)</u>	<u>(2,488)</u>	<u>(237,488)</u>
Net receivables	<u>\$467,849</u>	<u>\$104,127</u>	<u>\$2,072,964</u>	<u>\$364,902</u>	<u>\$3,009,842</u>

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

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, 2013 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	\$ 6,123,314	\$ -	\$ (775,209)	\$ -	\$ 5,348,105
Construction in progress	<u>11,287,808</u>	<u>3,090,083</u>	<u>-</u>	<u>(2,928,232)</u>	<u>11,449,659</u>
	17,411,122	3,090,083	(775,209)	(2,928,232)	16,797,764
Capital assets, being depreciated:					
Buildings	30,187,081	-	-	404,205	30,591,286
Improvements	20,010,724	972,724	(15,642)	632,221	21,600,027
Machinery and equipment	29,080,880	1,152,064	(649,258)	-	29,583,686
Infrastructure	<u>191,382,354</u>	<u>1,884,441</u>	<u>-</u>	<u>1,891,806</u>	<u>195,158,601</u>
	270,661,039	4,009,229	(664,900)	2,928,232	276,933,600
Less accumulated depreciation for:					
Buildings	(5,331,352)	(720,602)	-	-	(6,051,954)
Improvements	(5,342,735)	(1,202,725)	-	-	(6,545,460)
Machinery and equipment	(17,050,903)	(2,435,774)	649,258	26,334	(18,811,085)
Infrastructure	<u>(119,361,144)</u>	<u>(3,892,151)</u>	<u>-</u>	<u>-</u>	<u>(123,253,295)</u>
Total accumulated depreciation	<u>(147,086,134)</u>	<u>(8,251,252)</u>	<u>649,258</u>	<u>26,334</u>	<u>(154,661,794)</u>
Total capital assets, being depreciated, net	<u>123,574,905</u>	<u>(4,242,023)</u>	<u>(15,642)</u>	<u>2,954,566</u>	<u>122,271,806</u>
Governmental activities, capital assets, net	<u>\$140,986,027</u>	<u>\$(1,151,940)</u>	<u>\$(790,851)</u>	<u>\$ 26,334</u>	<u>\$139,069,570</u>

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

NOTE E - CAPITAL ASSETS - Continued

Depreciation was charged to government functions as follows:

General Government	\$ 983,134
Public Safety	3,641,557
Highways and Streets	664,637
Health and Welfare	615,165
Culture and Recreation	713,757
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>1,633,002</u>
 Total depreciation - governmental activities	 <u>\$8,251,252</u>

Capital asset activity for the year ended September 30, 2013 is as follows:

	Beginning Balance	Additions	Retirements	Transfers/ Reclassification	Ending Balance
<i>Business-type Activities</i>					
Capital assets, not being depreciated:					
Land	\$ 467,083	\$ -	\$ -	\$ -	\$ 467,083
Total capital assets, not being depreciated	467,083	-	-	-	467,083
Capital assets, being depreciated:					
Buildings	5,518,414	56,900	-	-	5,575,314
Improvements	4,489,753	24,794	-	-	4,514,547
Equipment	<u>1,914,433</u>	<u>252,966</u>	<u>(13,036)</u>	-	<u>2,154,363</u>
	11,922,600	334,660	(13,036)	-	12,244,224
Less accumulated depreciation for:					
Buildings	(2,226,251)	(147,149)	-	-	(2,373,400)
Improvements	(2,652,595)	(213,770)	-	-	(2,866,365)
Equipment	<u>(862,424)</u>	<u>(260,204)</u>	<u>13,036</u>	-	<u>(1,109,592)</u>
Total accumulated depreciation	<u>(5,741,270)</u>	<u>(621,123)</u>	<u>13,036</u>	-	<u>(6,349,357)</u>
Total capital assets, being depreciated, net	<u>6,181,330</u>	<u>(286,462)</u>	-	-	<u>5,894,867</u>
Business type activities capital assets, net	<u>\$ 6,648,413</u>	<u>\$(286,462)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,361,951</u>

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

NOTE E - CAPITAL ASSETS – Continued

Depreciation was charged to business type activity functions as follows:

Municipal Auditorium	\$273,299
Sanitation	186,631
Harlingen Arts Museum	8,872
Golf Course	<u>139,284</u>
 Total depreciation - business-type activities	 <u>\$608,086</u>

Capital asset activity for Valley International Airport for the year ended September 30, 2013, is as follows:

	Beginning Balance <u>10/01/2012</u>	<u>Additions</u>	<u>Retirements</u>	Transfers/ Reclassification	Ending Balance <u>9/30/2013</u>
Capital assets, not being depreciated					
Construction in progress	\$ 3,536,525	\$2,310,587	\$ -	\$(2,650,863)	\$ 3,196,249
Land	<u>5,011,080</u>	-	-	-	<u>5,011,080</u>
Total capital assets, not being depreciated	8,547,605	2,310,587	-	(2,650,863)	8,207,329
Other capital assets					
Buildings	38,206,890	11,838	-	40,741	38,259,469
Runways and taxiways	62,810,258	5,630	-	580,994	63,396,882
Land improvements	20,446,190	61,530	-	337,022	20,844,742
Furniture and fixtures	3,104,592	4,005	-	-	3,108,597
Machinery and equipment	<u>12,597,356</u>	<u>239,981</u>	-	<u>1,692,106</u>	<u>14,529,443</u>
Total other capital assets	137,165,286	322,984	-	2,650,863	140,139,133
Less accumulated depreciation					
Buildings	(24,107,149)	(1,027,423)	-	-	(25,134,572)
Runways and taxiways	(31,965,641)	(2,413,632)	-	-	(34,379,273)
Land improvements	(12,896,736)	(746,449)	-	-	(13,643,185)
Furniture and fixtures	(1,116,098)	(145,245)	-	-	(1,261,343)
Machinery and equipment	<u>(9,208,517)</u>	<u>(653,431)</u>	-	-	<u>(9,861,948)</u>
Total accumulated depreciation	<u>(79,294,141)</u>	<u>(4,986,180)</u>	-	-	<u>(84,280,321)</u>
Totals	<u>\$ 66,418,750</u>	<u>\$(2,352,609)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,066,141</u>

Depreciation expense for the year ended September 30, 2013 totaled \$4,986,180.

Included in buildings above is an asset under capital lease. During 2006, the Airport purchased an energy management system. The energy management system was purchased in order to maximize its cost savings on lighting and air conditioning within the Airport facility. The costs incurred on the system totaled \$837,379. Accumulated depreciation as of September 30, 2013 totaled \$441,950.

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

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	\$ -	\$ -	\$ 4,943,369
Land	1,227,448	-	-	1,227,448
Construction in progress	<u>331,281</u>	<u>2,387,756</u>	<u>(40,373)</u>	<u>2,678,664</u>
Total capital assets, not being depreciated	<u>6,502,098</u>	<u>2,387,756</u>	<u>(40,373)</u>	<u>8,849,481</u>
Other capital assets				
Vehicles	2,284,233	444,591	(80,658)	2,648,166
Water production plant	23,175,266	264,944	-	23,440,210
Water transmission facilities and equipment	50,482,861	1,194,611	(363,439)	51,314,033
Wastewater treatment plant	21,869,735	122,134	-	21,991,869
Wastewater collection line, lift stations and equipment	48,407,455	1,082,391	(3,289)	49,486,557
Laboratory buildings and equipment	230,426	61,014	-	291,440
Pretreatment buildings and equipment	76,801	-	-	76,801
Office buildings and equipment	<u>3,794,396</u>	<u>37,817</u>	<u>(18,326)</u>	<u>3,813,887</u>
Total other capital assets being depreciated	<u>150,321,173</u>	<u>3,207,502</u>	<u>(465,712)</u>	<u>153,062,963</u>
Less accumulated depreciation				
Vehicles	(1,627,896)	(212,232)	80,658	(1,759,470)
Water production plant	(18,006,728)	(498,388)	-	(18,505,116)
Water transmission facilities and equipment	(29,550,595)	(1,507,070)	77,821	(30,979,844)
Wastewater treatment plant	(17,834,258)	(876,138)	-	(18,710,396)
Wastewater collection line, lift stations and equipment	(23,991,563)	(1,944,562)	3,289	(25,932,836)
Laboratory buildings and equipment	(157,535)	(15,816)	-	(173,351)
Pretreatment buildings and equipment	(68,425)	(1,939)	-	(70,364)
Office buildings and equipment	<u>(2,330,682)</u>	<u>(166,122)</u>	<u>10,680</u>	<u>(2,486,124)</u>
Total accumulated depreciation	<u>(93,567,682)</u>	<u>(5,222,267)</u>	<u>172,448</u>	<u>(98,617,501)</u>
Capital assets, net of accumulated depreciation	<u>\$ 63,255,589</u>	<u>\$ 372,991</u>	<u>\$ (333,637)</u>	<u>\$ 63,294,943</u>

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

NOTE F - LOANS RECEIVABLE

Loans and notes receivable at September 30, 2013, consist of the following:

	Governmental Funds			Component Unit
	General Fund	Community Development Block Grant	Total	Economic Development Corporation
Rehabilitation loans	\$ -	\$ 189,638	\$ 189,638	\$ -
Deferred loans	-	407,364	407,364	-
Replacement loans	-	334,188	334,188	-
Home loans	-	18,855	18,855	-
Business development loans	-	-	-	1,146,837
Other	<u>17,272</u>	<u>200,282</u>	<u>217,554</u>	<u>-</u>
	<u>\$ 17,272</u>	<u>\$1,150,327</u>	<u>\$1,167,599</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, 2013 consist of the following:

Current	
Accrued interest	\$ 275,600
Customer deposits	230,148
Noncurrent	
Customer deposits	<u>1,550,000</u>
Total	<u>\$2,055,748</u>

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

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>535,117</u>
Component Units	
Valley International Airport	\$ <u>2,259,880*</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:

2014(current portion)		\$ 287,578
2015	\$ 232,091	
2016	232,091	
2017	232,091	
2018	232,091	
Succeeding years	<u>1,058,296</u>	<u>1,972,302</u>
Long-term portion		\$ <u>2,259,880*</u>

*At September 30, 2013, several leaseholders at the Airport had prepaid their monthly leases in the total amount of \$55,487.

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

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 \$5,541,890 in 2013. 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 2013 were \$649,588.

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

Year ending September 30:	
2014	\$ 3,539,274
2015	2,291,197
2016	2,084,674
2017	1,499,675
2018	989,970
Later years	<u>1,072,486</u>
Total minimum future rentals	<u>\$11,477,276</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, 2013 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, 2013

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:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u> <u>Required</u>
2014	\$ 360,000	\$ 131,238	\$ 491,238
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
2019-2022	<u>1,815,000</u>	<u>87,768</u>	<u>1,477,768</u>
	<u>\$3,350,000</u>	<u>\$ 585,190</u>	<u>\$3,935,190</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, 2013

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.

Advance Refunding of Debt

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, 2013, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
2004	\$3,200,000
2001	<u>880,000</u>
	<u>\$4,080,000</u>

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

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 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013	Due in One Year
Governmental Activities:							
<i>General Obligation</i>							
2005 Series	\$ 5,620,000	2.5 – 4.25%	\$ 3,845,000	\$ -	\$ (345,000)	\$ 3,500,000	\$ 360,000
2006 Series	3,270,000	3.75 – 4.36%	2,620,000	-	(145,000)	2,475,000	150,000
2007 Series	10,630,000	4.0 – 4.5%	9,465,000	-	(205,000)	9,260,000	240,000
2010 Series	2,540,000	2.0 – 2.5%	1,715,000	-	(465,000)	1,250,000	465,000
2011 Series, Refunding	3,315,000	2.39%	<u>3,240,000</u>	-	<u>(260,000)</u>	<u>2,980,000</u>	<u>265,000</u>
Total General Obligation Bonds			<u>20,885,000</u>	-	<u>(1,420,000)</u>	<u>19,465,000</u>	<u>1,480,000</u>
<i>Certificates of Obligation</i>							
Combination Tax							
2007 Series	22,000,000	4.0 – 4.5%	19,395,000	-	(465,000)	18,930,000	535,000
2010 Series	3,090,000	2.0 – 4.125%	2,945,000	-	(85,000)	2,860,000	150,000
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>	-
Total Certificates of Obligation			<u>22,340,000</u>	<u>5,350,000</u>	<u>(550,000)</u>	<u>27,140,000</u>	<u>685,000</u>
Total Bonded Debt			<u>\$43,225,000</u>	<u>\$5,350,000</u>	<u>\$(1,970,000)</u>	<u>\$46,605,000</u>	<u>\$2,165,000</u>

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation, including interest of \$14,959,651 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
2014	\$ 1,480,000	\$ 709,072	\$ 685,000	\$1,065,257	\$ 2,165,000	\$ 1,774,329
2015	1,555,000	663,367	760,000	1,008,882	2,315,000	1,672,249
2016	1,500,000	614,715	1,065,000	976,769	2,565,000	1,591,484
2017	1,355,000	565,908	1,475,000	931,232	2,830,000	1,497,140
2018	1,295,000	517,989	1,710,000	873,407	3,005,000	1,391,396
2019-2023	7,170,000	1,812,533	9,685,000	3,322,959	16,855,000	5,135,492
2024-2028	5,110,000	405,073	9,570,000	1,218,865	14,680,000	1,623,938
2029-2033	-	-	1,520,000	241,698	1,520,000	241,698
2034-2038	-	-	<u>670,000</u>	<u>31,925</u>	<u>670,000</u>	<u>31,925</u>
	<u>\$19,465,000</u>	<u>\$ 5,288,657</u>	<u>\$27,140,000</u>	<u>\$ 9,670,994</u>	<u>\$46,605,000</u>	<u>\$14,959,651</u>

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

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, 2013, 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, 2013.

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, 2013, all bonds considered defeased have been retired.

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

NOTE J - LONG-TERM DEBT - Continued

Component Units	Original Amount	Interest Rate(s)	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013	Due in One Year
Harlingen Economic Development Corporation							
Sales tax revenue bonds Series 2010A	\$19,150,000	2.00 – 5.125%	\$19,150,000	\$ -	\$ (655,000)	\$18,495,000	\$ 665,000
Sales tax and lease rental Revenue Bonds Series 2010B	<u>13,075,000</u>	2.71 – 5.750%	<u>13,075,000</u>	-	<u>(355,000)</u>	<u>12,720,000</u>	<u>370,000</u>
Total Harlingen EDC	32,225,000		32,225,000	-	(1,010,000)	31,215,000	1,035,000
Harlingen Waterworks System							
2005 Series Waterworks & Sewer System Refunding Bonds	5,830,000	3.0 – 4.50%	5,015,000	-	(845,000)	4,170,000	1,175,000
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>2,670,000</u>	-	<u>(1,065,000)</u>	<u>1,605,000</u>	<u>805,000</u>
Total Harlingen Waterworks System	<u>21,535,000</u>		<u>18,830,000</u>	-	<u>(1,910,000)</u>	<u>16,920,000</u>	<u>1,980,000</u>
Total Component Units	<u>\$53,760,000</u>		<u>\$51,055,000</u>	<u>\$ -</u>	<u>\$(2,920,000)</u>	<u>\$48,135,000</u>	<u>\$ 3,015,000</u>

Year Ending September 30,	Harlingen Economic Development Corporation		Harlingen Waterworks System		Total Component Units	
	Sales Tax and Lease Revenue Bonds Principal	Interest	Water and Sewer Revenue Bonds Principal	Interest	Principal	Interest
2014	\$ 1,035,000	\$ 1,672,660	\$ 1,980,000	\$ 629,890	\$ 3,015,000	\$ 2,302,550
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
2019-2023	6,935,000	6,617,170	4,230,000	1,823,390	11,165,000	8,440,560
2024-2028	9,130,000	4,412,927	2,855,000	1,183,808	11,985,000	5,596,735
2029-2033	9,595,000	1,241,044	2,815,000	525,200	12,410,000	1,766,244
2034-2037	-	-	<u>1,245,000</u>	<u>81,069</u>	<u>1,245,000</u>	<u>81,069</u>
	<u>\$31,215,000</u>	<u>\$20,263,339</u>	<u>\$16,920,000</u>	<u>\$ 6,370,517</u>	<u>\$48,135,000</u>	<u>\$26,633,856</u>

4. *Capital Lease Obligation*

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, 2013.

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

NOTE J - LONG-TERM DEBT – Continued

5. *Changes in Long-term Liabilities*

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

	Beginning Balance <u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2013</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
General obligation debt	\$20,885,000	\$ -	\$(1,420,000)	\$19,465,000	\$1,480,000
Certificates of obligation	22,340,000	5,350,000	(550,000)	27,140,000	685,000
Deferred amounts					
Discounts	(30,913)	-	8,256	(22,657)	-
Premiums	-	166,091	(7,221)	158,870	-
Notes payable	1,208,323	-	(491,907)	716,416	70,000
Compensated absences	3,370,522	973,001	(132,396)	4,211,127	200,000
Net pension obligation	852,945	1,605,835	(1,619,406)	839,374	-
Net other postemployment benefit obligation	<u>1,773,954</u>	<u>614,526</u>	<u>(279,552)</u>	<u>2,108,928</u>	<u>-</u>
	50,399,831	8,709,453	(4,492,226)	54,617,058	2,435,000
Business-type Activities					
Landfill postclosure liability	1,295,346	47,041	-	1,342,387	-
Compensated absences	229,571	102,031	(12,275)	319,327	15,000
Net other postemployment benefit obligation	<u>310,359</u>	<u>176,107</u>	<u>(49,333)</u>	<u>437,133</u>	<u>16,000</u>
	<u>1,835,276</u>	<u>325,179</u>	<u>(61,608)</u>	<u>2,098,847</u>	<u>31,000</u>
Total primary government	<u>\$52,235,107</u>	<u>\$9,034,632</u>	<u>\$(4,430,658)</u>	<u>\$56,715,905</u>	<u>\$ 2,466,000</u>
Component Units					
Harlingen Economic Development Corporation					
Sales tax revenue bonds	\$32,225,000	\$ -	\$(1,010,000)	\$31,215,000	\$1,035,000
Deferred amounts					
Discounts	(333,829)	-	37,092	(296,737)	-
Note payable	7,042,290	-	(345,000)	6,697,290	360,000
Compensated absences	<u>17,598</u>	<u>16,271</u>	<u>(7,904)</u>	<u>25,965</u>	<u>8,000</u>
Total Harlingen EDC	38,951,059	16,271	(1,325,812)	37,641,518	1,403,000
Harlingen Community Improvements Board					
Note payable	-	<u>200,000</u>	-	<u>200,000</u>	<u>100,000</u>
Total Harlingen HCIB	-	200,000	-	200,000	100,000
Valley International Airport					
Capital lease obligation	507,567	-	(507,567)	-	-
Unearned revenues	2,519,088	55,487	(314,695)	2,259,880	**287,578
Compensated absences	289,993	167,113	(168,464)	288,642	25,000
Net other postemployment benefit obligation	<u>106,919</u>	<u>32,181</u>	<u>-</u>	<u>139,100</u>	<u>-</u>
Total Valley International Airport	3,423,567	254,781	(990,726)	2,687,622	312,578
Harlingen Waterworks System					
Revenue bonds	18,830,000	-	(1,910,000)	16,920,000	1,980,000
Less deferred amounts					
For discounts	(50,572)	-	3,334	(47,238)	(3,334)
For premiums	20,889	-	(6,074)	14,815	9,614
Net other postemployment benefit obligation	1,955,735	742,110	(282,936)	2,414,909	-
Compensated absences	<u>652,359</u>	<u>450,421</u>	<u>(444,700)</u>	<u>658,080</u>	<u>458,080</u>
Total Harlingen Waterworks System	<u>21,408,411</u>	<u>1,192,531</u>	<u>(2,640,376)</u>	<u>19,960,566</u>	<u>2,444,360</u>
Total component units	<u>\$63,783,037</u>	<u>\$1,663,583</u>	<u>\$(4,956,914)</u>	<u>\$60,489,706</u>	<u>\$4,256,938</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 \$287,578 for the year ended 2013.

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.

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

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 \$1,342,387 as of September 30, 2013, an increase of \$47,041. 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, 2013 are as follows:

	Payable Fund			Business-type Activities		Total Due to Other Funds
	Community Development Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Municipal Auditorium	
<u>Governmental Funds</u>						
General Fund	\$117,999	\$1,254,026	\$1,372,025	\$ <u>25,000</u>	\$ <u>377,631</u>	\$ <u>1,774,656</u>
<u>Business-type Activities</u>						
Municipal Auditorium	-	<u>224,230</u>	<u>224,230</u>			
Due to other funds	<u>\$117,999</u>	<u>\$1,478,256</u>	<u>\$1,596,255</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, 2013

NOTE L - INTERFUND ASSETS/LIABILITIES - Continued

Receivables and payables between the primary government and component units at September 30, 2013 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>Business-type Activities</u>	
	<u>General Fund</u>	<u>Nonmajor Fund</u>	<u>Sanitation Fund</u>	
Harlingen Waterworks System	<u>\$142,472</u>	<u>\$ 21,830</u>	<u>\$616,836</u>	<u>\$781,188</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>General Fund</u>	<u>Transfer Out</u>				<u>Total Transfer in</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	\$ -	\$ -	\$ -	\$ 52,400	\$926,000	\$ 978,400
Nonmajor governmental funds	1,344,845	901,899	2,246,744	-	-	<u>2,246,744</u>
				<u>\$ 52,400</u>	<u>\$926,000</u>	<u>\$3,225,144</u>
<u>Business-type Activities</u>						
Internal Service Funds	73,500	-	73,500			
Municipal Auditorium	-	158,000	158,000			
Harlingen Arts and Heritage Museum	<u>30,000</u>	<u>70,000</u>	<u>100,000</u>			
	<u>\$1,448,345</u>	<u>\$1,129,899</u>	<u>\$2,578,244</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, 2013

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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepaid items	\$ 14,336	\$ -	\$ 1,465	\$ 15,801
Restricted				
Community Development	-	17,036	-	17,036
Tennis Court	-	-	154,235	154,235
Construction	-	-	7,350,285	7,350,285
Hotel/Motel occupancy tax	-	-	349,870	349,870
Convention Visitors Bureau	-	-	491,997	491,997
Harlingen Downtown	-	-	159,494	159,494
Special Investigation	-	-	503,217	503,217
Lon C. Hill Library	-	-	130,001	130,001
Red light enforcement	-	-	30,207	30,207
Tax Increment Reinvestment Zone	-	-	1,288,025	1,288,025
Street improvements	-	-	6,101	6,101
Capital improvements	-	-	388,932	388,932
Petition paving	-	-	55,996	55,996
Debt Service	-	-	<u>972,813</u>	<u>972,813</u>
Restricted total	-	17,036	11,881,173	11,898,209
Committed				
Catastrophic emergency relief	-	-	856,296	856,296
Communication center	-	-	33,611	33,611
Infrastructure	-	-	342,634	342,634
Free trade bridge	-	-	168,670	168,670
Street improvements	-	-	<u>165,931</u>	<u>165,931</u>
Committed total	-	-	1,567,142	1,567,142
Unassigned	<u>15,769,835</u>	<u>-</u>	<u>(195,429)</u>	<u>15,574,406</u>
	<u>\$15,784,171</u>	<u>\$ 17,036</u>	<u>\$13,254,351</u>	<u>\$29,055,558</u>

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

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	\$139,069,569	\$ 6,361,950	\$ -	\$ -	\$63,294,943	\$64,066,142
Less related liabilities	(47,456,479)	-	-	-	(14,449,031)	(2,204,394)
Restricted cash (unexpended bond proceeds)	<u>6,445,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net investment in capital assets	98,058,748	6,361,950	-	-	48,845,912	61,861,748
Restricted net position consist of the following:						
Petition paving	55,996	-	-	-	-	-
Tennis court	154,235	-	-	-	-	-
Hotel/motel occupancy tax	349,870	-	-	-	-	-
Convention visitors bureau	491,997	-	-	-	-	-
Harlingen downtown	159,494	-	-	-	-	-
Special investigation	503,832	-	-	-	-	-
Lon C. Hill library	130,001	-	-	-	-	-
Red light enforcement	30,207	-	-	-	-	-
Tax increment reinvestment zone	1,288,025	-	-	-	-	-
Capital improvements	395,033	-	-	-	-	-
Debt service	972,813	-	-	-	1,815,615	-
System expansion and replacement (impact and other fees)	-	-	-	-	3,967,758	-
Passenger facility charges, cash, restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,421</u>
Restricted net position – total	4,531,503	-	-	-	5,783,373	202,421
Unrestricted net position	<u>18,598,426</u>	<u>4,730,480</u>	<u>4,465,980</u>	<u>1,760,326</u>	<u>12,150,726</u>	<u>5,341,355</u>
Total net position	<u>\$121,188,677</u>	<u>\$11,092,430</u>	<u>\$4,465,980</u>	<u>\$1,760,326</u>	<u>\$66,780,011</u>	<u>\$67,405,524</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, 2013 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of 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, 2013

NOTE P - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

3. *Commitments*

At September 30, 2013, the City had ongoing commitments related to the following:

<u>Project</u>	<u>Construction</u>				
	<u>Original Amount</u>	<u>Expensed</u>	<u>Balance</u>	<u>Retainage</u>	<u>Commitment</u>
Northwest area drainage	\$ 3,969,571	\$ 3,335,467	\$ 634,104	\$ 16,232	\$ 617,872
Stuart Place road extension	568,208	707,842	(139,634)	-	(139,634)
Dixieland road extension	4,700,000	4,173,412	526,588	-	526,588
Buchanan road project	1,025,000	1,347,083	(322,083)	20,509	(301,574)
25 th Street pedestrian and bicycle trail	2,623,811	716,777	1,907,034	-	1,907,034
3 rd Street drainage ditch	132,520	290,931	(158,411)	15,022	(143,390)
Brazil and Teege roads	2,344,934	705,898	1,639,036	25,933	1,613,103
Rangerville park improvements	151,767	108,157	43,610	-	43,610
Bass Pro Drive West	620,545	28,077	592,468	-	592,468
Comprehensive plan	200,000	27,345	172,655	-	172,655
Re-roof fire station #8	8,670	8,670	-	-	-
	<u>\$16,345,026</u>	<u>\$11,449,659</u>	<u>\$4,895,367</u>	<u>\$ 77,696</u>	<u>\$4,888,733</u>

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

	<u>Total Remaining Commitments</u>	<u>Airport Improvement Project Funds</u>	<u>Passenger Facility Charges</u>	<u>Local Funds</u>
Grant 48 – Global Information Systems	\$ 3,229	\$ 3,068	\$ -	\$ 161
Grant 53 – Expansion of North GA Apron	162,046	145,841	-	16,205
Grant 55 – Replace airfield signs	6,614	5,953	-	661
Grant 55 – Runway 17R/35L Overlay	3,226,252	2,903,627	-	322,625
Grant 55 – New ARFF Vehicle	807,734	726,960	-	80,774
Grant 54 – Wild Life	14,092	12,682	-	1,410
Total remaining commitments	<u>\$4,219,967</u>	<u>\$3,798,131</u>	<u>\$ -</u>	<u>\$421,836</u>

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

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, 2013, 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, 2013, 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, 2013, no single customer provided more than 10% of water revenues or wastewater revenues. For the year ended 2013, the top ten wastewater customers provided approximately \$1,279,074 or 27.8% of wastewater revenues. The top ten water customers generated approximately \$962,517 or 10.9% 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, 2013 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, 2013

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, 2013.

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, 2013

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, 2013, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on 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, 2013

NOTE W - PENSION PLANS - 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 8.50% 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, 2013

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)	\$943,015	\$ 67,226	\$ 127,903
Interest on net pension obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost (APC)	943,015	67,226	127,903
Contributions made	<u>(943,015)</u>	<u>(67,226)</u>	<u>(127,903)</u>
Increase (decrease) in net pension obligation	-	-	-
Net pension obligation/(asset), beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net pension obligation/(asset), end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Three Year Trend Information –City of Harlingen

Fiscal Year <u>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>
2011	\$1,806,609	\$1,806,609	100%	-
2012	1,172,315	1,172,315	100%	-
2013	943,015	943,015	100%	-

Three Year Trend Information –Valley International Airport

Fiscal Year <u>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>
2011	\$125,737	\$125,737	100%	-
2012	83,963	83,963	100%	-
2013	67,226	67,226	100%	-

Three Year Trend Information – Harlingen Waterworks System

Fiscal Year <u>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>
2011	\$346,863	\$346,863	100%	-
2012	198,737	198,737	100%	-
2013	127,903	127,903	100%	-

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

NOTE W - PENSION PLAN - Continued

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, 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	22.8 years; closed period	19.1 years; closed period	18.1 years; closed period
Amortization Period for New Gains/Losses	20 years	19 years	18 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	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, 2013

NOTE W - PENSION PLAN - Continued

The funded status for the City of Harlingen and Valley International Airport as of December 31, 2012, 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)
12/31/10	\$39,879,169	\$49,478,764	80.60%	\$(9,599,595)	\$14,363,463	66.83%
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%

The funded status for the City of Harlingen Waterworks System as of December 31, 2012, 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)
12/31/10	\$18,117,479	\$17,217,392	105.23%	\$ 900,087	\$5,030,408	(17.89)%
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)%

The combined funded status as of December 31, 2012, 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)
12/31/10	\$57,996,648	\$66,696,156	86.96%	\$(8,699,508)	\$19,393,871	44.86%
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)%

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, 2013

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. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

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, 2011 is the most recent information available. The table below summarizes the membership of the fund at December 31, 2011:

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	66
2. Current employees	
a. Vested	27
b. Nonvested	<u>71</u>
3. Total	<u>164</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, 2013

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, 2011
Actuarial cost method	Entry age-normal
Amortization method	level percent of payroll
Remaining amortization period	Infinity
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	\$894,003

D. Contribution Required and Contributions Made

E.

<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>
2008	\$591,952	100%	\$ -
2009	811,471	78.2%	176,866
2010	906,249	70.5%	444,162
2011	894,003	74.9%	668,560
2012	869,695	80.4%	839,374

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

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%

The City and System had its Retiree Health Care Plan actuarial valuation performed for the calendar year ended December 31, 2011 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:

Annual required contribution (ARC)	\$1,552,350
Firefighter Contribution	(699,601)
Interest on NPO	53,485
Amortization adjustment to ARC	<u>(36,539)</u>
Total APC	869,695
Employer contributions	(698,881)
NPO at beginning of year	<u>668,560</u>
NPO at end of year	<u>\$839,374</u>

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 2013 was \$351,081.

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

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, 2008 and 2011, 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, 2013

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, 2011 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)	\$645,863	\$ 771,545
Interest on Retiree Health Care Plan obligation	144,770	88,008
Adjustment to ARC	<u>(101,339)</u>	<u>(117,443)</u>
Annual Retiree Health Care Plan cost (expense) end of year	689,294	742,110
Employer contributions (pay as you go basis)	<u>(73,500)</u>	<u>(282,936)</u>
Increase in net Retiree Health Care Plan obligation	468,794	459,174
Net Retiree Health Care Plan obligation:		
As of beginning of year	<u>2,077,267</u>	<u>1,955,735</u>
As of end of year	<u>\$2,546,061</u>	<u>\$2,414,909</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, 2013, 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>
9/30/2011	\$473,714	15.2%	\$ 789,180
9/30/2012	670,025	15.2%	2,077,267
9/30/2013	689,294	10.7%	2,546,061

<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>
9/30/2011	\$758,351	25.6	\$ 1,440,665
9/30/2012	749,863	31.3	1,955,735
9/30/2013	742,110	38.1	2,414,909

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

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	\$6,978,707	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,978,707</u>	<u>\$7,553,726</u>
Funded ratio	0%	0%
Covered payroll	\$17,847,829	\$4,985,649
Unfunded actuarial accrued liability as a percentage of covered payroll	39.1%	152%

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 \$6,978,707 and \$7,553,726, 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, 2011
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, 2013

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 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes
Contribution rates:			
City	.08%	.08%	.09%
System	.06	.06	.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 2013, 2012 and 2011 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 2013, 2012 and 2011 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, 2013

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 \$ 0 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, 2013 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:

During the year ended September 30, 2013, the City had one instance of expenditures exceeding appropriations. Capital outlay expenditures exceeded budget by \$716,872; however, total expenditure exceeded budget amounts by \$5,015.

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

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	\$(195,429)	Pending reimbursement from other fund

NOTE BB – RESTATEMENT

Change in accounting principle

As a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing the net position as of October 1, 2012 by \$1,033,145 from \$122,457,064 to \$121,423,919 in the governmental activities. The decrease results from no longer deferring and amortizing bond issue costs.

Change in accounting principle – Component Units

The component units restated beginning net position as of October 1, 2012 by \$1,204,996 resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress
September 30, 2013

Funding Progress - An analysis of funding progress for the entities as of September 30, 2013, 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)
12/31/08	\$35,715,969	\$45,471,099	\$(9,755,130)	78.55	\$14,614,870	66.75
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

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)
12/31/08	\$10,167,941	\$11,378,786	\$(1,210,845)	89.36	\$4,281,201	28.28
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)

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)
12/31/08	\$45,883,910	\$56,849,885	\$(10,965,975)	80.71	\$18,896,071	58.03
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)

City of Harlingen, Texas
Pension Plan Schedule of Funding Progress - Continued
September 30, 2013

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

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) - Entry Age	(3) Unfunded AAL (UAAL)	(4) Funded Ratio	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
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%

In 2003, the Pension Plan changed the plan's year end to December 31.

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. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

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:

	<u>City and Airport</u>	<u>Harlingen Waterworks System</u>
Actuarial accrued liability	\$6,978,707	\$7,553,726
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	<u>\$6,978,707</u>	<u>\$7,553,726</u>
Funded ratio	0%	0%
Covered payroll	\$17,847,829	\$4,985,649
Unfunded actuarial accrued liability as a percentage of covered payroll	9.7%	152%
Measurement date	December 31, 2011	December 31, 2011

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 \$6,978,707 and \$7,553,726, 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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes - including penalty and interest	\$ 13,068,705	\$ 13,068,705	\$ 13,624,303	\$ 555,598
Nonproperty taxes	18,879,071	18,879,071	19,091,811	212,740
Fines and forfeitures	1,988,546	1,988,546	1,780,146	(208,400)
Licenses and permits	461,000	461,000	614,735	153,735
Charges for services	2,265,492	2,313,372	2,391,671	78,299
Intergovernmental	172,668	218,715	296,070	77,355
Intergovernmental	-	-	827,353	827,353
Miscellaneous	178,550	178,550	173,637	(4,913)
Interest and investment income	34,500	34,500	31,265	(3,235)
Total revenues	<u>37,048,532</u>	<u>37,142,459</u>	<u>38,830,991</u>	<u>1,688,532</u>
Expenditures				
Current				
General government	5,314,458	5,355,005	5,237,122	117,883
Public safety	20,724,521	20,823,431	20,580,493	242,938
Highways and streets	3,239,689	3,240,126	3,100,048	140,078
Health and welfare	2,882,844	2,989,739	2,785,007	204,732
Culture and recreation	4,022,132	4,030,334	4,024,108	6,226
Capital outlay	295,600	480,160	1,197,032	(716,872)
Total expenditures	<u>36,479,244</u>	<u>36,918,795</u>	<u>36,923,810</u>	<u>(5,015)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	569,288	223,664	1,907,181	1,683,517
Other financing sources (uses)				
Transfers in	762,880	492,880	978,400	485,520
Transfers (out)	(1,339,575)	(1,719,575)	(1,448,345)	271,230
Proceeds from sale of capital assets	30,000	911,000	950,139	39,139
Total other financing sources (uses)	<u>(546,695)</u>	<u>(315,695)</u>	<u>480,194</u>	<u>795,889</u>
NET CHANGE IN FUND BALANCE	<u>\$ 22,593</u>	<u>\$ (92,031)</u>	2,387,375	<u>\$ 2,479,406</u>
Fund balances, beginning of year			<u>13,396,796</u>	
Fund balance, end of year			<u>\$ 15,784,171</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 1,057,429	\$ 1,057,429	\$ 1,496,277	\$ 438,848
Miscellaneous and program revenues	47,630	47,630	57,960	10,330
Interest and investment income	<u>7,483</u>	<u>7,483</u>	<u>6,843</u>	<u>(640)</u>
Total revenues	1,112,542	1,112,542	1,561,080	448,538
Expenditures				
Current				
General government	279,621	453,184	193,217	259,967
Health and welfare	757,921	1,745,946	809,098	936,848
Capital outlay	<u>75,000</u>	<u>844,892</u>	<u>554,542</u>	<u>290,350</u>
Total expenditures	<u>1,112,542</u>	<u>3,044,022</u>	<u>1,556,857</u>	<u>1,487,165</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,931,480)</u>	4,223	<u>\$ 1,935,703</u>
Fund balance, beginning of year			<u>12,813</u>	
Fund balance, end of year			<u>\$ 17,036</u>	

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

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, 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.

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.

Deficit Fund Equity

A deficit balance in unrestricted net position/fund balance occurred in the following funds for the year ended September 30, 2013 by the indicated amounts:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Certificates of Obligation bonds Series 2010 Project Fund	\$(195,429)	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, placecards, 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 **Petition Paving Fund** is used to account for the construction of capital assets. 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

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, 2013

	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	\$ 154,621	\$ 238,942	\$ 544,067	\$ -	\$ 1,082,847	\$ 161,079	\$ 506,676	\$ 33,608	\$ -
Receivables (net of allowance for uncollectibles)									
Accounts	32	112,778	44	2,584	43	839	21	3	-
Due from other governments	-	-	-	42,302	-	-	-	-	79,859
Due from component units	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	850	-	-	-	615	-	-
TOTAL ASSETS	<u>\$ 154,653</u>	<u>\$ 351,720</u>	<u>\$ 544,961</u>	<u>\$ 44,886</u>	<u>\$ 1,082,890</u>	<u>\$ 161,918</u>	<u>\$ 507,312</u>	<u>\$ 33,611</u>	<u>\$ 79,859</u>
LIABILITIES									
Accounts payable	\$ 418	\$ 1,850	\$ 49,581	\$ -	\$ 2,364	\$ 457	\$ 3,480	\$ -	\$ -
Due to other funds	-	-	-	42,552	224,230	-	-	-	76,850
Accrued expenditures	-	-	2,533	2,334	-	1,967	-	-	2,467
TOTAL LIABILITIES	418	1,850	52,114	44,886	226,594	2,424	3,480	-	79,317
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - other	-	-	-	-	-	-	-	-	542
TOTAL INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	542
FUND BALANCE (DEFICIT)									
Nonspendable	-	-	850	-	-	-	615	-	-
Restricted	154,235	349,870	491,997	-	-	159,494	503,217	-	-
Committed	-	-	-	-	856,296	-	-	33,611	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance (deficit)	<u>154,235</u>	<u>349,870</u>	<u>492,847</u>	<u>-</u>	<u>856,296</u>	<u>159,494</u>	<u>503,832</u>	<u>33,611</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 154,653</u>	<u>\$ 351,720</u>	<u>\$ 544,961</u>	<u>\$ 44,886</u>	<u>\$ 1,082,890</u>	<u>\$ 161,918</u>	<u>\$ 507,312</u>	<u>\$ 33,611</u>	<u>\$ 79,859</u>

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				
\$ 3,781	\$ 193,076	\$ 328,507	\$ 130,263	\$ 495,256	\$ 350,046	\$ 631,356	\$ 306,518	\$ -	\$ -	\$ -	\$ 5,160,643
-	-	26	7	19	28	51	26	-	-	215,673	332,174
2,320	15	614	-	-	-	-	-	306,272	444,969	-	876,351
-	-	21,830	-	-	-	-	-	-	-	-	21,830
-	-	-	-	-	-	-	-	-	-	-	1,465
<u>\$ 6,101</u>	<u>\$ 193,091</u>	<u>\$ 350,977</u>	<u>\$ 130,270</u>	<u>\$ 495,275</u>	<u>\$ 350,074</u>	<u>\$ 631,407</u>	<u>\$ 306,544</u>	<u>\$ 306,272</u>	<u>\$ 444,969</u>	<u>\$ 215,673</u>	<u>\$ 6,392,463</u>
\$ -	\$ 24,421	\$ 8,343	\$ 269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,001	\$ 198,184
-	-	-	-	-	-	-	-	306,272	444,969	108,672	1,203,545
-	-	-	-	465,068	-	-	-	-	-	-	474,369
-	24,421	8,343	269	465,068	-	-	-	306,272	444,969	215,673	1,876,098
-	-	-	-	-	-	-	-	-	-	-	542
-	-	-	-	-	-	-	-	-	-	-	542
-	-	-	-	-	-	-	-	-	-	-	1,465
6,101	-	-	130,001	30,207	350,074	631,407	306,544	-	-	-	3,113,147
-	168,670	342,634	-	-	-	-	-	-	-	-	1,401,211
-	-	-	-	-	-	-	-	-	-	-	-
<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>\$ 6,101</u>	<u>\$ 193,091</u>	<u>\$ 350,977</u>	<u>\$ 130,270</u>	<u>\$ 495,275</u>	<u>\$ 350,074</u>	<u>\$ 631,407</u>	<u>\$ 306,544</u>	<u>\$ 306,272</u>	<u>\$ 444,969</u>	<u>\$ 215,673</u>	<u>\$ 6,392,463</u>

City of Harlingen, Texas
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
September 30, 2013

	Capital projects funds					
	Capital	Street	TDRA	Petition	Certificates	Certificates
	Improvement	Improvement	Northwest	Paving	of Obligation	of Obligation
Fund	Fund	Area	Fund	Projects,	Projects,	
		Drainage		Series 1999	Series 2001	
				Fund	Fund	
ASSETS						
Cash and cash equivalents	\$ 388,901	\$ 165,265	\$ -	\$ 578,854	\$ 391,812	\$ 867,063
Investments	-	-	-	-	9	-
Receivables (net of allowance for uncollectibles)						
Taxes	-	28,713	-	-	-	-
Accounts	31	14	-	11,339	-	9
Assessments	-	-	-	145,977	-	-
Due from other governments	-	-	125,441	-	-	-
Due from component unit	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 388,932</u>	<u>\$ 193,992</u>	<u>\$ 125,441</u>	<u>\$ 736,170</u>	<u>\$ 391,821</u>	<u>\$ 867,072</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 53,345	935	\$ -	\$ -
Due to other funds	-	-	72,096	-	-	-
Accrued expenditures	-	-	-	-	-	-
Escrow liabilities	-	-	-	533,262	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>125,441</u>	<u>534,197</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	-	-	-	-	-	-
Unavailable revenue - other	-	28,061	-	145,977	-	-
TOTAL INFLOWS OF RESOURCES	<u>-</u>	<u>28,061</u>	<u>-</u>	<u>145,977</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted	388,932	-	-	55,996	391,821	867,072
Committed	-	165,931	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	<u>388,932</u>	<u>165,931</u>	<u>-</u>	<u>55,996</u>	<u>391,821</u>	<u>867,072</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 388,932</u>	<u>\$ 193,992</u>	<u>\$ 125,441</u>	<u>\$ 736,170</u>	<u>\$ 391,821</u>	<u>\$ 867,072</u>

Continued

Capital projects funds										
Certificates of Obligation Projects, Series 2007	Certificates of Obligation Projects, Series 2010	Certificates of Obligation Projects, Series 2012	Certificates of Obligation Projects, Series 2013	G.O Bond Series 2004	G.O. Bond Series 2005	G.O. Bond Series 2006	G.O. Bond Series 2007	Total	Debt Service	Total Non Major Governmental
Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds
\$ 740,304	\$ -	\$ 11,693	\$ 2,530,708	\$ -	\$ -	\$ 1,198,517	\$ 795,222	\$ 7,668,339	\$ 955,156	\$ 13,784,138
1,033,956	-	-	-	-	-	-	-	1,033,965	-	1,033,965
-	-	-	-	-	-	-	-	28,713	376,194	404,907
56	-	-	-	-	-	55	53	11,557	1,258	344,989
-	-	-	-	-	-	-	-	145,977	-	145,977
-	7,186	-	-	-	-	-	-	132,627	-	1,008,978
-	-	-	-	-	-	-	-	-	-	21,830
-	-	-	-	-	-	-	-	-	-	1,465
<u>\$ 1,774,316</u>	<u>\$ 7,186</u>	<u>\$ 11,693</u>	<u>\$ 2,530,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,572</u>	<u>\$ 795,275</u>	<u>\$ 9,021,178</u>	<u>\$ 1,332,608</u>	<u>\$ 16,746,249</u>
\$ -	\$ -	\$ -	\$ 207,935	\$ -	\$ -	\$ -	\$ 7,237	\$ 269,452	\$ -	\$ 467,636
-	202,615	-	-	-	-	-	-	274,711	-	1,478,256
-	-	-	-	-	-	-	-	-	-	474,369
-	-	-	-	-	-	-	-	533,262	-	533,262
-	202,615	-	207,935	-	-	-	7,237	1,077,425	-	2,953,523
-	-	-	-	-	-	-	-	-	359,795	359,795
4,000	-	-	-	-	-	-	-	178,038	-	178,580
4,000	-	-	-	-	-	-	-	178,038	359,795	538,375
-	-	-	-	-	-	-	-	-	-	1,465
1,770,316	-	11,693	2,322,773	-	-	1,198,572	788,038	7,795,213	972,813	11,881,173
-	-	-	-	-	-	-	-	165,931	-	1,567,142
-	(195,429)	-	-	-	-	-	-	(195,429)	-	(195,429)
<u>1,770,316</u>	<u>(195,429)</u>	<u>11,693</u>	<u>2,322,773</u>	<u>-</u>	<u>-</u>	<u>1,198,572</u>	<u>788,038</u>	<u>7,765,715</u>	<u>972,813</u>	<u>13,254,351</u>
<u>\$ 1,774,316</u>	<u>\$ 7,186</u>	<u>\$ 11,693</u>	<u>\$ 2,530,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,572</u>	<u>\$ 795,275</u>	<u>\$ 9,021,178</u>	<u>\$ 1,332,608</u>	<u>\$ 16,746,249</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, 2013

	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	\$ -	\$ 907,944	\$ -	\$ -	\$ -	\$ 26,944	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Charges for services	10,421	-	-	-	-	-	-	61,091	-
Intergovernmental	-	-	-	263,620	11,423	-	-	-	156,463
Contributions and donations	70,000	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	6,613	246,482	-	-
Interest and investment income	190	194	544	-	1,077	134	481	77	-
Total revenues	80,611	908,138	544	263,620	12,500	33,691	246,963	61,168	156,463
Expenditures									
Current									
General government	-	-	409,262	-	-	186,423	-	-	-
Public safety	-	-	-	-	-	-	235,722	160,825	156,463
Highways and streets	-	-	-	263,620	2,540	-	-	-	-
Culture and recreation	34,210	95,512	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	34,210	95,512	409,262	263,620	2,540	186,423	235,722	160,825	156,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,401	812,626	(408,718)	-	9,960	(152,732)	11,241	(99,657)	-
Other financing sources (uses)									
Transfer in	26,000	-	488,000	-	-	217,975	-	-	-
Transfer (out)	(70,000)	(751,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	(44,000)	(751,000)	488,000	-	-	217,975	-	-	-
NET CHANGE IN FUND BALANCES	2,401	61,626	79,282	-	9,960	65,243	11,241	(99,657)	-
Fund balance, beginning of year	151,834	288,244	413,565	-	846,336	94,251	492,591	133,268	-
Fund balance, end of year	<u>\$ 154,235</u>	<u>\$ 349,870</u>	<u>\$ 492,847</u>	<u>\$ -</u>	<u>\$ 856,296</u>	<u>\$ 159,494</u>	<u>\$ 503,832</u>	<u>\$ 33,611</u>	<u>\$ -</u>

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				
\$ -	\$ -	\$ 272,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,207,018
-	-	-	-	129	-	-	-	-	-	-	129
-	130,492	-	-	-	-	-	-	-	-	-	202,004
-	-	-	-	-	-	-	-	180,623	-	218,673	830,802
-	-	-	-	-	-	-	-	-	-	-	70,000
-	-	-	36,023	-	-	-	-	-	-	-	289,118
-	126	302	128	560	358	636	359	-	-	-	5,166
-	130,618	272,432	36,151	689	358	636	359	-	180,623	218,673	2,604,237
-	-	-	-	-	-	-	-	-	-	633	596,318
-	-	-	-	153,127	-	-	-	-	-	-	706,137
-	63,141	166,147	-	-	-	-	-	-	-	-	495,448
-	-	-	16,298	-	-	-	-	-	-	-	146,020
12,607	-	75,533	-	23,200	-	-	70,000	-	445,586	290,931	917,857
12,607	63,141	241,680	16,298	176,327	-	-	70,000	-	445,586	291,564	2,861,780
(12,607)	67,477	30,752	19,853	(175,638)	358	636	(69,641)	-	(264,963)	(72,891)	(257,543)
380,000	-	-	-	-	70,674	131,208	128,988	-	-	72,891	1,515,736
-	-	-	-	-	-	-	-	-	-	-	(821,000)
380,000	-	-	-	-	70,674	131,208	128,988	-	-	72,891	694,736
367,393	67,477	30,752	19,853	(175,638)	71,032	131,844	59,347	-	(264,963)	-	437,193
(361,292)	101,193	311,882	110,148	205,845	279,042	499,563	247,197	-	264,963	-	4,078,630
\$ 6,101	\$ 168,670	\$ 342,634	\$ 130,001	\$ 30,207	\$ 350,074	\$ 631,407	\$ 306,544	\$ -	\$ -	\$ -	\$ 4,515,823

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, 2013

	Capital Projects Funds					
	Capital	Street	TDRA	Petition	Certificates	Certificates
	Improvement	Improvement	Northwest	Paving	of Obligation	of Obligation
	Fund	Fund	Area	Fund	Projects,	Projects
	Fund	Fund	Drainage	Fund	Series 1999	Series 2001
	Fund	Fund	Drainage	Fund	Fund	Fund
Revenues						
Property taxes	\$ -	\$ 9,778	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Intergovernmental	-	-	334,723	-	-	-
Contributions and donations	-	-	-	-	-	-
Miscellaneous	-	-	-	30	-	-
Interest and investment income	411	157	-	1,582	383	834
Total revenues	411	9,935	334,723	1,612	383	834
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	356,591	1,046	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	333,677	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance costs and fees	-	-	-	-	-	-
Total expenditures	-	356,591	334,723	-	-	-
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	411	(346,656)	-	1,612	383	834
Other financing sources (uses)						
Transfers in	-	425,000	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Bond issuance	-	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-	-
Total other financing sources (uses)	-	425,000	-	-	-	-
NET CHANGE IN FUND BALANCES						
	411	78,344	-	1,612	383	834
Fund balance, beginning of year	388,521	87,587	-	54,384	391,438	866,238
Fund balance, end of year	<u>\$ 388,932</u>	<u>\$ 165,931</u>	<u>\$ -</u>	<u>\$ 55,996</u>	<u>\$ 391,821</u>	<u>\$ 867,072</u>

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 2004 Fund	G.O. Bond Series 2005 Fund	G.O. Bond Series 2006 Fund	G.O. Bond Series 2007 Fund	Total	Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,778	\$ 3,966,197	\$ 3,975,975
-	-	-	-	-	-	-	-	-	-	1,207,018
-	-	-	-	-	-	-	-	-	-	129
-	-	-	-	-	-	-	-	-	-	202,004
-	-	-	-	-	-	-	-	334,723	-	1,165,525
-	-	-	-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	-	30	-	289,148
4,282	-	-	-	-	-	1,210	3,106	11,965	1,887	19,018
4,282	-	-	-	-	-	1,210	3,106	356,496	3,968,084	6,928,817
-	24,794	-	633	-	-	-	-	25,427	-	621,745
-	-	-	-	-	-	-	-	-	-	706,137
-	-	-	-	-	-	-	-	357,637	-	853,085
-	-	-	-	-	-	-	-	-	-	146,020
-	-	2,242,141	733,976	-	-	-	3,181	3,312,975	-	4,230,832
-	-	-	-	-	-	-	-	-	1,970,000	1,970,000
-	-	-	-	-	-	-	-	-	1,714,452	1,714,452
-	-	95,354	109,521	-	-	-	-	204,875	-	204,875
-	24,794	2,337,495	844,130	-	-	-	3,181	3,900,914	3,684,452	10,447,146
4,282	(24,794)	(2,337,495)	(844,130)	-	-	1,210	(75)	(3,544,418)	283,632	(3,518,329)
-	70,000	-	-	129,950	106,056	-	-	731,006	-	2,246,742
(72,891)	-	-	-	-	-	-	(236,008)	(308,899)	-	(1,129,899)
-	-	2,280,000	3,070,000	-	-	-	-	5,350,000	-	5,350,000
-	-	69,188	96,903	-	-	-	-	166,091	-	166,091
(72,891)	70,000	2,349,188	3,166,903	129,950	106,056	-	(236,008)	5,938,198	-	6,632,934
(68,609)	45,206	11,693	2,322,773	129,950	106,056	1,210	(236,083)	2,393,780	283,632	3,114,605
1,838,925	(240,635)	-	-	(129,950)	(106,056)	1,197,362	1,024,121	5,371,935	689,181	10,139,746
<u>\$ 1,770,316</u>	<u>\$ (195,429)</u>	<u>\$ 11,693</u>	<u>\$ 2,322,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,572</u>	<u>\$ 788,038</u>	<u>\$ 7,765,715</u>	<u>\$ 972,813</u>	<u>\$ 13,254,351</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, 2013

	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,134,805	\$ 514,753	\$ 3,649,558
Receivables (net of allowances for uncollectibles)			
Accounts	17,661	8,380	26,041
Due from component unit	50	-	50
Inventories	161,743	-	161,743
Total current assets	3,314,259	523,133	3,837,392
Non current assets			
Investments	1,532,691	-	1,532,691
Capital assets	17,870,570	-	17,870,570
Accumulated depreciation	(12,024,681)	-	(12,024,681)
Capital assets (net of accumulated depreciation)	5,845,889	-	5,845,889
Total non current assets	7,378,580	-	7,378,580
 TOTAL ASSETS	 \$ 10,692,839	 \$ 523,133	 \$ 11,215,972
LIABILITIES			
Current liabilities			
Accounts payable	\$ 11,090	\$ 9,483	\$ 20,573
Due to other funds	-	25,000	25,000
Compensated absences	39,926	-	39,926
Accrued expenses	6,069	-	6,069
Total current liabilities	57,085	34,483	91,568
Long-term liabilities			
Net pension obligation	36,022	-	36,022
Total liabilities	93,107	34,483	127,590
NET POSITION			
Net investment in capital assets	5,845,889	-	5,845,889
Unrestricted	4,753,843	488,650	5,242,493
Total net position	10,599,732	488,650	11,088,382
 TOTAL LIABILITIES AND NET POSITION	 \$ 10,692,839	 \$ 523,133	 \$ 11,215,972

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For the fiscal year ending September 30, 2013

	Motor Vehicle/ Warehouse	Health Insurance Fund	Totals
Operating revenues			
Current use charges	\$ 3,765,904	\$ 3,473,601	\$ 7,239,505
Operating expenses			
Personal services	356,045	-	356,045
Contracted services	66,120	3,339,021	3,405,141
Materials and supplies	2,213,077	-	2,213,077
Other expenses	63,794	-	63,794
Depreciation expense	<u>1,606,668</u>	<u>-</u>	<u>1,606,668</u>
Total operating expenses	<u>4,305,704</u>	<u>3,339,021</u>	<u>7,644,725</u>
Operating income (loss)	(539,800)	134,580	(405,220)
Nonoperating revenues (expenses)			
Interest revenue	8,410	368	8,778
Gain of sale/disposal of capital assets	<u>276</u>	<u>-</u>	<u>276</u>
Total nonoperating revenues	<u>8,686</u>	<u>368</u>	<u>9,054</u>
Income before transfers and capital contributions	(531,114)	134,948	(396,166)
Transfers and capital contributions			
Transfers in	-	73,500	73,500
Capital contributions	<u>172,532</u>	<u>-</u>	<u>172,532</u>
Total transfers and capital contributions	<u>172,532</u>	<u>73,500</u>	<u>246,032</u>
NET INCOME (LOSS)	(358,582)	208,448	(150,134)
Total net position, beginning of year	<u>10,958,314</u>	<u>280,202</u>	<u>11,238,516</u>
Total net position, end of year	<u>\$ 10,599,732</u>	<u>\$ 488,650</u>	<u>\$ 11,088,382</u>

City of Harlingen, Texas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the fiscal year ending September 30, 2013

	<u>Motor Vehicle/ Warehouse</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Cash flows from operating activities			
Received from customers	\$ 3,769,376	\$ 3,476,227	\$ 7,245,603
Payments to suppliers	(2,340,033)	(3,343,874)	(5,683,907)
Payments to employees	<u>(341,795)</u>	<u>-</u>	<u>(341,795)</u>
Net cash provided by operations	1,087,548	132,353	1,219,901
Cash flows from noncapital financing activities			
Transfers from other funds	-	73,500	73,500
Cash flows from capital and related financing activities			
Purchases of capital assets	(944,373)	-	(944,373)
Proceeds from sale of capital assets	<u>276</u>	<u>-</u>	<u>276</u>
Net cash provided (used) by capital and related financing activities	(944,097)	-	(944,097)
Cash flows from investing activities			
Purchase of investments	(5,221)	-	(5,221)
Interest received	<u>8,410</u>	<u>368</u>	<u>8,778</u>
Net cash provided (used) by investing activities	<u>3,189</u>	<u>368</u>	<u>3,557</u>
Net increase (decrease) in cash and cash equivalents	146,640	206,221	352,861
Cash and cash equivalents, beginning of year	<u>2,988,165</u>	<u>308,532</u>	<u>3,296,697</u>
Cash and cash equivalents, end of year	<u>\$ 3,134,805</u>	<u>\$ 514,753</u>	<u>\$ 3,649,558</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (539,800)	\$ 134,580	\$ (405,220)
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation	1,606,668	-	1,606,668
(Increase) decrease in receivables	3,472	2,626	6,098
(Increase) decrease in inventories	196	-	196
(Increase) decrease in prepaid expenses	376	-	376
Increase (decrease) in accounts payable	2,436	(4,853)	(2,417)
Increase (decrease) in net other post employment benefits	12,081	-	12,081
Increase (decrease) in accrued expenses	<u>2,169</u>	<u>-</u>	<u>2,169</u>
Total adjustments	<u>1,627,348</u>	<u>(2,227)</u>	<u>1,625,121</u>
Net cash provided (used) by operations	<u>\$ 1,087,548</u>	<u>\$ 132,353</u>	<u>\$ 1,219,901</u>
<i>Supplemental disclosure of noncash activities:</i>			
<i>Contributed capital from other funds</i>	\$ 172,532	\$ -	\$ 172,532

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

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 7,229,289	\$ 3,222,863
Investments	6,213,862	6,193,695
Receivables (net of allowances)		
Taxes, including penalty, interest and fees	1,080,528	1,134,101
Accounts	1,127,807	1,090,612
Due from other governments	1,249,527	1,274,870
Due from other funds	1,774,657	3,732,829
Due from component units	142,472	176,859
Loans receivable	17,272	17,272
Prepaid items	14,336	15,636
 TOTAL ASSETS	 \$ 18,849,750	 \$ 16,858,737
LIABILITIES		
Accounts payable	565,685	\$ 887,007
Accrued expenditures	403,360	284,603
Other liabilities	407,948	568,921
Unearned revenue	535,117	551,683
 TOTAL LIABILITIES	 1,912,110	 2,292,214
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,030,389	1,068,014
Unavailable revenue - payments in lieu of taxes	69,080	47,838
Unavailable revenue - other	54,000	53,875
 TOTAL DEFERRED INFLOWS OF RESOURCES	 1,153,469	 1,169,727
FUND BALANCES		
Nonspendable	14,336	15,636
Unassigned	15,769,835	13,381,160
 Total fund balances	 15,784,171	 13,396,796
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 18,849,750	 \$ 16,858,737

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

	<u>2013</u>	<u>2012</u>
Revenues		
Property taxes - including penalty and interest	\$ 13,624,303	\$ 12,690,327
Non property taxes	19,091,811	18,601,014
Fines and forfeitures	1,780,146	1,807,782
Licenses and permits	614,735	552,753
Charges for services	2,391,671	2,649,888
Intergovernmental	296,070	254,552
Contributions and donations	827,353	821,777
Miscellaneous	173,637	124,411
Interest and investment income	<u>31,265</u>	<u>39,415</u>
Total revenues	38,830,991	37,541,919
Expenditures		
Current		
General government	5,237,122	5,197,942
Public safety	20,580,493	19,480,124
Highways and streets	3,100,048	3,108,274
Health and welfare	2,785,007	2,613,051
Culture and recreation	4,024,108	4,022,069
Capital outlay	<u>1,197,032</u>	<u>1,210,517</u>
Total expenditures	<u>36,923,810</u>	<u>35,631,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,907,181	1,909,942
Other financing sources (uses)		
Transfers in	978,400	1,051,814
Transfers (out)	(1,448,345)	(533,481)
Sale of general fixed assets	<u>950,139</u>	<u>108,867</u>
Total other financing sources (uses)	<u>480,194</u>	<u>627,200</u>
NET CHANGE IN FUND BALANCE	2,387,375	2,537,142
Fund balance, beginning of year	<u>13,396,796</u>	<u>10,859,654</u>
Fund balance, end of year	<u>\$ 15,784,171</u>	<u>\$ 13,396,796</u>

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 25,795	\$ 28,810
Receivables (net of allowances for uncollectibles)		
Accounts	125,842	80,655
Assessments	12,815	12,815
Loans receivable	1,150,327	1,111,559
TOTAL ASSETS	\$ 1,314,779	\$ 1,233,839
LIABILITIES		
Accounts payable	\$ 6,166	\$ 87,117
Due to other funds	117,999	-
Accrued expenditures	2,971	1,096
Other liabilities	7,466	8,440
Total liabilities	134,602	96,653
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - noncurrent receivables	950,045	911,277
Unavailable revenue - special assessments	12,815	12,815
Unavailable revenue - other	200,281	200,281
TOTAL INFLOWS OF RESOURCES	1,163,141	1,124,373
FUND BALANCE		
Restricted	17,036	12,813
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,314,779	\$ 1,233,839

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,

	2013	2012
Revenues		
Intergovernmental	\$ 1,496,277	\$ 1,477,172
Miscellaneous and program revenues	57,960	49,143
Interest and investment income	6,843	7,440
Total revenues	1,561,080	1,533,755
Expenditures		
Current		
General government	193,217	170,300
Highways and streets	-	655
Health and welfare	809,098	722,307
Capital outlay	554,542	627,680
Total expenditures	1,556,857	1,520,942
NET CHANGE IN FUND BALANCE	4,223	12,813
Fund balance, beginning of year	12,813	-
Fund balance, end of year	\$ 17,036	\$ 12,813

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 154,621	\$ 152,142
Receivables (net of allowances)		
Accounts	<u>32</u>	<u>34</u>
 TOTAL ASSETS	 <u>\$ 154,653</u>	 <u>\$ 152,176</u>
 LIABILITIES		
Accounts payable	\$ 418	\$ 342
 FUND BALANCE		
Restricted	<u>154,235</u>	<u>151,834</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 154,653</u>	 <u>\$ 152,176</u>

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>2013</u>	<u>2012</u>
Revenues		
Charges for services	\$ 10,421	\$ 12,540
Contributions and donations	70,000	70,000
Interest and investment income	<u>190</u>	<u>246</u>
Total revenues	80,611	82,786
 Expenditures		
Current		
Culture and recreation	<u>34,210</u>	<u>37,439</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 46,401	 45,347
 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	 2,401	 1,347
 Fund balance, beginning of year	 <u>151,834</u>	 <u>150,487</u>
 Fund balance, end of year	 <u>\$ 154,235</u>	 <u>\$ 151,834</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 15,000	\$ 15,000	\$ 10,421	\$ (4,579)
Contributions	70,000	70,000	70,000	-
Interest income	<u>-</u>	<u>-</u>	<u>190</u>	<u>190</u>
Total revenues	85,000	85,000	80,611	(4,389)
Expenditures				
Current				
Culture and recreation	<u>38,790</u>	<u>38,790</u>	<u>34,210</u>	<u>4,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,210	46,210	46,401	191
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>\$ 2,210</u>	<u>\$ 2,210</u>	2,401	<u>\$ 191</u>
Fund balance, beginning of year			<u>151,834</u>	
Fund balance, end of year			<u>\$ 154,235</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 238,942	\$ 217,746
Receivables (net of allowances for uncollectibles)		
Accounts	<u>112,778</u>	<u>73,779</u>
TOTAL ASSETS	<u>\$ 351,720</u>	<u>\$ 291,525</u>
LIABILITIES		
Accounts payable	\$ 1,850	\$ 3,281
FUND BALANCE		
Restricted	<u>349,870</u>	<u>288,244</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 351,720</u>	<u>\$ 291,525</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>2013</u>	<u>2012</u>
Revenues		
Nonproperty taxes	\$ 907,944	\$ 882,322
Interest and investment income	<u>194</u>	<u>432</u>
Total revenues	908,138	882,754
 Expenditures		
Current		
Culture and recreation	<u>95,512</u>	<u>170,634</u>
 EXCESS OF REVENUES OVER EXPENDITURES	812,626	712,120
 Other financing sources (uses)		
Transfers (out)	<u>(751,000)</u>	<u>(883,500)</u>
 NET CHANGE IN FUND BALANCE	61,626	(171,380)
 Fund balance, beginning of year	<u>288,244</u>	<u>459,624</u>
 Fund balance, end of year	<u>\$ 349,870</u>	<u>\$ 288,244</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Nonproperty taxes	\$ 815,000	\$ 815,000	\$ 907,944	\$ 92,944
Interest and investment income	<u>900</u>	<u>900</u>	<u>194</u>	<u>(706)</u>
Total revenues	815,900	815,900	908,138	92,238
Expenditures				
Current				
Culture and recreation	<u>135,000</u>	<u>135,000</u>	<u>95,512</u>	<u>39,488</u>
EXCESS OF REVENUES OVER EXPENDITURES	680,900	680,900	812,626	131,726
Other financing sources (uses)				
Transfers (out)	<u>(751,000)</u>	<u>(751,000)</u>	<u>(751,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (70,100)</u>	<u>\$ (70,100)</u>	61,626	<u>\$ 131,726</u>
Fund balance, beginning of year			<u>288,244</u>	
Fund balance, end of year			<u>\$ 349,870</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 544,067	\$ 421,660
Receivables (net of allowances for uncollectibles)		
Accounts	44	375
Prepaid items	<u>850</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 544,961</u>	<u>\$ 422,035</u>
LIABILITIES		
Accounts payable	\$ 49,581	\$ 7,664
Accrued expenditures	<u>2,533</u>	<u>806</u>
TOTAL LIABILITIES	52,114	8,470
FUND BALANCE		
Nonspendable	850	-
Restricted	<u>491,997</u>	<u>413,565</u>
TOTAL FUND BALANCES	492,847	413,565
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 544,961</u>	<u>\$ 422,035</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>2013</u>	<u>2012</u>
Revenues		
Interest and investment income	\$ 544	\$ 510
Total revenues	544	510
Expenditures		
Current		
General government	<u>409,262</u>	<u>476,181</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(408,718)	(475,671)
Other financing sources (uses)		
Transfers in	<u>488,000</u>	<u>488,000</u>
NET CHANGE IN FUND BALANCE	79,282	12,329
Fund balance, beginning of year	<u>413,565</u>	<u>401,236</u>
Fund balance, end of year	<u>\$ 492,847</u>	<u>\$ 413,565</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and investment income	\$ 300	\$ 300	\$ 544	\$ 244
Expenditures				
Current				
General government	<u>488,300</u>	<u>490,950</u>	<u>409,262</u>	<u>81,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(488,000)	(490,650)	(408,718)	81,932
Other financing sources (uses)				
Transfers in (out)	<u>488,000</u>	<u>488,000</u>	<u>488,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (2,650)</u>	79,282	<u>\$ 81,932</u>
Fund balance, beginning of year			<u>413,565</u>	
Fund balance, end of year			<u>\$ 492,847</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Due from other governments	\$ 42,302	\$ 232,937
Prepaid items	<u>2,584</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 44,886</u>	 <u>\$ 232,937</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 3,048
Due to other funds	42,552	228,334
Accrued expenditures	<u>2,334</u>	<u>1,555</u>
 TOTAL LIABILITIES	 44,886	 232,937
 FUND BALANCE (DEFICIT)		
Unassigned	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 44,886</u>	 <u>\$ 232,937</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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ 263,620	\$ 365,731
Expenditures		
Current		
Highways and streets	<u>263,620</u>	<u>365,731</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 -	 -
Other financing sources (uses)		
Transfers in	<u>-</u>	<u>5,977</u>
 NET CHANGE IN FUND BALANCE	 -	 5,977
Fund balance (deficit), beginning of year	<u>-</u>	<u>(5,977)</u>
 Fund balance (deficit), end of year	 <u><u>\$ -</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 295,188	\$ 346,744	\$ 263,620	\$ (83,124)
Expenditures				
Current				
Highways and streets	<u>295,188</u>	<u>346,744</u>	<u>263,620</u>	<u>83,124</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>-</u>	
Fund balance (deficit), end of year			<u>\$ -</u>	

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,082,847	\$ 1,070,516
Receivables (net of allowances for uncollectibles)		
Accounts	43	50
TOTAL ASSETS	\$ 1,082,890	\$ 1,070,566
LIABILITIES		
Accounts payable	\$ 2,364	\$ -
Due to other funds	224,230	224,230
TOTAL LIABILITIES	226,594	224,230
FUND BALANCE		
Committed	856,296	846,336
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,082,890	\$ 1,070,566

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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ 11,423	\$ 41,180
Interest and investment income	<u>1,077</u>	<u>1,409</u>
Total revenues	12,500	42,589
Expenditures		
Current		
Highways and streets	2,540	-
NET CHANGE IN FUND BALANCE	9,960	42,589
Fund balance, beginning of year	<u>846,336</u>	<u>803,747</u>
Fund balance, end of year	<u>\$ 856,296</u>	<u>\$ 846,336</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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 11,423	\$ 11,423
Interest and investment income	<u>575</u>	<u>575</u>	<u>1,077</u>	<u>502</u>
Total revenues	575	575	12,500	11,925
Expenditures				
Current				
Highways and streets	<u>25,000</u>	<u>25,000</u>	<u>2,540</u>	<u>22,460</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>2,540</u>	<u>22,460</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,425)</u>	<u>\$ (24,425)</u>	9,960	<u>\$ 34,385</u>
Fund balance, beginning of year			<u>846,336</u>	
Fund balance, end of year			<u>\$ 856,296</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 161,079	\$ 100,249
Receivables (net of allowances for uncollectibles)		
Accounts	<u>839</u>	<u>612</u>
TOTAL ASSETS	<u>\$ 161,918</u>	<u>\$ 100,861</u>
LIABILITIES		
Accounts payable	\$ 457	\$ 5,076
Accrued expenditures	<u>1,967</u>	<u>1,534</u>
TOTAL LIABILITIES	2,424	6,610
FUND BALANCE		
Restricted	<u>159,494</u>	<u>94,251</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 161,918</u>	<u>\$ 100,861</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>2013</u>	<u>2012</u>
Revenues		
Non property taxes	\$ 26,944	\$ 23,143
Miscellaneous and program revenues	6,613	2,929
Interest and investment income	<u>134</u>	<u>96</u>
Total revenues	33,691	26,168
 Expenditures		
Current		
General government	<u>186,423</u>	<u>244,655</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (152,732)	 (218,487)
 Other financing sources (uses)		
Transfers in	217,975	212,505
Proceeds from sale of capital assets	<u>-</u>	<u>232</u>
Total other financing sources (uses)	<u>217,975</u>	<u>212,737</u>
 NET CHANGE IN FUND BALANCE	 65,243	 (5,750)
 Fund balance, beginning of year	 <u>94,251</u>	 <u>100,001</u>
 Fund balance, end of year	 <u>\$ 159,494</u>	 <u>\$ 94,251</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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Improvement assessments	\$ 23,000	\$ 23,000	\$ 26,944	\$ 3,944
Miscellaneous and program revenues	-	-	6,613	6,613
Interest and investment income	-	-	134	134
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>33,691</u>	<u>10,691</u>
Expenditures				
Current				
General government	240,975	243,225	<u>186,423</u>	<u>56,802</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(217,975)	(220,225)	(152,732)	67,493
Other financing sources (uses)				
Transfers in	<u>217,975</u>	<u>217,975</u>	<u>217,975</u>	<u>-</u>
Total other financing sources (uses)	<u>217,975</u>	<u>217,975</u>	<u>217,975</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (2,250)</u>	65,243	<u>\$ 67,493</u>
Fund balance, beginning of year			<u>94,251</u>	
Fund balance, end of year			<u>\$ 159,494</u>	

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 506,676	\$ 497,099
Accounts receivable	21	188
Prepaid items	615	-
 TOTAL ASSETS	 \$ 507,312	 \$ 497,287
 LIABILITIES		
Accounts payable	\$ 3,480	\$ 4,696
 FUND BALANCE		
Nonspendable	615	-
Restricted	503,217	492,591
Total fund balance	503,832	492,591
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 507,312	 \$ 497,287

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,

	2013	2012
Revenues		
Miscellaneous and program revenues	\$ 246,482	\$ 146,823
Interest and investment income	481	1,031
Total revenues	246,963	147,854
Expenditures		
Current		
Public safety	235,722	596,130
Capital outlay	-	250,078
Total expenditures	235,722	846,208
NET CHANGE IN FUND BALANCE	11,241	(698,354)
Fund balance, beginning of year	492,591	1,190,945
Fund balance, end of year	\$ 503,832	\$ 492,591

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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Miscellaneous and program revenues	\$ 200,000	\$ 200,000	\$ 246,482	\$ 46,482
Interest and investment income	<u>1,500</u>	<u>1,500</u>	<u>481</u>	<u>(1,019)</u>
Total revenues	201,500	201,500	246,963	45,463
Expenditures				
Current				
Public safety	408,400	434,452	235,722	198,730
Capital outlay	<u>-</u>	<u>10,818</u>	<u>-</u>	<u>10,818</u>
Total expenditures	<u>408,400</u>	<u>445,270</u>	<u>235,722</u>	<u>209,548</u>
NET CHANGE IN FUND BALANCE	<u>\$ (206,900)</u>	<u>\$ (243,770)</u>	11,241	<u>\$ 255,011</u>
Fund balance, beginning of year			<u>492,591</u>	
Fund balance, end of year			<u>\$ 503,832</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 33,608	\$ 133,255
Receivables (net of allowances for uncollectibles)		
Accounts	<u>3</u>	<u>13</u>
 TOTAL ASSETS	 <u>\$ 33,611</u>	 <u>\$ 133,268</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Committed	<u>33,611</u>	<u>133,268</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 33,611</u>	 <u>\$ 133,268</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>2013</u>	<u>2012</u>
Revenues		
Charges for services	\$ 61,091	\$ 144,733
Interest and investment income	<u>77</u>	<u>206</u>
Total revenues	61,168	144,939
 Expenditures		
Public safety	<u>160,825</u>	<u>149,945</u>
 NET CHANGE IN FUND BALANCE	 (99,657)	 (5,006)
 Fund balance, beginning of year	 <u>133,268</u>	 <u>138,274</u>
 Fund balance, end of year	 <u>\$ 33,611</u>	 <u>\$ 133,268</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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 52,604	\$ 52,604	\$ 61,091	\$ 8,487
Interest and investment income	-	-	77	77
Total revenues	52,604	52,604	61,168	8,564
Expenditures				
Current				
Public safety	107,800	107,800	160,825	(53,025)
NET CHANGE IN FUND BALANCE	\$ (55,196)	\$ (55,196)	(99,657)	\$ (44,461)
Fund balance, beginning of year			133,268	
Fund balance, end of year			\$ 33,611	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Due from other governments	\$ <u>79,859</u>	\$ <u>82,616</u>
TOTAL ASSETS	<u>\$ 79,859</u>	<u>\$ 82,616</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued expenditures	\$ 2,467	\$ 3,595
Due to other funds	<u>76,850</u>	<u>79,021</u>
Total liabilities	79,317	82,616
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	<u>542</u>	<u>-</u>
TOTAL INFLOWS OF RESOURCES	542	-
 FUND BALANCE		
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 79,859</u>	<u>\$ 82,616</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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ 156,463	\$ 269,249
Expenditures		
Current		
Public safety	<u>156,463</u>	<u>269,249</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$ 249,901	\$ 249,901	\$ 156,463	\$ (93,438)
Expenditures				
Current				
Public safety	<u>249,901</u>	<u>249,901</u>	<u>156,463</u>	<u>93,438</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>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 3,781	\$ -
Due from other governments	<u>2,320</u>	<u>58,012</u>
 TOTAL ASSETS	 <u>\$ 6,101</u>	 <u>\$ 58,012</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 6,000
Due to other funds	<u>-</u>	<u>413,304</u>
 TOTAL LIABILITIES	 -	 419,304
 FUND BALANCE		
Unassigned	<u>6,101</u>	<u>(361,292)</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 6,101</u>	 <u>\$ 58,012</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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ -	\$ 788,459
Expenditures		
Current		
Capital outlay	<u>12,607</u>	<u>1,051,279</u>
Total expenditures	<u>12,607</u>	<u>1,051,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,607)	(262,820)
Other financing sources (uses)		
Transfers in	<u>380,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	367,393	(262,820)
Fund balance, beginning of year	<u>(361,292)</u>	<u>(98,472)</u>
Fund balance, end of year	<u>\$ 6,101</u>	<u>\$ (361,292)</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 193,076	\$ 7,020
Receivable (net of allowances for uncollectibles)		
Due from other governments	<u>15</u>	<u>98,621</u>
 TOTAL ASSETS	 <u>\$ 193,091</u>	 <u>\$ 105,641</u>
 LIABILITIES		
Accounts payable	\$ 24,421	\$ 4,448
 FUND BALANCE		
Committed	<u>168,670</u>	<u>101,193</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 193,091</u>	 <u>\$ 105,641</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>2013</u>	<u>2012</u>
Revenues		
Charges for services	\$ 130,492	\$ 193,488
Interest and investment income	<u>126</u>	<u>281</u>
Total revenues	130,618	193,769
Expenditures		
Current		
Highways and streets	<u>63,141</u>	<u>192,696</u>
Total expenditures	<u>63,141</u>	<u>192,696</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	67,477	1,073
Other financing sources (uses)		
Transfers (out)	<u>-</u>	<u>(187,743)</u>
NET CHANGE IN FUND BALANCE	67,477	(186,670)
Fund balance, beginning of year	<u>101,193</u>	<u>287,863</u>
Fund balance, end of year	<u>\$ 168,670</u>	<u>\$ 101,193</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services	\$ 135,000	\$ 135,000	\$ 130,492	\$ (4,508)
Interest and investment income	<u>775</u>	<u>775</u>	<u>126</u>	<u>(649)</u>
Total revenues	135,775	135,775	130,618	(5,157)
Expenditures				
Current				
Highways and streets	100,000	100,000	<u>63,141</u>	<u>36,859</u>
NET CHANGE IN FUND BALANCE	<u>\$ 35,775</u>	<u>\$ 35,775</u>	67,477	<u>\$ 31,702</u>
Fund balance, beginning of year			<u>101,193</u>	
Fund balance, end of year			<u>\$ 168,670</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 328,507	\$ 292,831
Receivables (net of allowances for uncollectibles)		
Accounts	26	29
Due from other governments	614	505
Due from component unit	<u>21,830</u>	<u>18,544</u>
 TOTAL ASSETS	 <u>\$ 350,977</u>	 <u>\$ 311,909</u>
 LIABILITIES		
Accounts payable	\$ 8,343	\$ 27
 FUND BALANCE		
Committed	<u>342,634</u>	<u>311,882</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 350,977</u>	 <u>\$ 311,909</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>2013</u>	<u>2012</u>
Revenues		
Non property taxes	\$ 272,130	\$ 268,564
Interest and investment income	<u>302</u>	<u>336</u>
Total revenues	272,432	268,900
Expenditures		
Highways and streets	166,147	152,920
Capital outlay	<u>75,533</u>	<u>96,000</u>
Total expenditures	<u>241,680</u>	<u>248,920</u>
NET CHANGE IN FUND BALANCE	30,752	19,980
Fund balance, beginning of year	<u>311,882</u>	<u>291,902</u>
Fund balance, end of year	<u>\$ 342,634</u>	<u>\$ 311,882</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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Infrastructure - assessments	\$ 260,000	\$ 260,000	\$ 272,130	\$ 12,130
Interest and investment income	<u>100</u>	<u>100</u>	<u>302</u>	<u>202</u>
Total revenues	260,100	260,100	272,432	12,332
Expenditures				
Current				
Highways and streets	213,750	213,750	166,147	47,603
Capital outlay	<u>44,000</u>	<u>53,000</u>	<u>75,533</u>	<u>(22,533)</u>
Total expenditures	<u>257,750</u>	<u>266,750</u>	<u>241,680</u>	<u>25,070</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,350</u>	<u>\$ (6,650)</u>	30,752	<u>\$ 37,402</u>
Fund balance, beginning of year			<u>311,882</u>	
Fund balance, end of year			<u>\$ 342,634</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 130,263	\$ 110,201
Receivables (net of allowances)		
Accounts	<u> 7</u>	<u> 7</u>
TOTAL ASSETS	<u>\$ 130,270</u>	<u>\$ 110,208</u>
 LIABILITIES		
Accounts payable	\$ 269	\$ 60
 FUND BALANCE		
Restricted	<u>130,001</u>	<u>110,148</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 130,270</u>	<u>\$ 110,208</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>2013</u>	<u>2012</u>
Revenues		
Miscellaneous and program revenues	\$ 36,023	\$ 15,867
Interest and investment income	<u>128</u>	<u>152</u>
Total revenues	36,151	16,019
Expenditures		
Culture and recreation	<u>16,298</u>	<u>14,317</u>
NET CHANGE IN FUND BALANCE	19,853	1,702
Fund balance, beginning of year	<u>110,148</u>	<u>108,446</u>
Fund balance, end of year	<u>\$ 130,001</u>	<u>\$ 110,148</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 495,256	\$ 670,745
Receivables (net of allowances for uncollectibles)		
Accounts	<u>19</u>	<u>39</u>
 TOTAL ASSETS	 <u>\$ 495,275</u>	 <u>\$ 670,784</u>
 LIABILITIES		
Accrued expenditures	<u>\$ 465,068</u>	<u>\$ 464,939</u>
TOTAL LIABILITIES	465,068	464,939
 FUND BALANCE		
Restricted	<u>30,207</u>	<u>205,845</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 495,275</u>	 <u>\$ 670,784</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>2013</u>	<u>2012</u>
Revenues		
Fines and forfeitures	\$ 129	\$ 658
Interest and investment income	<u>560</u>	<u>822</u>
Total revenues	689	1,480
Expenditures		
Current		
Public safety	153,127	-
Capital outlay	<u>23,200</u>	<u>-</u>
Total expenditures	<u>176,327</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(175,638)	1,480
Fund balance, beginning of year	<u>205,845</u>	<u>204,365</u>
Fund balance, end of year	<u>\$ 30,207</u>	<u>\$ 205,845</u>

City of Harlingen, Texas
RED LIGHT ENFORCEMENT FUND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal year ending September 30, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 129	\$ 129
Interest and investment income	-	-	560	560
Total revenues	-	-	689	689
Expenditures				
Current				
Public safety	-	181,365	153,127	28,238
Capital outlay	204,565	23,200	23,200	-
Total expenditures	204,565	204,565	176,327	28,238
NET CHANGE IN FUND BALANCE	<u>\$ (204,565)</u>	<u>\$ (204,565)</u>	<u>\$ (175,638)</u>	<u>\$ 28,927</u>
Fund balance, beginning of year			<u>205,845</u>	
Fund balance, end of year			<u>\$ 30,207</u>	

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 350,046	\$ 279,016
Accounts receivable	<u>28</u>	<u>26</u>
 TOTAL ASSETS	 <u>\$ 350,074</u>	 <u>\$ 279,042</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>350,074</u>	<u>279,042</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 350,074</u>	 <u>\$ 279,042</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>2013</u>	<u>2012</u>
Revenues		
Interest income	\$ 358	\$ 330
Expenditures		
Current		
General government	<u>-</u>	<u>806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	358	(476)
Other financing sources (uses)		
Transfers in	<u>70,674</u>	<u>73,181</u>
NET CHANGE IN FUND BALANCE	71,032	72,705
Fund balance, beginning of year	<u>279,042</u>	<u>206,337</u>
Fund balance, end of year	<u>\$ 350,074</u>	<u>\$ 279,042</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 631,356	\$ 499,516
Accounts receivable	<u>51</u>	<u>47</u>
 TOTAL ASSETS	 <u>\$ 631,407</u>	 <u>\$ 499,563</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>631,407</u>	<u>499,563</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 631,407</u>	 <u>\$ 499,563</u>

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>2013</u>	<u>2012</u>
Revenues		
Interest income	\$ 636	\$ 602
Expenditures		
Current		
General government	<u>-</u>	<u>806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	636	(204)
Other financing sources (uses)		
Transfers in	<u>131,208</u>	<u>103,002</u>
NET CHANGE IN FUND BALANCE	131,844	102,798
Fund balance, beginning of year	<u>499,563</u>	<u>396,765</u>
Fund balance, end of year	<u>\$ 631,407</u>	<u>\$ 499,563</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 306,518	\$ 247,173
Accounts receivable	<u>26</u>	<u>24</u>
 TOTAL ASSETS	 <u>\$ 306,544</u>	 <u>\$ 247,197</u>
 LIABILITIES		
Accounts payable	\$ -	\$ -
 FUND BALANCE		
Restricted	<u>306,544</u>	<u>247,197</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 306,544</u>	 <u>\$ 247,197</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>2013</u>	<u>2012</u>
Revenues		
Interest and investment income	\$ 359	\$ 355
Expenditures		
Current		
General government	-	6,800
Capital outlay	<u>70,000</u>	<u>100,000</u>
Total expenditures	<u>70,000</u>	<u>106,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,641)	(106,445)
Other financing sources (uses)		
Transfers in	<u>128,988</u>	<u>116,703</u>
NET CHANGE IN FUND BALANCE	59,347	10,258
Fund balance, beginning of year	<u>247,197</u>	<u>236,939</u>
Fund balance, end of year	<u>\$ 306,544</u>	<u>\$ 247,197</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Due from other governments	<u>\$ 306,272</u>	<u>\$ 385,249</u>
TOTAL ASSETS	<u><u>\$ 306,272</u></u>	<u><u>\$ 385,249</u></u>
LIABILITIES		
Accounts payable	\$ -	\$ 26
Due to other funds	<u>306,272</u>	<u>385,223</u>
TOTAL LIABILITIES	<u><u>\$ 306,272</u></u>	<u><u>\$ 385,249</u></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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ -	\$ 55,957
Expenditures		
Current		
Health and welfare	<u>-</u>	<u>55,957</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>2013</u>	<u>2012</u>
ASSETS		
Receivables (net of allowances for uncollectibles)		
Due from other governments	\$ 444,969	\$ 366,565
TOTAL ASSETS	<u>\$ 444,969</u>	<u>\$ 366,565</u>
LIABILITIES		
Accounts payable	\$ -	\$ 617
Due to other funds	<u>444,969</u>	<u>100,985</u>
TOTAL LIABILITIES	444,969	101,602
FUND BALANCE		
Unassigned	<u>-</u>	<u>264,963</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 444,969</u>	<u>\$ 366,565</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>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ 180,623	\$ 405,772
Expenditures		
Current		
Capital outlay	<u>445,586</u>	<u>264,346</u>
Total expenditures	<u>445,586</u>	<u>264,346</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(264,963)	141,426
Other financing sources (uses)		
Transfers in	<u>-</u>	<u>123,537</u>
NET CHANGE IN FUND BALANCE	(264,963)	264,963
Fund balance, beginning of year	<u>264,963</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 264,963</u></u>

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

	2013	2012
ASSETS		
Receivables (net of allowances for uncollectibles)		
Accounts	\$ 215,673	\$ -
TOTAL ASSETS	\$ 215,673	\$ -
LIABILITIES		
Accounts payable	\$ 107,001	\$ -
Due to other funds	108,672	-
TOTAL LIABILITIES	215,673	-
FUND BALANCE		
Unassigned	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 215,673	\$ -

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,

	2013	2012
Revenues		
Intergovernmental	\$ 218,673	\$ -
Expenditures		
Current		
General government	633	-
Capital outlay	290,931	-
Total expenditures	291,564	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(72,891)	-
Other financing sources (uses)		
Transfers in	72,891	-
NET CHANGE IN FUND BALANCE	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	\$ -

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 955,156	\$ 666,086
Taxes receivable (net of allowances)	376,194	409,343
Account receivable	<u>1,258</u>	<u>1,104</u>
 TOTAL ASSETS	 <u>\$ 1,332,608</u>	 <u>\$ 1,076,533</u>
 LIABILITIES	 \$ -	 \$ -
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	359,795	387,352
 FUND BALANCE		
Restricted	<u>972,813</u>	<u>689,181</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 1,332,608</u>	 <u>\$ 1,076,533</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>2013</u>	<u>2012</u>
Revenues		
Property taxes, including penalty and interest	\$ 3,966,197	\$ 3,736,523
Interest and investment income	<u>1,887</u>	<u>2,097</u>
Total revenues	3,968,084	3,738,620
Expenditures		
Debt service		
Principal	1,970,000	1,940,000
Interest	1,714,452	1,752,898
Total expenditures	<u>3,684,452</u>	<u>3,692,898</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	283,632	45,722
Other financing sources (uses)		
Refunding bond proceeds	-	3,315,000
Payment to refunded bond escrow agent	<u>-</u>	<u>(3,263,508)</u>
Total other financing sources (uses)	<u>-</u>	<u>51,492</u>
NET CHANGE IN FUND BALANCE	283,632	97,214
Fund balance, beginning of year	<u>689,181</u>	<u>591,967</u>
Fund balance, end of year	<u>\$ 972,813</u>	<u>\$ 689,181</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, 2013

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes, including penalty and interest	\$ 3,668,283	\$ 3,668,283	\$ 3,966,197	\$ 297,914
Interest and investment income	-	-	1,887	1,887
Total revenues	3,668,283	3,668,283	3,968,084	299,801
Expenditures				
Debt service				
Principal retirement	1,970,000	1,970,000	1,970,000	-
Interest and fiscal agent fees	1,698,283	1,754,871	1,714,452	40,419
Total expenditures	3,668,283	3,724,871	3,684,452	40,419
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (56,588)</u>	283,632	<u>\$ 340,220</u>
Fund balance, beginning of year			<u>689,181</u>	
Fund balance, end of year			<u>\$ 972,813</u>	

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 388,901	\$ 388,484
	31	37
TOTAL ASSETS	\$ 388,932	\$ 388,521
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	388,932	388,521
Total fund balance	388,932	388,521
TOTAL LIABILITIES AND FUND BALANCE	\$ 388,932	\$ 388,521

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>2013</u>	<u>2012</u>
Revenues		
Interest and investment income	\$ 411	\$ 498
Expenditures	\$ -	\$ -
NET CHANGE IN FUND BALANCE	411	498
Fund balance, beginning of year	<u>388,521</u>	<u>388,023</u>
Fund balance (deficit), end of year	<u>\$ 388,932</u>	<u>\$ 388,521</u>

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 165,265	\$ 86,480
Accounts receivable	14	14
Special assessments	28,713	38,743
 TOTAL ASSETS	 \$ 193,992	 \$ 125,237
 LIABILITIES	 \$ -	 \$ -
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	28,061	37,650
 FUND BALANCE		
Committed	165,931	87,587
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 193,992	 \$ 125,237

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>2013</u>	<u>2012</u>
Revenues		
Property taxes - including penalty and interest	\$ 9,778	\$ 17,439
Interest and investment income	<u>157</u>	<u>339</u>
Total revenues	9,935	17,778
Expenditures		
Current		
Highways and streets	<u>356,591</u>	<u>434,833</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(346,656)	(417,055)
Operating financing sources (uses)		
Transfers in	425,000	131,963
NET CHANGE IN FUND BALANCE	78,344	(285,092)
Fund balance, beginning of year	<u>87,587</u>	<u>372,679</u>
Fund balance, end of year	<u>\$ 165,931</u>	<u>\$ 87,587</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 578,854	\$ -
Investments	-	724,075
Receivables (net of allowance for uncollectibles)		
Accounts	11,339	11,293
Assessments	<u>145,977</u>	<u>145,977</u>
 TOTAL ASSETS	 <u>\$ 736,170</u>	 <u>\$ 881,345</u>
 LIABILITIES		
Accounts payable	\$ 935	\$ 935
Due to other funds	-	143,128
Escrow liabilities	<u>533,262</u>	<u>536,921</u>
 TOTAL LIABILITIES	 534,197	 680,984
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	<u>145,977</u>	<u>145,977</u>
 FUND BALANCE		
Restricted	<u>55,996</u>	<u>54,384</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 736,170</u>	 <u>\$ 881,345</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,

	2013	2012
Revenues		
Improvements and assessments	\$ 30	\$ 20
Interest and investment income	1,582	3,291
Total revenues	1,612	3,311
 Expenditures	 -	 -
 NET CHANGE IN FUND BALANCE	 1,612	 3,311
 Fund balance, beginning of year	 54,384	 51,073
 Fund balance, end of year	 \$ 55,996	 \$ 54,384

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Other receivable	\$ <u>125,441</u>	\$ <u>103,981</u>
 TOTAL ASSETS	 <u>\$ 125,441</u>	 <u>\$ 103,981</u>
 LIABILITIES		
Accounts payable	\$ 53,345	\$ 51,431
Due to other funds	<u>72,096</u>	<u>52,550</u>
TOTAL LIABILITIES	125,441	103,981
 FUND BALANCE		
Unassigned	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 125,441</u>	 <u>\$ 103,981</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,

	<u>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	\$ 334,723	\$ 543,136
Expenditures		
Current		
Highways and streets	1,046	2,274
Capital outlay	<u>333,677</u>	<u>540,653</u>
Total expenditures	<u>334,723</u>	<u>542,927</u>
NET CHANGE IN FUND BALANCE	-	209
Fund balance, (deficit) beginning of year	<u>-</u>	<u>(209)</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 391,812	\$ 391,428
Accounts receivable	<u> 9</u>	<u> 10</u>
 TOTAL ASSETS	 <u>\$ 391,821</u>	 <u>\$ 391,438</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u> 391,821</u>	<u> 391,438</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 391,821</u>	 <u>\$ 391,438</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,

	2013	2012
Revenues		
Interest and investment income	\$ 383	\$ 460
Expenditures	-	-
NET CHANGE IN FUND BALANCE	383	460
Fund balance, beginning of year	391,438	390,978
Fund balance, end of year	\$ 391,821	\$ 391,438

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	867,063	866,227
Accounts receivable	<u>9</u>	<u>11</u>
 TOTAL ASSETS	 <u>\$ 867,072</u>	 <u>\$ 866,238</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>867,072</u>	<u>866,238</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 867,072</u>	 <u>\$ 866,238</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,

	2013	2012
Revenues		
Interest and investment income	\$ 834	\$ 1,001
Expenditures	-	-
NET CHANGE IN FUND BALANCE	834	1,001
Fund balance, beginning of year	866,238	865,237
Fund balance, end of year	\$ 867,072	\$ 866,238

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 740,304	\$ 812,345
Investments	1,033,956	1,030,515
Accounts receivable	56	65
TOTAL ASSETS	<u>\$ 1,774,316</u>	<u>\$ 1,842,925</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 4,000
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	4,000	-
 FUND BALANCE		
Restricted	1,770,316	1,838,925
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,770,316</u>	<u>\$ 1,842,925</u>

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,

	2013	2012
Revenues		
Interest and investment income	\$ 4,282	\$ 6,252
Expenditures		
Capital outlay	-	4,000
Total expenditures	-	4,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,282	2,252
Other financing sources (uses)		
Transfer (out)	(72,891)	-
NET CHANGE IN FUND BALANCE	(68,609)	2,252
Fund balance, beginning of year	1,838,925	1,836,673
Fund balance, end of year	\$ 1,770,316	\$ 1,838,925

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Accounts receivable	\$ 7,186	\$ 7,186
TOTAL ASSETS	<u>\$ 7,186</u>	<u>\$ 7,186</u>
 LIABILITIES		
Due to other funds	\$ 202,615	\$ 247,821
TOTAL LIABILITIES	202,615	247,821
 FUND BALANCE		
Restricted	<u>(195,429)</u>	<u>(240,635)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,186</u>	<u>\$ 7,186</u>

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,

	<u>2013</u>	<u>2012</u>
Revenues		
Interest and investment income	\$ -	\$ 36
Miscellaneous	-	7,186
Total revenues	<u>-</u>	<u>7,222</u>
Expenditures		
Current		
General government	24,794	-
Capital outlay	<u>-</u>	<u>440,112</u>
Total expenditures	<u>24,794</u>	<u>440,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,794)	(432,890)
Other financing sources		
Transfers in	<u>70,000</u>	<u>70,000</u>
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>
NET CHANGE IN FUND BALANCE	45,206	(362,890)
Fund balance, beginning of year	<u>(240,635)</u>	<u>122,255</u>
Fund balance, end of year	<u>\$ (195,429)</u>	<u>\$ (240,635)</u>

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 11,693	\$ -
TOTAL ASSETS	<u>\$ 11,693</u>	<u>\$ -</u>
 LIABILITIES	 \$ -	 \$ -
 FUND BALANCE		
Restricted	<u>11,693</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,693</u>	<u>\$ -</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,

	<u>2013</u>	<u>2012</u>
Revenues	\$ -	\$ -
Expenditures		
Capital outlay	2,242,141	-
Debt service		
Bond issuance costs and fees	<u>95,354</u>	<u>-</u>
Total expenditures	<u>2,337,495</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,337,495)	-
Other financing sources		
Bond issuance	2,280,000	-
Premium on bond issuance	<u>69,188</u>	<u>-</u>
Total other financing sources (uses)	<u>2,349,188</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	11,693	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,693</u>	<u>\$ -</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 2,530,708	\$ -
TOTAL ASSETS	<u>\$ 2,530,708</u>	<u>\$ -</u>
 LIABILITIES		
Accounts payable	\$ 207,935	\$ -
 FUND BALANCE		
Restricted	<u>2,322,773</u>	<u>-</u>
Total fund balance	<u>2,322,773</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,530,708</u>	<u>\$ -</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,

	2013	2012
Revenues	\$ -	\$ -
Expenditures		
Current		
General government	633	-
Capital outlay	733,976	-
Debt service		
Bond issuance costs and fees	109,521	-
Total expenditures	844,130	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(844,130)	-
Other financing sources		
Bond issuance	3,070,000	-
Premium on bond issuance	96,903	-
Total other financing sources (uses)	3,166,903	-
NET CHANGE IN FUND BALANCE	2,322,773	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ 2,322,773	\$ -

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2004 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
Due to other funds	\$ -	\$ 129,950
FUND BALANCE		
Unassigned	<u>-</u>	<u>(129,950)</u>
Total fund balance	<u>-</u>	<u>(129,950)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2004 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Revenues	\$ -	\$ -
Expenditures		
Current		
Capital outlay	<u>-</u>	<u>1,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,040)
Other financing sources (uses)		
Transfers in	<u>129,950</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	129,950	(1,040)
Fund balance, beginning of year	<u>(129,950)</u>	<u>(128,910)</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ (129,950)</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2005 FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES		
Due to other funds	\$ -	\$ 106,056
 FUND BALANCE		
Unassigned	<u>-</u>	<u>(106,056)</u>
Total fund balance	<u>-</u>	<u>(106,056)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

City of Harlingen, Texas
GENERAL OBLIGATION BONDS, SERIES 2005 FUND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Revenues	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-
Other financing sources		
Transfers in	<u>106,056</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	106,056	-
Fund balance, beginning of year	<u>(106,056)</u>	<u>(106,056)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (106,056)</u>

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,198,517	\$ 1,197,298
Accounts receivable	<u>55</u>	<u>64</u>
TOTAL ASSETS	<u>\$ 1,198,572</u>	<u>\$ 1,197,362</u>
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Restricted	<u>1,198,572</u>	<u>1,197,362</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,198,572</u>	<u>\$ 1,197,362</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,

	2013	2012
Revenues		
Interest and investment income	\$ 1,210	\$ 1,461
Expenditures		
Current		
General government	-	-
NET CHANGE IN FUND BALANCE	1,210	1,461
Fund balance, beginning of year	1,197,362	1,195,901
Fund balance, end of year	\$ 1,198,572	\$ 1,197,362

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

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 795,222	\$ 124,715
Investments	-	2,064,907
Accounts receivable	53	148,108
 TOTAL ASSETS	 \$ 795,275	 \$ 2,337,730
 LIABILITIES		
Accounts payable	\$ 7,237	\$ 136,842
Due to other funds	-	1,176,767
 TOTAL LIABILITIES	 7,237	 1,313,609
 FUND BALANCE		
Restricted	788,038	1,024,121
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 795,275	 \$ 2,337,730

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,

	<u>2013</u>	<u>2012</u>
Revenues		
Interest and investment income	\$ 3,106	\$ 10,196
Miscellaneous	<u>-</u>	<u>148,108</u>
Total revenues	3,106	158,304
 Expenditures		
Current		
Capital outlay	<u>3,181</u>	<u>1,772,664</u>
Total expenditures	<u>3,181</u>	<u>1,772,664</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (75)	 (1,614,360)
 Other financing sources (uses)		
Transfer out	<u>(236,008)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 (236,083)	 (1,614,360)
 Fund balance, beginning of year	 <u>1,024,121</u>	 <u>2,638,481</u>
 Fund balance, end of year	 <u>\$ 788,038</u>	 <u>\$ 1,024,121</u>

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**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,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,950,998	\$ 5,274,181
Investments	-	206
Accounts receivables (net of allowances for uncollectibles)	222,888	124,644
Due from component units	616,836	589,927
Prepaid Items	<u>1,510</u>	<u>1,753</u>
Total current assets	6,792,232	5,990,711
Capital assets		
Land	417,587	417,587
Plant and equipment	3,011,620	2,721,139
Accumulated depreciation	<u>(1,067,888)</u>	<u>(881,257)</u>
Total capital assets (net of accumulated depreciation)	<u>2,361,319</u>	<u>2,257,469</u>
TOTAL ASSETS	<u><u>\$ 9,153,551</u></u>	<u><u>\$ 8,248,180</u></u>

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

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 261,864	\$ 258,835
Compensated absences	6,300	6,300
Accrued expenses	29,457	23,258
Escrow payable	-	-
Estimated liability for landfill postclosure costs, current portion	<u>21,000</u>	<u>21,000</u>
Total current liabilities	318,621	309,393
Long-term liabilities		
Compensated absences	199,490	153,407
Net other post employment benefit obligation	302,910	189,653
Estimated liability for landfill postclosure costs	<u>1,342,387</u>	<u>1,274,346</u>
Total long-term liabilities	<u>1,844,787</u>	<u>1,617,406</u>
TOTAL LIABILITIES	2,163,408	1,926,799
NET POSITION		
Net investment in capital assets	2,361,319	2,257,469
Unrestricted	<u>4,628,824</u>	<u>4,063,912</u>
Total net position	<u>6,990,143</u>	<u>6,321,381</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,153,551</u>	<u>\$ 8,248,180</u>

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,

	<u>2013</u>	<u>2012</u>
Operating revenues		
Current use charges	\$ 8,532,359	\$ 8,495,419
Expenditures		
Personal services	2,040,127	1,993,019
Contracted services	1,323,334	1,230,999
Materials and supplies	148,626	131,071
Other expenses	3,241,194	3,417,177
Depreciation and amortization	<u>186,631</u>	<u>186,301</u>
Total expenditures	<u>6,939,912</u>	<u>6,958,567</u>
Operating income	1,592,447	1,536,852
Nonoperating revenues (expenses)		
Interest revenue	5,611	6,310
Miscellaneous revenue	<u>(3,296)</u>	<u>11,704</u>
Total nonoperating revenues (expenses)	<u>2,315</u>	<u>18,014</u>
Income before transfers and capital contributions	1,594,762	1,554,866
Transfers and capital contributions		
Transfers (out)	<u>(926,000)</u>	<u>(800,000)</u>
Capital contributions	<u>-</u>	<u>-</u>
Total transfers and capital contributions	<u>(926,000)</u>	<u>(800,000)</u>
Increase (decrease) in net position	668,762	754,866
Net position, beginning of year	<u>6,321,381</u>	<u>5,566,515</u>
Net position, end of year	<u>\$ 6,990,143</u>	<u>\$ 6,321,381</u>

City of Harlingen, Texas
SANITATION FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 8,403,910	\$ 8,562,698
Payments to suppliers	(4,635,642)	(4,741,972)
Payments to employees	<u>(1,880,787)</u>	<u>(1,868,094)</u>
Net cash provided by operations	1,887,481	1,952,632
 Cash flows from noncapital financing activities		
Transfers to other funds	<u>(926,000)</u>	<u>(800,000)</u>
Net cash (used) by noncapital financing activities	(926,000)	(800,000)
 Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(290,481)</u>	<u>(8,515)</u>
Net cash (used) by capital and related financing activities	(290,481)	(8,515)
 Cash flows from investing activities		
Interest received	<u>5,817</u>	<u>6,104</u>
Net cash provided by investing activities	<u>5,817</u>	<u>6,104</u>
 Net increase in cash and cash equivalents	676,817	1,150,221
 Cash and cash equivalents, beginning of year	<u>5,274,181</u>	<u>4,123,960</u>
 Cash and cash equivalents, end of year	<u>\$ 5,950,998</u>	<u>\$ 5,274,181</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,592,447	\$ 1,536,852
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	186,631	186,301
Other revenue received	(3,296)	11,704
(Increase) decrease in receivables	(98,244)	(38,032)
(Increase) decrease in prepaid items	243	(947)
(Increase) decrease in due from component units	(26,909)	93,607
Increase (decrease) in accounts payable	3,029	19,076
Increase (decrease) in accrued expenses	6,199	(7,497)
Increase (decrease) in net other post employment benefit obligation	113,257	126,797
Increase (decrease) in compensated absences	46,083	(1,872)
Increase (decrease) in estimated liability for landfill closure and postclosure costs	<u>68,041</u>	<u>26,643</u>
Total Adjustments	<u>295,034</u>	<u>415,780</u>
 Net cash provided by operating activities:	<u>\$ 1,887,481</u>	<u>\$ 1,952,632</u>
 <i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ -	\$ -

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 412,164	\$ 550,977
Accounts receivables (net of allowances for uncollectibles)	4,913	4,870
Inventories	13,137	13,137
Total current assets	430,214	568,984
Capital assets		
Land	49,496	49,496
Plant and equipment	4,335,342	4,315,203
Accumulated depreciation	(2,958,332)	(2,819,048)
Total capital assets (net of accumulated depreciation)	1,426,506	1,545,651
 TOTAL ASSETS	 \$ 1,856,720	 \$ 2,114,635

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 23,588	\$ 134,153
Compensated absences	2,000	2,000
Accrued expenses	<u>9,751</u>	<u>7,198</u>
Total current liabilities	35,339	143,351
Long-term liabilities		
Compensated absences	63,407	50,419
Net other post employment benefit obligation	<u>114,622</u>	<u>76,869</u>
Total long-term liabilities	<u>178,029</u>	<u>127,288</u>
TOTAL LIABILITIES	213,368	270,639
NET POSITION		
Net investment in capital assets	1,426,506	1,545,651
Unrestricted	<u>216,846</u>	<u>298,345</u>
Total net position	<u>1,643,352</u>	<u>1,843,996</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,856,720</u>	<u>\$ 2,114,635</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,

	2013	2012
Operating revenues		
Golf course fees and charges	\$ 1,130,416	\$ 1,179,528
Operating expenses		
Cost of sales	112,249	109,785
Personal services	688,725	662,485
Contracted services	166,338	167,509
Materials and supplies	96,758	128,927
Other expenses	102,734	39,288
Depreciation and amortization	139,284	128,701
Total operating expense	1,306,088	1,236,695
Operating income (loss)	(175,672)	(57,167)
Nonoperating revenues (expenses)		
Interest revenue	504	788
Miscellaneous revenue	1,360	1,544
Gain (loss) on sale of capital assets	770	-
Total nonoperating revenues (expenses)	2,634	2,332
Income (loss) before transfers and capital contributions	(173,038)	(54,835)
Transfers (out)	(52,400)	(64,071)
Capital contributions	24,794	103,517
Total transfers and capital contributions	(27,606)	39,446
Increase (decrease) in net position	(200,644)	(15,389)
Net position, beginning of year	1,843,996	1,859,385
Net position, end of year	\$ 1,643,352	\$ 1,843,996

City of Harlingen, Texas
MUNICIPAL GOLF COURSE
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,131,733	\$ 1,180,205
Payments to suppliers	(586,091)	(325,776)
Payments to employees	<u>(637,984)</u>	<u>(615,729)</u>
Net cash provided by operations	(92,342)	238,700
Cash flows from noncapital financing activities		
Transfers to other funds	(52,400)	(64,071)
Net cash (used) by noncapital financing activities	(52,400)	(64,071)
Cash flows from capital and related financing activities		
Purchase of capital assets	4,655	(153,319)
Proceeds from sale of assets	<u>770</u>	<u>(14,773)</u>
Net cash provided (used) by capital and related financing activities	5,425	(168,092)
Cash flows from investing activities		
Interest received	<u>504</u>	<u>788</u>
Net cash provided (used) by investing activities	<u>504</u>	<u>788</u>
Net increase (decrease) in cash and cash equivalents	(138,813)	7,325
Cash and cash equivalents, beginning of year	<u>550,977</u>	<u>543,652</u>
Cash and cash equivalents, end of year	<u>\$ 412,164</u>	<u>\$ 550,977</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (175,672)	\$ (57,167)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation	139,284	128,701
Other revenue received	1,360	1,544
(Increase) decrease in receivables	(43)	(867)
Increase (decrease) in accounts payable	(110,565)	120,698
Increase (decrease) in net other post employment benefit pension obligation	37,753	42,265
Increase (decrease) in compensated absences	12,988	4,491
Increase (decrease) in accrued expenses	<u>2,553</u>	<u>(965)</u>
Total adjustments	<u>83,330</u>	<u>295,867</u>
Net cash provided by operations	<u>(92,342)</u>	<u>238,700</u>
<i>Supplemental disclosure of noncash activities:</i>		
Contributed capital from other funds	\$ 24,794	\$ 103,517

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

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,803	\$ -
Accounts receivables (net of allowances for uncollectibles)	1,244	1,244
Due from other funds	224,230	224,230
Total current assets	227,277	225,474
Capital assets		
Plant and equipment	4,701,384	4,701,384
Accumulated depreciation	(2,222,198)	(1,948,898)
Total capital assets (net of accumulated depreciation)	2,479,186	2,752,486
 TOTAL ASSETS	 \$ 2,706,463	 \$ 2,977,960
LIABILITIES		
Current liabilities		
Accounts payable	\$ 36,691	\$ 18,803
Compensated absences	1,500	1,500
Accrued expenses	1,906	1,376
Due to other funds	377,631	283,535
Unearned revenue	1,000	8,922
Total current liabilities	418,728	314,136
Long-term liabilities		
Compensated absences	23,677	15,371
Net other post employment benefit obligation	12,024	7,829
	35,701	23,200
 TOTAL LIABILITIES	 454,429	 337,336
NET POSITION		
Net investment in capital assets	2,479,186	2,752,486
Unrestricted	(227,152)	(111,862)
 TOTAL NET POSITION	 2,252,034	 2,640,624
 TOTAL LIABILITIES AND NET POSITION	 \$ 2,706,463	 \$ 2,977,960

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>2013</u>	<u>2012</u>
Operating revenues		
Charges for services	\$ 60,332	\$ 128
Rental income	<u>86,975</u>	<u>143,757</u>
Total operating revenues	147,307	143,885
 Operating expenses		
Personal services	136,043	125,840
Contracted services	241,933	177,712
Materials and supplies	17,163	27,951
Other expenses	25,784	48,147
Depreciation and amortization	<u>273,299</u>	<u>269,159</u>
Total operating expenses	<u>694,222</u>	<u>648,809</u>
 Operating (loss)	(546,915)	(504,924)
 Nonoperating revenues (expenses)		
Miscellaneous revenue	<u>325</u>	<u>576</u>
Total nonoperating revenues	<u>325</u>	<u>576</u>
 Income (loss) before transfers and capital contributions	(546,590)	(504,348)
 Transfers and capital contributions		
Transfers in	158,000	290,500
Increase (decrease) in net position	(388,590)	(213,848)
 Net position, beginning of year	<u>2,640,624</u>	<u>2,854,472</u>
 Net position, end of year	<u>\$ 2,252,034</u>	<u>\$ 2,640,624</u>

City of Harlingen, Texas
MUNICIPAL AUDITORIUM
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers	\$ 139,710	\$ 151,781
Payments to suppliers	(172,365)	(239,107)
Payments to employees	<u>(123,542)</u>	<u>(123,374)</u>
Net cash provided (used) by operating activities	(156,197)	(210,700)
 Cash flows from noncapital financing activities		
Transfers from other funds	158,000	290,500
 Cash flows from capital and related financing activities		
Purchase of capital assets	<u>-</u>	<u>(79,800)</u>
Net cash provided (used) by capital and related financing activities	-	(79,800)
 Cash flows from investing activities	-	-
 Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
 Cash and cash equivalents, end of year	<u>\$ 1,803</u>	<u>\$ -</u>
 Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (546,915)	\$ (504,924)
Adjustments to reconcile net income to net cash		
from operating activities		
Depreciation	273,300	269,158
Other revenue received	325	576
Increase (decrease) in accounts payable	17,888	5,185
Increase (decrease) in accrued expenses	530	(91)
Increase (decrease) in net other post employment benefit obligation	4,195	4,696
Increase (decrease) in compensated absences	8,306	(2,230)
Increase (decrease) in due to other funds	94,096	9,010
Increase (decrease) in unearned revenues	<u>(7,922)</u>	<u>7,920</u>
Total Adjustments	<u>390,718</u>	<u>294,224</u>
Net cash provided by operating activities:	<u>\$ (156,197)</u>	<u>\$ (210,700)</u>
 <i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital from other funds</i>	\$ -	\$ -

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 136,413	\$ 142,514
Accounts receivables (net of allowances for uncollectibles)	<u>12</u>	<u>13</u>
Total current assets	136,425	143,174
Capital assets		
Plant and equipment	195,878	184,874
Accumulated depreciation	<u>(100,939)</u>	<u>(92,067)</u>
Total capital assets (net of accumulated depreciation)	<u>94,939</u>	<u>92,807</u>
TOTAL ASSETS	<u>\$ 231,364</u>	<u>\$ 235,981</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 14,202	\$ 13,807
Compensated absences	200	200
Accrued expenses	<u>731</u>	<u>599</u>
Total current liabilities	15,133	14,606
Long-term liabilities		
Compensated absences	1,753	375
Net other post employment benefit obligation	<u>7,577</u>	<u>5,481</u>
Total long-term liabilities	<u>9,330</u>	<u>5,856</u>
TOTAL LIABILITIES	<u>\$ 24,463</u>	<u>\$ 20,462</u>
NET POSITION		
Net investment in capital assets	94,939	92,807
Unrestricted	<u>111,962</u>	<u>122,712</u>
TOTAL NET POSITION	<u>206,901</u>	<u>215,519</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 231,364</u>	<u>\$ 235,981</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,

	<u>2013</u>	<u>2012</u>
Operating revenues		
Admissions	\$ 2,916	\$ 3,585
Operating expenses		
Personal services	54,786	52,043
Contracted services	37,417	39,680
Materials and supplies	2,661	3,037
Other expenses	11,485	32,866
Depreciation and amortization	<u>8,872</u>	<u>8,689</u>
Total operating expenses	<u>115,221</u>	<u>136,315</u>
Operating income (loss)	(112,305)	(132,730)
Nonoperating revenues (expenses)		
Interest revenue	136	161
Miscellaneous revenue	<u>3,551</u>	<u>5,091</u>
Total nonoperating revenues	<u>3,687</u>	<u>5,382</u>
Income (loss) before transfers	(108,618)	(127,348)
Transfers		
Transfers in	<u>100,000</u>	<u>100,000</u>
Increase (decrease) in net position	(8,618)	(27,348)
Net position, beginning of year	<u>215,519</u>	<u>242,867</u>
Net position, end of year	<u>\$ 206,901</u>	<u>\$ 215,519</u>

City of Harlingen, Texas
HARLINGEN ARTS AND HERITAGE MUSEUM FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the fiscal years ended September 30,

	2013	2012
Cash flows from operating activities		
Receipts from customers	\$ 6,468	\$ 8,672
Payments to suppliers	(50,389)	(72,217)
Payments to employees	(51,312)	(49,836)
Net cash (used) by operations	(95,233)	(113,381)
 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	-	130
Net cash provided (used) by capital and related financing activities	(11,004)	130
 Cash flows from investing activities		
Interest received on investments	136	161
 Net increase (decrease) in cash and cash equivalents	(6,101)	(13,090)
 Cash and cash equivalents, beginning of year	142,514	155,604
 Cash and cash equivalents, end of year	\$ 136,413	\$ 142,514
 Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (112,305)	\$ (132,730)
Adjustments to reconcile net income from operations to net cash from operating activities		
Depreciation and amortization	8,872	8,690
Other revenue received	3,551	5,091
(Increase) decrease in inventories	-	(651)
(Increase) decrease in prepaid items	647	-
Increase (decrease) in accounts payable	395	3,998
Increase (decrease) in accrued expenses	132	14
Increase (decrease) in net other post employment benefit obligation	2,096	2,348
Increase (decrease) in compensated absences	1,378	(141)
Total adjustments	17,072	19,349
 Net cash provided (used) by operations	\$ (95,233)	\$ (113,381)
 <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,

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,134,805	\$ 2,988,165
Receivables (net of allowances for uncollectibles)		
Accounts	17,661	21,133
Due from component unit	50	-
Prepaid expenses	-	376
Inventories	<u>161,743</u>	<u>161,939</u>
Total current assets	3,314,259	3,171,613
Investments	1,532,691	1,527,470
Capital assets	17,870,570	17,393,717
Accumulated depreciation	<u>(12,024,681)</u>	<u>(11,058,065)</u>
Capital assets (net of accumulated depreciation)	<u>5,845,889</u>	<u>6,335,652</u>
Total non current assets	<u>7,378,580</u>	<u>7,863,122</u>
TOTAL ASSETS	<u>\$ 10,692,839</u>	<u>\$ 11,034,735</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 11,090	\$ 8,654
Compensated absences	39,926	27,845
Accrued expenses	<u>6,069</u>	<u>3,900</u>
Total current liabilities	57,085	40,399
Long-term liabilities		
Net other post employment benefit obligation	<u>36,022</u>	<u>36,022</u>
Total non-current liabilities	<u>36,022</u>	<u>36,022</u>
TOTAL LIABILITIES	93,107	76,421
NET POSITION		
Net investment in capital assets	5,845,889	6,335,652
Unrestricted	<u>4,753,843</u>	<u>4,622,662</u>
Total net position	<u>10,599,732</u>	<u>10,958,314</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,692,839</u>	<u>\$ 11,034,735</u>

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,

	<u>2013</u>	<u>2012</u>
Operating revenues		
Current use charges	\$ 3,765,904	\$ 3,729,923
Operating expenses		
Personal services	356,045	364,568
Contracted services	66,120	75,750
Materials and supplies	2,213,077	2,182,652
Other expenses	63,794	48,052
Depreciation expense	<u>1,606,668</u>	<u>1,652,703</u>
Total operating expenses	<u>4,305,704</u>	<u>4,323,725</u>
Operating income	(539,800)	(593,802)
Nonoperating revenues (expenses)		
Interest revenue	8,410	11,488
Gain on sale/disposal of fixed assets	<u>276</u>	<u>(38,948)</u>
Total nonoperating revenues	<u>8,686</u>	<u>(27,460)</u>
Income before transfers and capital contributions	(531,114)	(621,262)
Transfers and capital contributions		
Capital contributions	<u>172,532</u>	<u>463,086</u>
Total transfers and capital contributions	<u>172,532</u>	<u>463,086</u>
Net increase (decrease) in net position	(358,582)	(158,176)
Net position, beginning of year	<u>10,958,314</u>	<u>11,116,490</u>
Net position, end of year	<u><u>\$ 10,599,732</u></u>	<u><u>\$ 10,958,314</u></u>

City of Harlingen, Texas
MOTOR VEHICLE/WAREHOUSE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	2013	2012
Cash flows from operating activities		
Received from customers	\$ 3,769,376	\$ 3,724,611
Payments to suppliers	(2,340,033)	(2,278,990)
Payments to employees	<u>(341,795)</u>	<u>(340,444)</u>
Net cash provided by operations	1,087,548	1,105,177
 Cash flows from noncapital financing activities	 -	 -
 Cash flows from capital and related financing activities		
Purchases of capital assets	(944,373)	(1,038,895)
Proceeds from the sale of capital assets	<u>276</u>	<u>93,720</u>
Net cash provided (used) by capital and related financing activities	(944,097)	(945,175)
 Cash flows from investing activities		
Purchase of investments	(5,221)	(8,071)
Proceeds from investment maturities	-	-
Interest received	<u>8,410</u>	<u>11,488</u>
Net cash provided (used) by investing activities	<u>3,189</u>	<u>3,417</u>
 Net increase (decrease) in cash and cash equivalents	 146,640	 163,419
 Cash and cash equivalents, beginning of year	 <u>2,988,165</u>	 <u>2,824,746</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 3,134,805</u></u>	 <u><u>\$ 2,988,165</u></u>
 Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ (539,800)	\$ (593,802)
Adjustments to reconcile net income from		
operations to net cash from operating activities		
Depreciation	1,606,668	1,652,703
(Increase) decrease in receivables	3,472	(5,312)
(Increase) decrease in prepaid expenses	376	701
(Increase) decrease in due from other funds	(50)	-
(Increase) decrease in inventories	196	29,468
Increase (decrease) in accounts payable	2,436	(2,705)
Increase (decrease) in net other post employment benefit obligation	12,081	24,860
Increase (decrease) in accrued expenses	<u>2,169</u>	<u>(736)</u>
Total adjustments	<u>1,627,348</u>	<u>1,698,979</u>
 Net cash provided by operations	 <u><u>\$ 1,087,548</u></u>	 <u><u>\$ 1,105,177</u></u>
 <i>Supplemental disclosure of noncash activities:</i>		
<i>Contributed capital from other funds</i>	 \$ 172,532	 \$ 463,086

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
September 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 514,753	\$ 308,532
Accounts receivable	<u>8,380</u>	<u>11,006</u>
 TOTAL ASSETS	 <u>\$ 523,133</u>	 <u>\$ 319,538</u>
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 9,483	\$ 14,336
Due to other funds	<u>25,000</u>	<u>25,000</u>
Total liabilities	34,483	39,336
 NET POSITION		
Unrestricted net position	<u>488,650</u>	<u>280,202</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 523,133</u>	 <u>\$ 319,538</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>2013</u>	<u>2012</u>
Operating revenues		
Current use charges	\$ 3,473,601	\$ 3,485,892
Operating expenses		
Contracted services	<u>3,339,021</u>	<u>3,527,044</u>
Total operating expenses	<u>3,339,021</u>	<u>3,527,044</u>
Operating income (loss)	134,580	(41,152)
Nonoperating revenues (expenses)		
Interest revenue	<u>368</u>	<u>459</u>
Income (loss) before operating transfers	134,948	(40,693)
Transfers		
Transfers in	<u>73,500</u>	<u>73,500</u>
Net increase in net position	208,448	32,807
Net position, beginning of year	<u>280,202</u>	<u>247,395</u>
Net position, end of year	<u>\$ 488,650</u>	<u>\$ 280,202</u>

City of Harlingen, Texas
HEALTH INSURANCE
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	2013	2012
Cash flows from operating activities		
Receipts	\$ 3,476,227	\$ 3,484,085
Payments to suppliers	<u>(3,343,874)</u>	<u>(3,249,520)</u>
Net cash provided by operations	132,353	234,565
Cash flows from noncapital financing activities		
Transfers from other funds	73,500	73,500
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities		
Interest received	<u>368</u>	<u>459</u>
Net increase in cash and cash equivalents	206,221	308,524
Cash and cash equivalents, beginning of year	<u>308,532</u>	<u>8</u>
Cash and cash equivalents, end of year	<u>\$ 514,753</u>	<u>\$ 308,532</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 134,580	\$ (41,152)
Adjustments to reconcile net income (loss) from operations to net cash from operating activities		
(Increase) decrease in accounts receivable	2,626	(1,807)
(Increase) decrease in prepaid expenses	-	293,099
Increase (decrease) in accounts payable	<u>(4,853)</u>	<u>(15,575)</u>
Net cash provided by operations	<u>\$ 132,353</u>	<u>\$ 234,565</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,

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,309,607	\$ 3,809,379
Restricted cash and cash equivalents	9,508	9,504
Receivables (net of allowances for uncollectibles)		
Accounts	155,467	60,037
Due from other government	312,382	318,717
Prepaid expenses	126,398	2,100
Long-term loans receivable	1,216,837	498,896
TOTAL ASSETS	\$ 5,130,199	\$ 4,698,633
LIABILITIES		
Accounts payable	\$ 141,960	\$ 150,492
Accrued expenditures	5,670	4,578
TOTAL LIABILITIES	147,630	155,070
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - noncurrent receivables	1,216,837	498,896
FUND BALANCE		
Nonspendable	126,398	2,100
Unassigned	3,639,334	4,042,567
Total fund balance	3,765,732	4,044,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,130,199	\$ 4,698,633

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, 2013

	<u>HEDC Activities</u>
Fund balances -- component unit	\$ 3,765,732
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.	39,259,056
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.	(37,641,518)
Interest on long-term debt payable is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(917,290)</u>
Net position of the component unit on the statement of net position	<u>\$ 4,465,980</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>2013</u>	<u>2012</u>
Revenues		
Non property taxes	\$ 3,968,422	\$ 3,818,982
Intergovernmental	2,498,062	204,350
Miscellaneous and program revenues	873,010	1,157,795
Interest and investment income	<u>14,474</u>	<u>39,181</u>
Total revenues	7,353,968	5,220,308
Expenditures		
Current		
General government	5,648,598	4,304,261
Health and welfare	200,000	300,000
TSTC Articulation Center	-	11,223
Investment property purchase	911,128	18,297,086
Debt service		
Principal retirement	1,355,000	305,000
Interest and fiscal agent fees	<u>1,845,262</u>	<u>1,899,172</u>
Total expenditures	9,959,988	25,116,742
Other financing sources (uses)		
Sale of assets	2,327,085	-
NET CHANGE IN FUND BALANCE	(278,935)	(19,896,434)
Fund balance, beginning of year	<u>4,044,667</u>	<u>23,941,101</u>
Fund balance, end of year	<u>\$ 3,765,732</u>	<u>\$ 4,044,667</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, 2013

	<u>HEDC Activities</u>
Net change in fund balances -- component unit fund	\$ (278,935)
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 by which purchases (\$911,128) exceeded amortized expenses (\$1,203,932) in the current period.	(292,804)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(490,382)
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.	1,355,000
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.	(491,907)
In the statement of activities, the net gain (loss) (\$856,369) on the sale disposal of capital assets is reported, whereas in the governmental funds, only the proceeds (2,227,085) from the sale of capital assets is recorded as a financial resource. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold or disposed of.	(3,083,454)
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 (\$6,182) 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>(20,731)</u>
Change in net position of governmental activities:	<u>\$ (3,303,213)</u>

City of Harlingen, Texas
HARLINGEN COMMUNITY IMPROVEMENT BOARD
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 2,333,306	\$ 1,652,233
Receivables (net of allowances for uncollectibles)		
Due from other government	<u>104,127</u>	<u>106,239</u>
 TOTAL ASSETS	 <u>\$ 2,437,433</u>	 <u>\$ 1,758,472</u>
 LIABILITIES		
Accounts payable	\$ 477,107	\$ 341,638
 FUND BALANCE		
Unassigned	<u>1,960,326</u>	<u>1,416,834</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 2,437,433</u>	 <u>\$ 1,758,472</u>

Reconciliation of the Balance Sheet of the Harlingen Community Improvement Board

Fund balances -- component unit	\$ 1,960,326	\$ 1,416,834
Amounts reported for the Harlingen Community Improvement Board in the statement of net position are different because:		
Notes payable are not due and payable in the current period and therefore are not reported in the balance sheet.	<u>(200,000)</u>	<u>-</u>
Net position of the component unit on the statement of net position	<u>\$ 1,760,326</u>	<u>\$ 1,416,834</u>

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>2013</u>	<u>2012</u>
Revenues		
Non property taxes	\$ 1,322,808	\$ 1,272,994
Interest and investment income	<u>2,074</u>	<u>2,283</u>
Total revenues	1,324,882	1,275,277
 Expenditures		
Current		
General government	<u>981,390</u>	<u>1,087,151</u>
Total expenditures	<u>981,390</u>	<u>1,087,151</u>
 EXCESS REVENUES OVER EXPENDITURES	343,492	188,126
 Other financing sources (uses)		
Note payable proceeds	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	543,492	188,126
 Fund balance, beginning of year	<u>1,416,834</u>	<u>1,228,708</u>
 Fund balance, end of year	<u>\$ 1,960,326</u>	<u>\$ 1,416,834</u>
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Harlingen Community Improvement Board		
Fund balances -- component unit	\$ 1,960,326	\$ 1,416,834
 Amounts reported for the Harlingen Community Improvement Board in the statement of activities are different because:		
 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.	<u>(200,000)</u>	<u>-</u>
 Net position of the component unit on the statement of net position	<u>\$ 1,760,326</u>	<u>\$ 1,416,834</u>

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,021,186	\$ 8,040,358
Investments	7,696,754	5,949,291
Receivables, net of allowances for uncollectibles	1,859,743	2,279,958
Grants receivable	206,506	328,233
Interest receivable	6,715	9,314
Inventories	227,950	286,542
Prepaid expenses	8,500	8,735
Restricted assets		
Cash and cash equivalents	4,253,507	2,620,960
Investments	5,593,699	6,588,690
Total current assets	26,874,560	26,112,081
Noncurrent Assets		
Capital assets		
Non-depreciable assets	8,849,481	6,502,098
Depreciable assets	153,062,963	150,321,173
Accumulated depreciation	(98,617,501)	(93,567,682)
Total capital assets, net	63,294,943	63,255,589
 TOTAL ASSETS	 90,169,503	 89,367,670
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	430,461	524,637
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 90,599,964	 \$ 89,892,307

City of Harlingen, Texas
CITY OF HARLINGEN WATERWORKS SYSTEM
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	2013	2012
LIABILITIES		
Current liabilities		
Accounts payable	\$ 605,048	\$ 592,977
Due to primary government	781,188	651,666
Compensated absences - current	458,080	387,359
Current maturities of long-term debt, net of deferred amounts	1,980,000	1,910,000
Other liabilities	417,403	469,931
Payable from restricted assets - current	505,748	526,787
Total current liabilities	4,747,467	4,538,720
Noncurrent liabilities		
Revenue bonds payable, net	14,907,577	16,890,317
Compensated absences	200,000	265,000
Net other post employment benefit obligation	2,414,909	1,955,735
Payable fom restricted assets	1,550,000	1,500,000
Total long-term debt	19,072,486	20,611,052
 TOTAL LIABILITIES	 23,819,953	 25,149,772
NET POSITION		
Net investment in capital assets	48,845,912	46,980,009
Restricted:		
Debt service	1,815,615	1,751,766
System expansion	3,967,758	3,430,997
Unrestricted	12,150,726	12,579,763
 Total net position	 66,780,011	 64,742,535
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 90,599,964</u>	 <u>\$ 89,892,307</u>

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>2013</u>	<u>2012</u>
Operating revenues		
Charges for services		
Current use charges	\$ 18,882,503	\$ 19,607,745
Operating expenses		
Personnel services	6,875,105	6,777,863
Contracted services	3,399,980	3,306,816
Supplies and maintenance	2,910,264	2,791,226
Other expenses	318,807	222,198
Depreciation	<u>5,222,268</u>	<u>5,130,700</u>
Total operating expenses	<u>18,726,424</u>	<u>18,228,803</u>
Operating income (loss)	156,079	1,378,942
Non-operating revenues		
Impact fees	548,541	307,219
Investment earnings	100,484	87,628
Miscellaneous revenue	<u>805,961</u>	<u>800,381</u>
Total non-operating revenues	<u>1,454,986</u>	<u>1,195,228</u>
Non-operating expenses		
Interest and amortization expense	<u>1,043,360</u>	<u>1,121,677</u>
Total non-operating expenses	1,043,360	1,121,677
Net income (loss) before transfers and capital contributions	567,705	1,452,493
Capital contributions	<u>1,469,771</u>	<u>1,020,616</u>
Change in net position	2,037,476	2,473,109
Net position, beginning, restated	<u>64,742,535</u>	<u>62,269,426</u>
Net position, end of year	<u>\$ 66,780,011</u>	<u>\$ 64,742,535</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>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from customers - service revenue	\$ 20,147,428	\$ 20,080,743
Payments to suppliers	(6,462,996)	(6,179,222)
Payments to employees	<u>(6,428,373)</u>	<u>(6,244,839)</u>
Net cash provided by operations	7,256,059	7,656,682
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(4,077,469)	(3,056,023)
Proceeds from disposition of capital assets	25,052	30,706
Proceeds from impact fees	548,541	307,219
Proceeds from grants	109,845	-
Principal paid on revenue bonds	(1,910,000)	(1,850,000)
Interest and fees paid on revenue bonds	<u>(689,264)</u>	<u>(739,466)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,993,295)</u>	<u>(5,307,564)</u>
Cash flows from investing activities		
Purchase of investments	(9,065,924)	(11,291,797)
Maturity of investments	8,313,452	5,839,204
Investment earnings	<u>103,083</u>	<u>80,979</u>
Net cash provided by investing activities	<u>(649,389)</u>	<u>(5,371,614)</u>
Net increase in cash and cash equivalents	613,375	(3,022,496)
Cash and cash equivalents, beginning of year	<u>10,661,318</u>	<u>13,683,814</u>
Cash and cash equivalents, end of year	<u>\$ 11,274,693</u>	<u>\$ 10,661,318</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 156,079	\$ 1,378,942
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,222,268	5,130,700
Non-operating revenue	780,909	769,675
(Increase) decrease in receivables	432,097	(318,574)
(Increase) decrease in inventories	58,592	(2,844)
(Increase) decrease in prepaid expenses	235	83,986
Increase (decrease) in accounts payable	12,071	60,746
Increase (decrease) in due to primary government	129,522	(115,138)
Increase (decrease) in compensated absences	5,721	17,363
Increase (decrease) in retiree health care plan liability	459,174	515,070
Increase (decrease) in other liabilities	(52,528)	114,859
Increase (decrease) in payable from restricted assets	<u>51,919</u>	<u>21,897</u>
Total adjustments	<u>7,099,980</u>	<u>6,277,740</u>
Net cash provided by operations	<u>\$ 7,256,059</u>	<u>\$ 7,656,682</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>	\$ 1,469,771	\$ 1,020,616

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,548,011	\$ 5,016,710
Accounts receivable	364,902	657,388
Prepaid expenses and deposits	92,085	76,680
Restricted assets		
Cash and cash equivalents	202,421	-
Total current assets	6,207,419	5,750,778
NONCURRENT ASSETS		
Capital assets		
Land	5,011,080	5,011,080
Construction in progress	3,196,249	3,536,525
Buildings	38,259,469	38,206,890
Runways and taxiways	63,396,882	62,810,258
Land improvements	20,844,742	20,446,190
Furniture and fixtures	3,108,597	3,104,592
Machinery and equipment	14,529,443	12,597,356
Less accumulated depreciation	(84,280,321)	(79,294,141)
Net capital assets	64,066,141	66,418,750
Total noncurrent assets	64,066,141	66,418,750
TOTAL ASSETS	\$ 70,273,560	\$ 72,169,528

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS - CONTINUED
September 30,

	<u>2013</u>	<u>2012</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 180,413	\$ 482,606
Accrued expenses	-	19,335
Current portion of long-term debt	-	51,965
Current portion of unearned revenue	287,578	315,061
Current portion of compensated absences	<u>25,000</u>	<u>25,000</u>
Total current liabilities	492,991	893,967
 LONG-TERM LIABILITIES, net of current maturities		
Capital lease payable	-	455,602
Unearned revenue	1,972,302	2,204,027
Compensated absences	263,643	264,993
Net other post employment benefit obligation	<u>139,100</u>	<u>106,919</u>
Total long-term liabilities	<u>2,375,045</u>	<u>3,031,541</u>
 TOTAL LIABILITIES	 2,868,036	 3,925,508
 NET POSITION		
Net investment in capital assets	61,861,748	63,485,609
Restricted for passenger facility charges	202,421	-
Unrestricted	<u>5,341,355</u>	<u>4,758,411</u>
 Total net position	 <u>67,405,524</u>	 <u>68,244,020</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 70,273,560</u>	 <u>\$ 72,169,528</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>2013</u>	<u>2012</u>
Operating revenues	\$ 6,721,600	\$ 6,684,849
Operating expenses		
Personnel	2,681,190	2,595,164
Contracted services	1,644,632	1,325,746
Materials and supplies	639,373	857,862
Other expenses	<u>661,505</u>	<u>598,279</u>
Total operating expenses before depreciation expense	<u>5,626,700</u>	<u>5,377,051</u>
Operating income before depreciation expense	1,094,900	1,307,798
Depreciation expense	<u>4,986,180</u>	<u>4,568,836</u>
Operating income (loss)	(3,891,280)	(3,261,038)
Nonoperating revenues (expenses)		
Investment income	8,857	9,079
Gain (Loss) on sale of asset	-	(1,124,854)
Interest expense	<u>(10,800)</u>	<u>(27,659)</u>
Total nonoperating revenues	<u>(1,943)</u>	<u>(1,143,434)</u>
Net income (loss) before capital contributions	(3,893,223)	(4,404,472)
Capital contributions		
Passenger facility charges, including interest	1,274,088	1,312,246
Federal and local grants	<u>1,780,639</u>	<u>2,365,767</u>
Total capital contributions	<u>3,054,727</u>	<u>3,678,013</u>
Increase (decrease) in net position	<u>(838,496)</u>	<u>(726,459)</u>
Net position, beginning of year	<u>68,244,020</u>	<u>68,970,479</u>
Net position, end of year	<u>\$ 67,405,524</u>	<u>\$ 68,244,020</u>

City of Harlingen, Texas
VALLEY INTERNATIONAL AIRPORT
COMPONENT UNIT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30,

	<u>2013</u>	<u>2012</u>
Net cash from operating activities		
Operating cash receipts from customers	\$ 6,754,878	\$ 6,088,268
Cash payments to suppliers for goods and services	(3,229,691)	(2,441,104)
Cash payments to employees for services	<u>(2,703,111)</u>	<u>(2,587,568)</u>
Net cash provided by operating activities	822,076	1,059,596
Net cash flows from (to) capital and related financing activities		
Capital contributions - Federal Aviation Administration	1,780,639	2,365,767
Fixed assets additions and construction	(2,633,571)	(3,641,723)
Proceeds from sale of assets	-	285,744
Passenger facility charges, including interest	1,274,088	1,312,246
Interest paid	(10,800)	(27,659)
Principal paid on capital lease	<u>(507,567)</u>	<u>(49,194)</u>
Net cash provided (used) by capital and related financing activities	(97,211)	245,181
Net cash flows from (to) investing activities		
Maturities of restricted investments	-	763,569
Interest received from investments	<u>8,857</u>	<u>9,079</u>
Net cash provided (used) by investing activities	<u>8,857</u>	<u>772,648</u>
Net increase (decrease) in cash and cash equivalents	733,722	2,077,425
Cash and cash equivalents, beginning of year	<u>5,016,710</u>	<u>2,939,285</u>
Cash and cash equivalents, end of year	<u>\$ 5,750,432</u>	<u>\$ 5,016,710</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (3,891,280)	\$ (3,261,038)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,986,180	4,568,836
(Increase) decrease in accounts receivable	292,486	(87,941)
(Increase) decrease in prepaid expenses	(15,405)	4,855
Increase (decrease) in accounts payable	(302,193)	295,704
Increase (decrease) in accrued expenses	(19,335)	(5,429)
Increase (decrease) in compensated absences	(1,350)	13,025
Increase (decrease) in net other post employment benefit obligation	32,181	40,224
Increase (decrease) in unearned revenue	<u>(259,208)</u>	<u>(508,640)</u>
Net cash provided by operating activities	<u>\$ 822,076</u>	<u>\$ 1,059,596</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 1-6

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 7-13

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 14-16

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 17-18

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 19-20

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
General Government	\$4,003,904	\$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
Public Safety	15,085,484	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
Highways and Streets	6,838,396	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
Health and Welfare	3,101,078	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
Culture and Recreation	4,374,722	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
Interest on Long Term Debt	1,020,250	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
Total Expenses	34,423,834	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
Program Revenues:										
Charges for Services:										
General Government	1,118,592	816,243	990,663	993,366	936,518	907,528	720,770	1,261,398	2,144,379	1,663,584
Public Safety	500,366	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
Highways and Streets	699,587	0	348,625	159,534	417,265	190,463	138,435	0	166,434	79,736
Health and Welfare	7,552	917,921	83,767	82,041	86,161	83,850	84,594	12,667	68,944	68,990
Culture and Recreation	43,394	337,787	383,995	353,702	363,159	395,513	399,721	398,253	605,813	567,548
Operating Grants and Contributions	2,591,295	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
Capital Grants and Contributions	5,864,762	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
Total Program Revenues	10,825,548	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
Net (Expense) Revenue	(23,598,286)	(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)
General Revenues and Transfers:										
Taxes:										
Property taxes, levied for general purposes	8,654,620	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
Property taxes, levied for debt service	3,010,697	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
Sales taxes	11,994,448	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
Franchise taxes	2,856,332	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
Hotel/Motel taxes	817,982	833,487	886,715	929,522	977,318	898,129	841,758	819,595	882,322	907,944
Unrestricted investment earnings	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294	57,125
Miscellaneous	270,723	1,523,583	1,469,548	1,515,338	1,082,427	893,025	1,303,388	344,773	396,610	464,081
Utility Company Settlement	0	0	0	0	0	0	0	148,587	109,099	950,909
Transfers	558,519	369,238	303,414	(202,819)	175,741	(185,583)	100,572	607,200	473,571	720,400
Total General Revenues and Transfers	28,381,005	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
Change in Net Position	\$4,782,719	\$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)

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Sanitation Services	\$4,343,694	\$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
Golf Course Services	1,011,756	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
Museum Services	133,588	92,369	107,635	127,142	106,810	110,291	114,224	131,671	136,315	115,221
Auditorium Services	721,702	660,902	707,877	639,409	738,798	438,688	433,469	683,557	648,809	694,222
Total Expenses	6,210,740	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
Program Revenues:										
Charges for Services:										
Sanitation Services	5,302,601	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
Golf Course Services	1,090,289	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
Museum Services	6,041	5,468	1,666	1,117	5,323	5,210	3,818	4,010	3,585	2,916
Auditorium Services	332,225	268,899	244,400	304,308	227,409	66,560	108,292	258,815	143,885	147,307
Total Program Revenues	6,731,156	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
Net (Expense) Revenue	520,416	682,215	85,734	835,043	36,186	961,870	1,108,261	1,501,122	842,031	757,555
General Revenues and Transfers:										
Unrestricted investment earnings	8,036	29,698	63,659	99,829	84,999	23,579	5,129	4,554	7,259	6,251
Miscellaneous	55,922.00	45,291.00	47,462.00	82,821.00	37,676.00	16,919.00	66,046.00	73,963.00	18,915.00	1,940
Gain on sale of assets	-	-	-	-	-	(33,806.00)	19,475.00	6,082.00	130.00	770
Insurance Recovery	-	-	-	-	-	53,346.00	-	-	-	-
Capital Contributions	-	-	-	-	-	134,570.00	120,000.00	1,551,967.00	103,517.00	24,794
Transfers	(558,519.00)	(369,238.00)	(303,414.00)	71,746.00	(175,741.00)	185,583.00	(100,572.00)	(607,200.00)	(473,571.00)	(720,400)
Total General Revenues and Transfer	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	110,078	1,029,366	(343,750)	(686,645)
Change in Net Position	\$25,855	\$387,966	(106,559)	\$1,089,439	(16,880)	\$1,342,061	\$1,218,339	\$2,530,488	\$498,281	\$70,910

City of Harlingen, Texas
Changes in Net Position - Total
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending September 30									
Source	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities *	\$34,423,834	\$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
Business-type Activities **	6,210,740	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
Total Expenses	40,634,574	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
Program Revenues:										
Governmental Activities *	10,825,548	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
Business-type Activities **	6,731,156	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
Total Program Revenues	17,556,704	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
Net (Expense) Revenue	(23,077,870)	(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)
General Revenues:										
Governmental Activities *	28,381,005	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
Business-type Activities **	(494,561)	(294,249)	(192,293)	254,396	(53,066)	380,191	(9,922)	1,029,366	(447,267)	(711,439)
Total General Revenues and Transfers	27,886,444	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
Change in Net Position	\$4,808,574	\$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)

* 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$80,298,238	\$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
Restricted	-	-	-	-	-	-	-	4,388,441	4,155,500	4,531,503
Unrestricted	20,696,615	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
Subtotal Governmental Activities Net Position	100,994,853	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
Business-type Activities										
Net investment in capital assets	4,765,221	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
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	-	-	-	-
Unrestricted	226,180	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
Subtotal Business-type Activities Net Position	5,021,901	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
Primary Government										
Net investment in capital assets	85,063,459	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
Restricted	30,500	30,500	30,500	30,500	30,500	30,500	-	4,388,441	4,155,500	4,531,503
Unrestricted	20,922,795	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
Total Primary Government Net Position	\$106,016,754	\$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

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$27,084,018	\$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
Fines & Forfeitures	694,327	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
Licenses & Permits	720,275	679,277	832,712	707,343	598,789	603,626	500,265	505,837	552,753	614,735
Charges for Services	450,755	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
Intergovernmental	2,591,295	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
Miscellaneous	711,037	851,008	1,467,147	1,509,034	1,052,746	882,423	1,184,703	939,262	1,386,264	1,418,098
Interest and Investment Income	217,684	428,938	1,041,425	1,932,513	1,926,439	654,780	183,573	88,401	79,294	57,126
Total Revenues	32,469,391	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
Expenditures:										
General Government	3,981,453	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
Public Safety	14,632,847	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
Highways & Streets	3,205,354	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
Health & Welfare	3,060,247	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
Culture & Recreation	3,588,835	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
Capital Outlay	1,239,025	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
Debt Service										
Principal Retirement	2,471,058	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
Interest	818,683	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
Administrative charges	2,458	1,533	2,534	1,400	2,000	2,000	12,635	7,740	-	204,875
Total Expenditures	32,999,960	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
Excess (Deficiency) of Revenues										
Over/(Under) Expenditures	(530,569)	(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)
Other Financing Sources (Uses)										
Transfers In	1,202,756	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
Transfers Out	(703,359)	(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)
Insurance Recovery	-	-	-	-	-	-	45,206	-	-	-
Bond &/or Certificate of Obligation Proceeds	4,360,000	5,620,000	3,270,000	32,630,000	-	-	5,630,000	-	3,315,000	5,350,000
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	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	106,857	672,575	2,401	6,304	29,681	10,602	143,479	148,587	109,099	950,139
Total Other Financing Sources (Uses)	4,966,254	4,704,325	3,927,305	32,433,485	205,422	(174,981)	3,404,434	683,787	487,162	7,113,128
Net Change in Fund Balances	\$ 4,435,685	\$ 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
Debt Service as a % of Non-Capital Expenditures	10.4%	11.0%	11.4%	12.1%	9.3%	9.3%	9.7%	9.5%	8.8%	9.1%

City of Harlingen
General Fund Revenues and Expenditures History
 September 30, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property Taxes - including P & I	\$ 8,404,559	\$ 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
Non-property Taxes	14,850,780	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
Fines & Forfeitures	694,327	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
Licenses & Permits	671,081	679,277	832,712	707,343	598,789	584,810	500,265	505,837	552,753	614,735
Charges for Services	431,707	731,980	920,267	941,188	1,092,497	1,234,933	1,254,346	1,163,357	1,037,873	2,391,671
Intergovernmental	321,444	166,479	520,207	361,651	254,576	207,142	1,153,048	1,062,729	254,552	296,070
Contributions and donations	-	-	-	-	-	-	-	-	-	827,353
Miscellaneous	-	60,095	71,631	122,917	240,330	187,902	99,178	620,067	946,188	173,637
Interest and Investment Income	195,827	181,564	427,071	605,826	557,126	218,109	98,128	40,517	39,415	31,265
Total Revenues	\$ 25,569,725	\$ 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
Expenditures:										
General Government	\$ 3,457,032	\$ 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
Public Safety	14,180,295	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
Highways & Streets	2,427,187	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
Health & Welfare	2,123,230	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
Culture & Recreation	3,027,360	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
Capital Outlay	82,097	285,260	812,263	1,175,649	1,411,576	525,728	398,916	1,879,673	1,210,517	1,197,032
Debt Payments	68,011	11,004	101,080	-	79,296	-	-	13,136	-	-
Total Expenditures	\$ 25,365,212	\$ 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
Excess (Deficiency) of Revenues Over/(Under) Expenditures	204,513	760,358	2,480,582	1,228,932	549,690	(151,498)	(631,378)	(882,536)	2,576,292	1,907,181
Budgeted Transfers and Other Financing Sources (Uses)	424,979	475,575	322,696	(585)	(816,281)	19,977	232,563	1,214,559	(39,150)	480,194
Excess of Revenues Other Financing Sources (Uses) Over (Under) Expenditures & Others	629,492	1,235,933	2,803,278	1,228,347	(266,591)	(131,521)	(398,815)	332,023	2,537,142	2,387,375
Beginning Fund Balance	5,427,508	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
Ending 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

Table 7

City of Harlingen, Texas
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending September 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ 134,436	\$ 21,547	\$ 32,883	\$ 54,783	\$ 19,865	\$ 9,148	\$ 4,887	\$ 8,080	\$ 15,636	\$ 14,336
Unassigned	5,922,564	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
Subtotal General Fund	6,057,000	7,292,932	10,156,118	11,324,558	11,057,967	10,926,446	10,527,631	10,859,654	13,396,796	15,784,171
General Fund % Change	11.8%	20.4%	39.3%	11.5%	-2.4%	-1.2%	-3.6%	3.2%	23.4%	17.8%
All Other Governmental Funds										
Nonspendable	336,265	400,322	441,106	457,202	611,276	876,583	6,789	798	1,104	1,465
Committed	1,715,759	2,332,248	3,624,928	4,141,074	6,700,109	5,965,927	6,654,199	1,606,602	1,480,266	1,567,142
Restricted	5,404,253	7,338,141	10,275,822	34,316,072	20,841,711	12,481,310	13,051,939	11,534,935	9,509,122	11,898,209
Unassigned	-	-	-	-	-	-	-	(51,761)	(837,933)	(195,429)
Subtotal All Other Governmental Funds	7,456,277	10,070,711	14,341,856	38,914,348	28,153,096	19,323,820	19,712,927	13,090,574	10,152,559	13,271,387
Total Governmental Funds	\$ 13,513,277	\$ 17,363,643	\$ 24,497,974	\$ 50,238,906	\$ 39,211,063	\$ 30,250,266	\$ 30,240,558	\$ 23,950,228	\$ 23,549,355	\$ 29,055,558
All Governmental Funds Percentage Change	49.02%	28.49%	41.09%	105.07%	-21.95%	-22.85%	-0.03%	-20.80%	-1.67%	23.38%

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
2004	11,415,256	11,994,448	2,856,332	817,982	27,084,018
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	3,165,863	882,322	35,768,402
2013	17,600,278	15,873,690	3,072,593	907,944	37,454,505
Percentage Change In Dollars Over 10 Years	<u>54.18%</u>	<u>32.34%</u>	<u>7.57%</u>	<u>11.00%</u>	<u>38.29%</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 & Industrial	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
2004	\$ 850,030,082	\$ 59,294,125	\$ 68,439,929	\$ 94,081,088	\$ 9,223,851	\$ 527,941,754	\$ 73,862,649	\$ 298,746,099	\$ 21,931,460	\$ 4,960,798	\$ 17,792,800	\$ -	\$ 2,024,304,645	\$ 124,903,428	\$ 7,929,863	\$ 1,907,331,080	0.579844	9.29%
2005	919,568,724	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	2,028,834,967	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	317,068,469	25,371,340	5,618,275	18,125,295	806,614	2,255,567,205	130,823,725	-	2,124,743,480	0.590559	4.73%
2007	1,120,198,367	75,277,924	77,523,866	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	-	2,328,478,980	0.590000	9.59%
2008	1,203,276,059	87,364,093	77,954,373	106,785,310	11,698,515	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	25,694,139	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	667,099,872	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	80,612,765	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	1,388,138,082	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	22,484,609	165,626,270	3,187,228,236	244,868,703	79,157,227	2,863,202,306	0.588827	6.19%

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																			
2004	41.95%	2.93%	3.36%	4.65%	0.46%	26.08%	3.65%	14.66%	1.08%	0.25%	0.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2005	42.56%	2.95%	3.29%	4.63%	0.46%	26.13%	3.42%	14.41%	1.14%	0.17%	0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	5.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	5.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	5.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	5.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	44.31%	3.93%	2.86%	3.24%	0.40%	22.61%	2.36%	12.39%	0.84%	0.29%	0.53%	6.23%	6.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	6.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	42.93%	4.30%	2.44%	3.26%	0.41%	25.66%	2.02%	12.32%	0.61%	0.15%	0.71%	5.20%	5.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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	
2004	0.418831	0.161113	0.579944	1.545000	0.039200	0.358191	2.522335
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

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
2004	2003	11,061,452	10,516,821	95.08%	290,831	10,807,652	97.71%	106,470	0.96%
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%

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, 2013 and 2004

Principal Taxpayer	Type of Business	Percentage Of Total Taxable Assessed		Principal Taxpayer	Type of Business	Percentage Of Total Taxable Assessed	
		FY 2013 Taxable Assessed	Valuation			FY 2004 Taxable Assessed	Valuation
VHS Harlingen Hospital Company LLC	Medical Services	\$82,442,845	2.93%	Harlingen Medical Center Limited	Medical Real Estate Developers	\$29,138,203	1.53%
United Launch Alliance, LLC	Aviation Aerospace	\$38,271,757	1.36%	Lockheed Martin	Aviation Aerospace Cont.	26,375,313	1.38%
Boyer Harlingen LC	Real Estate Developers	27,955,724	0.99%	AEP Texas Central	Electricity Suppliers	21,956,130	1.15%
Harlingen Medical Center Realty LLC	Medical Real Estate Developers	23,852,478	0.85%	Southwestern Bell Telephone	Telephone Utility	18,275,381	0.96%
VHS Harlingen Hospital Co LLC	Medical Services	21,111,118	0.75%	Valley Baptist Medical Dev. Corp.	Medical Services	18,948,629	0.99%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.74%	Simon Property Group	Shopping Center Operations	18,275,381	0.96%
AEP Texas Central Company	Electricity Suppliers	20,311,990	0.72%	Harlingen Medical Center	Medical Services	16,183,637	0.85%
Valley Baptist Realty Corp. Map	Medical Real Estate Developers	17,078,945	0.61%	U.S. Ins II LLC	Construction/Developers	10,386,064	0.54%
Valley Baptist Realty Corp.	Medical Real Estate Developers	13,227,498	0.47%	Texas Cable Partners, LP	Cable TV Company	8,724,024	0.46%
Harlingen Venture No Two LP	Shopping Center Operations	12,668,434	0.45%	H.E. Butt Grocery Company	Retail Grocers	8,661,403	0.45%
		<u>\$277,763,908</u>	<u>9.87%</u>			<u>\$176,924,165</u>	<u>9.28%</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>
2004	2.00%	6.25%	8.25%
2005	2.00%	6.25%	8.25%
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%
2012	2.00%	6.25%	8.25%
2013	2.00%	6.25%	8.25%

Table 14

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2012 and 2013

Category:	Fiscal 2012		Fiscal 2013		Total		Category:	Fiscal 2012		Fiscal 2013		Total
	Fiscal	% of Total	Fiscal	% of Total	Fiscal	% of Total		Fiscal	% of Total	Fiscal	% of Total	
Administrative Mgt and General Mgt Consulting Services	788	0.0039%	(265)	-0.0012%	523	0.0027%	Communications Equipment Repair and Maintenance	8	0.0000%	11	0.0001%	19
Advertising Agencies	4,113	0.0201%	3,319	0.0155%	7,432	0.0356%	Communications Services, Not Elsewhere Classified	370	0.0018%	714	0.0033%	1,084
AI-Conditioning & Heating Equip and Com & Ind Refrig Equip Mfg	6,741	0.0330%	15,053	0.0701%	21,794	0.1031%	Computer and Computer Peripheral Equip and Software Merchant Wholesalers	7,256	0.0355%	2,512	0.0117%	9,768
All Other Automotive Repair And Maintenance	1,684	0.0082%	2,141	0.0100%	3,825	0.0183%	Computer and Office Machine Repair and Maintenance	40,638	0.1988%	30,722	0.1431%	71,360
All Other Business Support Services	3,485	0.0170%	11,647	0.0542%	15,132	0.0714%	Computer and Software Stores	59,827	0.2927%	60,231	0.2805%	120,058
All Other Consumer Goods Rental	24,767	0.1212%	19,173	0.0893%	43,940	0.2085%	Computer Maintenance and Repair	3,285	0.0161%	3,668	0.0171%	6,953
All Other General Merchandise Stores	402,449	2.1643%	437,452	2.0375%	839,901	3.9998%	Computer Related Services, Not Elsewhere Classified	3,466	0.0169%	3,960	0.0184%	7,426
All Other Health and Personal Care Stores	5,279	0.0258%	4,355	0.0203%	9,634	0.0453%	Computer Systems Design Services	21,797	0.1066%	20,846	0.0962%	42,643
All Other Home Furnishings Stores	64,026	0.3132%	62,236	0.2895%	126,262	0.5990%	Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing	156	0.0008%	-	0.0000%	156
All Other Information Services	1,494	0.0073%	10,121	0.0471%	11,615	0.0542%	Consumer Electronics and Appliances Rental	30,453	0.1490%	28,988	0.1327%	59,441
All Other Miscellaneous Electrical Equip and Component Mfg	62	0.0003%	271	0.0013%	333	0.0016%	Consumer Lending	2,666	0.0130%	4,613	0.0215%	7,279
All Other Miscellaneous Fabricated Metal Product Mfg	-	0.0000%	126	0.0006%	126	0.0006%	Convenience Stores	63,927	0.3127%	58,889	0.2710%	122,816
All Other Miscellaneous Mfg	-	0.0000%	19,396	0.0093%	19,396	0.0093%	Corporate, Subsidiary, and Regional Managing Offices	30,405	0.1487%	28,217	0.1314%	58,622
All Other Miscellaneous Store Retailers (except Tobacco Stores)	111,764	0.5467%	111,913	0.5213%	223,677	1.0476%	Cosmetics, Beauty Supplies, and Perfume Stores	19,179	0.0938%	16,287	0.0759%	35,466
All Other Nonresidential Trade Contractors	1,001	0.0049%	-	0.0000%	1,001	0.0049%	Credit Bureaus	2,649	0.0130%	3,097	0.0144%	5,746
All Other Nondepository Credit Intermediation	53,278	0.2606%	49,067	0.2285%	102,345	0.4811%	Custom Computer Programming Services	68,113	0.3332%	47,922	0.2232%	116,035
All Other Personal Services	6,195	0.0303%	10,850	0.0505%	17,045	0.0790%	Data Processing, Hosting, and Related Services	23,469	0.1148%	21,829	0.1017%	45,298
All Other Plastics Product Mfg	1,069	0.0052%	1,023	0.0048%	2,092	0.0097%	Dental Equip and Supplies Mfg	1,709	0.0084%	1,452	0.0068%	3,161
All Other Professional, Scientific, and Technical Services	7,169	0.0351%	9,770	0.0455%	16,939	0.0780%	Department Stores (except Discount Department Stores)	1,177,370	5.7594%	1,173,331	5.4651%	2,350,701
All Other Publishers	2,721	0.0133%	2,713	0.0126%	5,434	0.0259%	Detective, Guard, and Armored Car Services	9,420	0.0461%	4,028	0.0188%	13,448
All Other Specialty Food Stores	30,248	0.1480%	27,031	0.1259%	57,279	0.2707%	Digital Printing	2,445	0.0120%	1,894	0.0088%	4,339
All Other Specialty Trade Contractors	4,983	0.0244%	3,437	0.0160%	8,420	0.0394%	Direct Life Insurance Carriers	-	0.0000%	32	0.0001%	32
All Other Telecommunications	48,381	0.2376%	69,996	0.3260%	118,377	0.5526%	Direct Property and Casualty Insurance Carriers	-	0.0000%	528	0.0025%	528
Analytical Laboratory Instrument Mfg	1,021	0.0050%	153	0.0007%	1,174	0.0057%	Discount Department Stores	1,601,423	7.8338%	1,584,247	7.3790%	3,185,670
Appliance Repair and Maintenance	9,179	0.0449%	8,803	0.0410%	17,982	0.0839%	Disinfecting and Pest Control Services	5,384	0.0263%	6,190	0.0288%	11,574
Audio and Video Equip Mfg	12	0.0001%	85	0.0004%	97	0.0005%	Display Advertising	-	0.0000%	359	0.0017%	359
Auto and Home Supply Stores	7,414	0.0363%	4,191	0.0195%	11,605	0.0541%	Drinking Places (Alcoholic Beverages)	46,726	0.2286%	57,739	0.2689%	104,465
Automobile and Other Motor Vehicle Merchant Wholesalers	2,135	0.0104%	3,048	0.0142%	5,183	0.0241%	Drugs and Druggists' Sundries Merchant Wholesalers	3,204	0.0157%	2,980	0.0120%	6,184
Automotive Body, Paint, and Interior Repair and Maintenance	43,394	0.2149%	28,399	0.1323%	71,793	0.3372%	Drycleaning and Laundry Services (except Coin-Operated)	23,924	0.1170%	20,883	0.0973%	44,807
Automotive Glass Replacement Shops	2,877	0.0141%	1,372	0.0064%	4,249	0.0195%	Durable Goods, Not Elsewhere Classified	1,036	0.0051%	3,795	0.0177%	4,831
Automotive Oil Change and Lubrication Shops	832	0.0041%	18,392	0.0857%	19,224	0.0894%	Eating Places	172,644	0.8445%	177,193	0.8253%	349,837
Automotive Parts and Accessories Stores	263,743	1.2902%	264,915	1.2339%	528,658	2.4641%	Educational Support Services	1,411	0.0069%	100	0.0005%	1,511
Baked Goods Stores	-	0.0000%	146	0.0007%	146	0.0007%	Electric Power Distribution	877,894	4.2944%	821,325	3.8255%	1,699,219
Barber Shops	1,063	0.0052%	-	0.0000%	1,063	0.0052%	Electric Services	21,059	0.1030%	12,805	0.0596%	33,864
Beauty Salons	6,973	0.0341%	4,704	0.0219%	11,677	0.0540%	Electrical And Electronic Appliance, Television, Radio Set Merchant Wholesalers	798	0.0039%	2,389	0.0111%	3,187
Beauty Shops	8,844	0.0433%	8,830	0.0411%	17,674	0.0814%	Electrical and Electronic Repair Shops, Not Elsewhere	3,250	0.0159%	2,656	0.0124%	5,906
Beer, Wine, and Liquor Stores	121,945	0.5965%	122,527	0.5707%	244,472	1.1232%	Electrical Apparatus And Equip, Wiring Supplies, and Related Equip Wholesalers	46,995	0.2239%	45,819	0.2134%	92,814
Book Publishers	8,694	0.0425%	8,337	0.0388%	17,031	0.0793%	Electrical Contractors And Other Wiring Installation Contractors	9,914	0.0485%	12,684	0.0591%	22,598
Book Stores	-	0.0000%	172	0.0008%	172	0.0008%	Electrical Work	14,078	0.0689%	2,315	0.0108%	16,393
Building Cleaning and Maintenance Services, Not	16,132	0.0789%	8,149	0.0380%	24,281	0.1127%	Electromedical and Electrotherapeutic Apparatus Mfg	2,547	0.0125%	-	0.0000%	2,547
Building Cleaning and Maintenance Services, Not	10,619	0.0519%	10,595	0.0493%	21,214	0.0981%	Electronic Computer Mfg	8,846	0.0433%	8,706	0.0405%	17,552
Burial Casket Mfg	19,486	0.0953%	12,356	0.0576%	31,842	0.1479%	Electronic Parts & Equipment, Not Elsewhere Classified	210	0.0010%	-	0.0000%	210
Business Associations	2,090	0.0102%	1,340	0.0062%	3,430	0.0157%	Electronic Shopping	21,677	0.1060%	76,370	0.3557%	98,047
Business Services, Not Elsewhere Classified	29,413	0.1439%	41,088	0.1914%	70,501	0.3233%	Elementary and Secondary Schools	1,423	0.0070%	851	0.0040%	2,274
Business to Business Electronic Markets	3,953	0.0193%	3,795	0.0177%	7,748	0.0360%	Engineering Services	23,289	0.1139%	38,717	0.1803%	62,006
Cable and Other Subscription Programming	-	0.0000%	67,651	0.3151%	67,651	0.3151%	Equipment Rental and Leasing, Not Elsewhere Classified	41,030	0.2007%	46,897	0.2184%	87,927
Cafeterias, Grill Buffets, and Buffets	171,152	0.8372%	176,861	0.8238%	348,013	1.5810%	Exterminating and Pest Control Services	94,985	0.4646%	139,130	0.6480%	234,115
Camera and Photographic Supplies Stores	243	0.0012%	-	0.0000%	243	0.0012%	Facilities Support Services	1,622	0.0079%	3,452	0.0161%	5,074
Car Washes	3,715	0.0181%	411	0.0019%	4,126	0.0192%	Family Clothing Stores	527,037	2.5781%	587,230	2.7352%	1,114,267
Carpentry Work	-	0.0000%	1,003	0.0047%	1,003	0.0047%	Financial Transactions Processing, Reserve, and Clearinghouse Activities	5,227	0.0256%	8,249	0.0384%	13,476
Carpet and Upholstery Cleaning Services	10,809	0.0529%	17,675	0.0823%	28,484	0.1314%	Fitness and Recreational Sports Centers	42,859	0.2096%	68,255	0.3179%	111,114
Catalog and Mail-Order Houses	40	0.0002%	22	0.0001%	62	0.0003%	Floor Covering Stores	6,543	0.0320%	5,732	0.0267%	12,275
Caterers	3,831	0.0187%	7,760	0.0361%	11,591	0.0538%	Florists	20,870	0.1021%	21,807	0.1016%	42,677
Children's and Infants' Clothing Stores	3,785	0.0185%	4,076	0.0190%	7,861	0.0367%	Food (Health) Supplement Stores	1,325	0.0065%	1,376	0.0064%	2,701
Claims Adjusting	1,218	0.0060%	-	0.0000%	1,218	0.0060%	Footwear Merchant Wholesalers	214	0.0010%	716	0.0033%	930
Clothing Accessories Stores	21,630	0.1058%	26,427	0.1231%	48,057	0.2231%	Full-Service Restaurants	866,019	4.2633%	903,820	4.2098%	1,769,839

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2012 and 2013

Category:	Fiscal 2012		Fiscal 2013		% of Total		Category:	Fiscal 2012		Fiscal 2013		% of Total	
	Fiscal	% of Total	Fiscal	% of Total	Fiscal	% of Total		Fiscal	% of Total	Fiscal	% of Total	Fiscal	% of Total
Collection Agencies	1,553	0.0076%	1,818	0.0085%	1,057	0.0052%	Furniture Merchant Wholesalers	1,786	0.0083%	1,786	0.0083%	1,786	0.0083%
Colleges, Universities, and Professional Schools	252	0.0012%	38	0.0002%	237,082	1.1577%	Furniture Stores	249,834	1.1637%	249,834	1.1637%	249,834	1.1637%
Commercial and Institutional Building Construction	16,494	0.0807%	40,477	0.1885%	3,698	0.0181%	Gasoline Service Stations	3,138	0.0146%	3,138	0.0146%	3,138	0.0146%
Commercial Bakeries	3,674	0.0180%	1,172	0.0055%	608,644	2.9775%	Gasoline Stations with Convenience Stores	628,534	2.9275%	628,534	2.9275%	628,534	2.9275%
Commercial Banking	2,120	0.0104%	3,381	0.0157%	42,439	0.2076%	General Automotive Repair	38,411	0.1789%	38,411	0.1789%	38,411	0.1789%
Commercial Lithographic Printing	11,231	0.0549%	11,479	0.0555%	925	0.0045%	General Line Grocery Merchant Wholesalers	3,624	0.0169%	3,624	0.0169%	3,624	0.0169%
Commercial Printing, Not Elsewhere Classified	406	0.0020%	-	0.0000%	427,354	2.0955%	General Medical and Surgical Hospitals	669,014	3.1161%	669,014	3.1161%	669,014	3.1161%
Commercial Screen Printing	716	0.0035%	842	0.0039%	-	0.0000%	General Rental Centers	7,507	0.0350%	7,507	0.0350%	7,507	0.0350%
Commercial/Industrial Machinery (Exc Auto/Electronic) Repair/Maintenance	16,497	0.0807%	13,519	0.0630%	6,701	0.0328%	General Warehousing and Storage	8,432	0.0393%	8,432	0.0393%	8,432	0.0393%
Gift, Novelty, and Souvenir Stores	94,582	0.4627%	87,757	0.4088%	2,593	0.0127%	Optical Goods Merchant Wholesalers	11,324	0.0527%	11,324	0.0527%	11,324	0.0527%
Graphic Design Services	10,076	0.0493%	7,914	0.0369%	605	0.0030%	Optical Goods Stores	1,632	0.0076%	1,632	0.0076%	1,632	0.0076%
Hardware Merchant Wholesalers	1,085	0.0053%	113	0.0005%	3,711,705	18.1567%	Other	3,996,662	18.6154%	3,996,662	18.6154%	3,996,662	18.6154%
Hardware Stores	41,447	0.2027%	40,288	0.1876%	-	0.0000%	Other Accounting Services	120	0.0006%	120	0.0006%	120	0.0006%
Hobby, Toy, and Game Stores	13,881	0.0679%	13,897	0.0647%	3,732	0.0183%	Other Activities Related to Credit Intermediation	5,848	0.0272%	5,848	0.0272%	5,848	0.0272%
Home Furnishing Merchant Wholesalers	7,957	0.0389%	6,339	0.0295%	586	0.0029%	Other Apparel Accessories and Other Apparel Mfg	845	0.0039%	845	0.0039%	845	0.0039%
Home Health Equipment Rental	1,205	0.0059%	1,574	0.0073%	216	0.0011%	Other Building Equip Contractors	277	0.0013%	277	0.0013%	277	0.0013%
Hotels (except Casino Hotels) and Motels	9,606	0.0470%	7,329	0.0341%	277,362	1.3568%	Other Building Material Dealers	213,859	0.9961%	213,859	0.9961%	213,859	0.9961%
Household Appliance Stores	252,942	1.2373%	255,892	1.1919%	12,294	0.0601%	Other Chemical and Allied Products Merchant Wholesalers	11,530	0.0537%	11,530	0.0537%	11,530	0.0537%
Independent Artists, Writers, and Performers	177	0.0009%	116	0.0005%	61,865	0.3026%	Other Clothing Stores	62,425	0.2917%	62,425	0.2917%	62,425	0.2917%
Industrial and Personal Service Paper Merchant Wholesalers	2,535	0.0124%	538	0.0025%	50,449	0.2468%	Other Commercial and Industrial Machinery and Equip Rental and Leasing	88,990	0.4103%	88,990	0.4103%	88,990	0.4103%
Industrial Machinery and Equip Merchant Wholesalers	4,983	0.0244%	8,962	0.0417%	3,449	0.0169%	Other Commercial and Service Industry Machinery Mfg	1,699	0.0079%	1,699	0.0079%	1,699	0.0079%
Industrial Machinery and Equipment	7,436	0.0364%	5,680	0.0265%	4,979	0.0244%	Other Commercial Equip Merchant Wholesalers	4,168	0.0194%	4,168	0.0194%	4,168	0.0194%
Industrial Supplies Merchant Wholesalers	14,663	0.0717%	16,803	0.0785%	758	0.0037%	Other Commercial Printing	970	0.0045%	970	0.0045%	970	0.0045%
Instruments and Related Products Mfg for Measuring, Displaying, and Controlling	133	0.0006%	20	0.0001%	101	0.0005%	Other Communications Equip Mfg	134	0.0006%	134	0.0006%	134	0.0006%
Insurance Agencies and Brokerages	70	0.0003%	-	0.0000%	508	0.0025%	Other Computer Peripheral Equip Mfg	2,830	0.0132%	2,830	0.0132%	2,830	0.0132%
Internet Publishing/Broadcasting/Web Search Portals	321	0.0016%	696	0.0032%	724	0.0035%	Other Computer Related Services	4,768	0.0222%	4,768	0.0222%	4,768	0.0222%
Investigation Services	-	0.0000%	62	0.0003%	-	0.0000%	Other Construction Material Merchant Wholesalers	10,636	0.0495%	10,636	0.0495%	10,636	0.0495%
Janitorial Services	28,398	0.1389%	22,262	0.1037%	1,647	0.0081%	Other Direct Insurance (except Life, Health, and Medical) Carriers	2,047	0.0095%	2,047	0.0095%	2,047	0.0095%
Jewelry (except Costume) Mfg	170	0.0008%	20	0.0001%	34,021	0.1664%	Other Direct Selling Establishments	26,061	0.1214%	26,061	0.1214%	26,061	0.1214%
Jewelry Stores	96,385	0.4715%	104,955	0.4889%	274,693	1.3437%	Other Electric Power Generation	378,419	1.7626%	378,419	1.7626%	378,419	1.7626%
Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	357	0.0017%	359	0.0017%	694	0.0034%	Other Electronic and Precision Equip Repair and Maintenance	582	0.0027%	582	0.0027%	582	0.0027%
Kidney Dialysis Centers	2,504	0.0122%	1,244	0.0059%	51,141	0.2502%	Other Electronic Parts and Equip Merchant Wholesalers	61,640	0.2871%	61,640	0.2871%	61,640	0.2871%
Landscaping Services	25,298	0.1238%	24,961	0.1163%	300	0.0015%	Other Grocery and Related Products Merchant Wholesalers	795	0.0037%	795	0.0037%	795	0.0037%
Lessors of Minnowhouses and Self-Storage Units	8,445	0.0413%	5,086	0.0237%	182	0.0009%	Other Mgt Consulting Services	133	0.0006%	133	0.0006%	133	0.0006%
Lessors of Nonresidential Buildings (except Minnowhouses)	-	0.0000%	326	0.0015%	3,309	0.0162%	Other Miscellaneous Durable Goods Merchant Wholesalers	11,258	0.0524%	11,258	0.0524%	11,258	0.0524%
Lessors of Other Real Estate Property	763	0.0037%	1,389	0.0065%	12,544	0.0614%	Other Miscellaneous Nondurable Goods Merchant Wholesalers	35,863	0.1670%	35,863	0.1670%	35,863	0.1670%
Limited-Service Restaurants	1,212,912	5.9333%	1,262,314	5.8795%	2,323	0.0114%	Other Personal and Household Goods Repair and Maintenance	1,637	0.0076%	1,637	0.0076%	1,637	0.0076%
Linen Supply	4,185	0.0205%	4,121	0.0192%	3,852	0.0188%	Other Professional Equip and Supplies Merchant Wholesalers	1,495	0.0070%	1,495	0.0070%	1,495	0.0070%
Luggage and Leather Good Stores	-	0.0000%	707	0.0033%	2,803	0.0137%	Other Services Related to Advertising	2,942	0.0137%	2,942	0.0137%	2,942	0.0137%
Lumber and Other Building Materials Dealers	15,034	0.0735%	7,205	0.0336%	11,372	0.0556%	Other Services to Buildings and Dwellings	9,929	0.0462%	9,929	0.0462%	9,929	0.0462%
Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	516	0.0025%	754	0.0035%	2,219	0.0109%	Paint and Coating Mfg	-	0.0000%	-	0.0000%	-	0.0000%
Mail-Order Houses	45,239	0.2213%	40,708	0.1896%	401	0.0020%	Painting and Wall Covering Contractors	1,333	0.0062%	1,333	0.0062%	1,333	0.0062%
Manufact Business Forms Printing	11,529	0.0564%	11,810	0.0550%	643	0.0031%	Passenger Car Leasing	259	0.0012%	259	0.0012%	259	0.0012%
Manufacturing Industries, Not Elsewhere Classified	-	0.0000%	-	0.0000%	643	0.0031%	Passenger Car Rental	762	0.0036%	762	0.0036%	762	0.0036%
Marketing Consulting Services	7,137	0.0349%	2,899	0.0135%	1,549	0.0076%	Periodical Publishers	1,817	0.0085%	1,817	0.0085%	1,817	0.0085%
Medical Laboratories	-	0.0000%	4,397	0.0205%	70,083	0.3428%	Pet and Pet Supplies Stores	74,502	0.3470%	74,502	0.3470%	74,502	0.3470%
Medical, Dental, and Hospital Equip and Supplies Merchant Wholesalers	390,822	1.9118%	383,704	1.7872%	1,251	0.0061%	Pet Care (except Veterinary) Services	781	0.0036%	781	0.0036%	781	0.0036%
Medical, Dental, and Hospital Equipment and Supplies	17,979	0.0879%	10,290	0.0479%	2,509	0.0123%	Petroleum and Petroleum Products Wholesalers (Except Bulk Stations/Terminals)	1,462	0.0068%	1,462	0.0068%	1,462	0.0068%
Medicinal and Botanical Mfg	54	0.0003%	39	0.0002%	8,790	0.0430%	Petroleum Bulk Stations and Terminals	7,985	0.0372%	7,985	0.0372%	7,985	0.0372%
Men's Clothing Stores	186	0.0009%	846	0.0039%	85	0.0004%	Pharmaceutical Preparation Mfg	-	0.0000%	-	0.0000%	-	0.0000%
Metal Service Centers and Other Metal Merchant Wholesalers	1,429	0.0070%	11,695	0.0545%	182,604	0.8933%	Pharmacies and Drug Stores	188,505	0.8780%	188,505	0.8780%	188,505	0.8780%
Metal Window and Door Mfg	-	0.0000%	127	0.0006%	-	0.0000%	Photographic Equip and Supplies Merchant Wholesalers	63	0.0003%	63	0.0003%	63	0.0003%
Miscellaneous Apparel and Accessory Stores	965	0.0047%	1,308	0.0061%	16,343	0.0795%	Photography Studios, Portrait	12,271	0.0572%	12,271	0.0572%	12,271	0.0572%
Miscellaneous Food Stores	3,156	0.0154%	3,334	0.0155%	27,506	0.1346%	Plumbing and Heating Equip and Supplies (Hydronics) Merchant Wholesalers	36,717	0.1710%	36,717	0.1710%	36,717	0.1710%
Miscellaneous General Merchandise Stores	18,276	0.0894%	46,793	0.2180%	35,749	0.1749%	Plumbing, Heating and Air-Conditioning	33,038	0.1539%	33,038	0.1539%	33,038	0.1539%

City of Harlingen
Taxable Sales by Category
For Fiscal Years Ending September 30, 2012 and 2013

Category:	Fiscal 2012	% of Total	Fiscal 2013	% of Total	Fiscal 2012	% of Total	Fiscal 2013	% of Total
Miscellaneous Homefurnishings Stores	3,831	0.0187%	2,700	0.0126%	20,927	0.1024%	24,134	0.1124%
Miscellaneous Personal Services, Not Elsewhere	491	0.0024%	221	0.0010%	376	0.0018%	-	0.0000%
Miscellaneous Retail Stores, Not Elsewhere Classified	126,714	0.6199%	120,712	0.5622%	5,578	0.0273%	5,607	0.0261%
Mobile Food Services	5,688	0.0278%	8,253	0.0384%	19,428	0.0950%	16,948	0.0789%
Motor Vehicle Supplies and New Parts	7,251	0.0355%	2,831	0.0132%	-	0.0000%	785	0.0037%
Motor Vehicle Supplies and New Parts Merchant Wholesalers	105,894	0.5180%	81,577	0.3800%	-	0.0000%	63	0.0003%
Musical Instrument and Supplies Stores	14,719	0.0720%	26,440	0.1231%	98,754	0.4831%	93,916	0.4374%
New Car Dealers	154,794	0.7572%	161,111	0.7504%	-	0.0000%	560	0.0026%
New Single-Family Housing Construction (except Operative Builders)	755	0.0037%	22,794	0.1062%	-	0.0000%	227	0.0011%
Newspaper Publishers	248	0.0012%	274	0.0013%	101	0.0005%	187	0.0009%
Nondurable Goods, Not Elsewhere Classified	2,065	0.0101%	-	0.0000%	5,681	0.0278%	5,475	0.0255%
Nonresidential Electrical Contractors	10,464	0.0512%	4,941	0.0230%	9,705	0.0475%	5,560	0.0259%
Nonresidential Plumbing and HVAC Contractors	5,535	0.0271%	4,547	0.0212%	471	0.0023%	-	0.0000%
Office Administrative Services	4,251	0.0208%	487	0.0023%	22,450	0.1098%	17,474	0.0814%
Office Equipment Merchant Wholesalers	5,785	0.0283%	10,167	0.0474%	6,350	0.0311%	4,461	0.0208%
Office Machinery and Equip Rental and Leasing	32,591	0.1614%	45,619	0.2125%	45,357	0.2219%	31,220	0.1454%
Office Machinery Mfg	158	0.0008%	-	0.0000%	135	0.0007%	-	0.0000%
Office Supplies and Stationery Stores	130,387	0.6378%	124,458	0.5797%	1,456	0.0071%	1,238	0.0058%
Offices of Other Holding Companies	546	0.0027%	2,293	0.0107%	10,261	0.0502%	35,979	0.1676%
Sales Financing	19,976	0.0977%	20,678	0.0963%	189,755	0.9282%	51,718	0.2409%
Satellite Telecommunications	190	0.0009%	186	0.0009%	-	0.0000%	203	0.0009%
Security Guards and Patrol Services	174	0.0008%	352	0.0016%	8,412	0.0412%	7,532	0.0351%
Security Systems Services (except Locksmiths)	24,130	0.1180%	35,093	0.1635%	25,288	0.1237%	30,531	0.1422%
Service Establishment Equip and Supplies Merchant Wholesalers	35,839	0.1753%	44,617	0.2078%	64,383	0.3149%	70,598	0.3288%
Services, Not Elsewhere Classified	2,881	0.0141%	-	0.0000%	426	0.0021%	675	0.0031%
Shoe Stores	156,564	0.7659%	165,258	0.7697%	63,337	0.3098%	86,847	0.4045%
Sign Mfg	31,369	0.1534%	8,743	0.0407%	22	0.0001%	103	0.0005%
Site Preparation Contractors	535	0.0026%	2,313	0.0108%	-	0.0000%	105	0.0005%
Small Arms Mfg	-	0.0000%	235	0.0011%	11,544	0.0565%	9,569	0.0446%
Snack and Nonalcoholic Beverage Bars	50,004	0.2446%	58,928	0.2745%	2,371	0.0116%	2,489	0.0116%
Soft Drink Mfg	13,786	0.0674%	10,646	0.0496%	3,091	0.0151%	1,539	0.0072%
Software Publishers	3,898	0.0191%	7,091	0.0330%	58,819	0.2877%	69,694	0.3246%
Software Reproducing	692	0.0034%	6,027	0.0281%	3,322	0.0163%	-	0.0000%
Solid Waste Collection	2,038	0.0100%	1,372	0.0065%	863	0.0042%	955	0.0044%
Special Trade Contractors, Not Elsewhere Classified	12,924	0.0632%	14,660	0.0683%	35,065	0.1715%	30,810	0.1435%
Sporting and Athletic Goods Mfg	15,175	0.0742%	2,492	0.0116%	431	0.0021%	745	0.0035%
Sporting and Recreational Goods and Supplies Merchant Wholesalers	1,084	0.0053%	1,200	0.0056%	425,435	2.0811%	321,050	1.4954%
Sporting Goods Stores	397,543	1.9447%	405,289	1.8877%	684,064	3.3463%	849,591	3.9572%
Stationary and Office Supplies Merchant Wholesalers	3,033	0.0148%	3,242	0.0151%	281	0.0014%	1,623	0.0076%
Supermarkets and Other Grocery (except Convenience) Stores	813,021	3.9771%	850,358	3.9607%	97,145	0.4752%	97,622	0.4547%
Surgical and Medical Instrument Mfg	28,938	0.1416%	27,241	0.1269%	490	0.0024%	559	0.0026%
Surgical Appliance and Supplies Mfg	6,795	0.0332%	4,272	0.0199%	20,442,587	100.0000%	21,469,662	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

City of Harlingen, Texas
Ratio of Total Debt Outstanding by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business Type		Total Primary Government	Percentage of Personal Income	Per Capita
	Notes Payable	Rebatable Arbitrage	General Obligaton Debt	Certificates of Obligation Debt	Activities				
					Debt				
2004	122,515	0	10,790,000	7,800,000	0	18,712,515	1.72%	1,095	
2005	104,887	0	14,775,000	4,785,000	0	19,664,887	1.74%	1,102	
2006	354,427	0	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	0	24,265,000	24,060,000	60,000	48,547,789	3.49%	2,270	
2009	89,771	0	23,040,000	23,325,000	30,000	46,484,771	2.77%	2,076	
2010	13,136	0	23,590,000	23,745,000	0	47,348,136	3.18%	2,061	
2011	886,416	0	22,160,000	22,890,000	0	45,936,416	3.05%	1,999	
2012	1,208,323	0	20,885,000	22,340,000	0	44,433,323	2.95%	1,934	
2013	786,416	0	19,465,000	27,140,000	0	47,391,416	3.02%	1,982	

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

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2013

<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	\$47,391,416	100.00%	\$47,391,416
<u>OVERLAPPING DEBT</u>			
Cameron County	73,615,657	0.01%	9,786
Harlingen Consolidated Independent School District	153,583,000	100.00%	153,583,000
Rio Hondo Independent School District	22,640,833	1.89%	428,931
San Benito Independent School District	<u>93,945,000</u>	1.85%	<u>1,735,236</u>
Overlapping Debt	\$343,784,490		
Total Direct and Overlapping Debt	<u><u>\$391,175,906</u></u>		<u><u>\$203,148,369</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
Legal Debt Margin
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Value	\$1,907,331,080	\$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
Legal Debt Margin										
Legal Debt Limit										
\$2.50 per \$100 of assessed valuation	\$47,683,277	\$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
General Obligation Bonds	10,790,000	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
Deduct Amount Available in Debt Service Fund	(335,794)	(300,037)	(3,374,766)	(348,648)	(498,901)	(495,882)	(515,108)	(591,967)	(689,181)	(972,813)
Applicable Debt Margin	10,454,206	14,474,963	12,985,234	24,916,352	23,766,099	22,544,118	23,074,892	21,568,033	20,195,819	18,492,187
Legal Debt Margin	\$ 37,229,071	\$ 36,245,912	\$ 40,133,353	\$ 33,295,623	\$ 37,768,732	\$ 41,627,062	\$ 43,807,021	\$ 45,206,653	\$ 47,210,232	\$ 53,087,871
As a % of debt limit	78.08%	71.46%	75.55%	57.20%	61.38%	64.87%	65.50%	67.70%	70.04%	74.17%

City of Harlingen, Texas
Economic and Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	* Population	Personal Income	Per Capita Personal Income (PCPI)	Median Age	School Enrollment	Unemployment Rate
2004	63,668	1,088,340,792	17,094	31.9	17,520	6.1%
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%

Sources: Harlingen Economic Development Corporation

Harlingen Consolidated Independent School District

Bureau of Economic Analysis - US Department of Commerce--Brownsville-Harlingen MPA (PCPI)

US Census Bureau

* Estimate

** 2010 Census

City of Harlingen, Texas
Principal Employers
For the Fiscal Years Ending September 30, 2013 and 2004

Name of Employer	2013			2004			
	Number of Employees	Rank	Percentage of Total City Employment	Name of Employer	Number of Employees	Rank	Percentage of Total City Employment
Harlingen Consolidated Independent School District	2,848	1	11.19%	Harlingen Consolidated Independent School District	2,444	1	10.37%
Valley Baptist Medical Center	1,930	2	7.59%	Valley Baptist Medical Center	1,723	2	7.31%
Advanced Call Center Technologies	1,250	3	4.91%	EchoStar Communications	1,086	3	4.61%
Dish Network	1,013	4	3.98%	Vicki Roy Home Health	878	4	3.73%
Vicki Roy Home Health	719	5	2.83%	City of Harlingen	546	5	2.32%
Texas State Technical College	599	6	2.35%	Texas State Technical College	541	6	2.30%
City of Harlingen	593	8	4.00%	Department of State Health Services	410	7	1.74%
HEB (3) Harlingen Locations	592	7	2.33%	Harlingen Medical Center	395	8	1.68%
Harlingen Medical Center	546	9	2.15%	H.E.B.	359	9	1.52%
Rio Grande State Center	529	10	2.08%	Advanced Call Center Technologies	353	10	1.50%
Total Principal Employers	10,619		41.74%	Total Principal Employers	8,735		37.08%
Other Employers	14,823		58.26%	Other Employers	14,824		62.92%
Total Employers	25,442		100.00%	Total Employers	23,559		100.00%

City of Harlingen, Texas
City Employees by Function/Program
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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	2	3	3	3	3	3	3	3
Internal Auditor	0	1	1	1	1	1	1	1	1	1
Total Administrative Services	7	8	8	9						
<u>Human Resources</u>										
Human Resources	4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5	3
Civil Service	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1
Risk Management	3	3	3	3	3	3	3	3	3	3
Total Human Resources	9	8.0	8.0	8	8	8	8	8	7	7
<u>Police Department</u>										
Police Department	118	127	127	127	127	127	127	134	134	134
Police Services	50	50	48	48	48	48	48	49	49	52
Total Police Department	168	177	175	175	175	175	175	183	183	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	5	6	6	6
Total Fire Department	112	113	113	113						
<u>Financial Services</u>										
Finance	12	12	12	12	12	12	12	12	11	11
Municipal Court	8.5	9	9	10	11	11	11	10	10	10
Vital Statistics	3	3	3	3	3	4	4	4	4	4
Management Info. Systems	4	4	6	6	6	6	6	6	6	3
Total Financial Services	27.5	28	30	31	32	33	33	32	31	28
<u>Development Services</u>										
Planning & Development	7	6.9	6	6	5	5	5	5	5	5
Engineering	1	1	1	2	4.5	4	4	4	4	5
Building Inspection	8	9	8	8	8	7	7	7	7	6
Public Buildings	18.3	18.3	18.3	18	17.5	19	19	19	19	19
Animal Control	4	4	4	4	4	4	4	4	4	4
Environmental Health	8	8	5	5	5	5	5	5	5	5
Storm Water Management	0	0	0	0	0	0	1	1	1	1
Code Enforcement	0	0	5	5	5	8	8	8	8	8
Total Development Services	46.3	47.2	47.3	48	49	52	53	53	52	53
<u>Public Works</u>										
Public Works Administration	3.3	4.1	3.2	2.7	3	5	5	4	4	4
Street Maintenance	26.1	26.1	26.1	26.4	26	25	25	25	25	25
Street Cleaning	6	6	6	6	6	6	6	6	6	6
Sanitation Landfill	15.5	13.9	15.2	13.2	12.2	11	11	10	10	10
Sanitation Recycling Center	1	1	1	1	1	1	1	2	2	2
Sanitation	38.1	38.2	38.2	39.1	39.3	45	43	44	42	42
Traffic Signal Maintenance	4	4	4	4	4	4	4	4	4	4
Internal Services	11	11	10.2	10.2	10.2	10	10	10	10	10
Metropolitan Planning Org.	3	3.1	3	3	3	3	3	3	3	3
Total Public Works	108	107.4	106.9	105.6	104.7	110	108	108	106	106
<u>Public Services</u>										
Public Services Administration	2	2	2	2	2	2	2	2	2	2
Parks	35	39	39	39	28	14	14	14	16	18
Parks Maintenance	0	0	0	0	0	13	13	13	17	17
Recreation	4	4	4	4	4	4	4	4	4	3
Pendleton Pool	0	0	7	7	8	8	8	8	8	8
Municipal Golf Course	27	27	27	27	27	24	24	24	24	24
Municipal Auditorium	2	2	2	2.2	2.2	2	2	2	2	2
Library	28	26	26	26	26	26	26	26	25	25
Harlingen Arts & Heritage Museum	7	2	2	2.2	2.2	3	3	3	3	3
Total Public Services	105	102	109	109.4	99.4	96	96	96	101	102
<u>Community Destination</u>										
C.D.B.G.	6	6	6	6	6	6	6	6	4	4
Harlingen Downtown District	3	2.5	3	3	3	3	3	3	3	3
La Placita District	1	1	0	0	0	0	0	0	0	0
Convention & Visitor's Bureau	0	0	0	0	0	0	3	3	3	3
EDC	0	0	0	0	3	4	4	5	5	5
Total Community Destination	10	9.5	9	9	12	13	16	17	15	15
<u>Valley International Airport</u>										
Airport	40	40	40	38	39	47	49	40	39	49
Total Valley International Airport	40	40	40	38	39	47	49	40	39	49
<u>Harlingen Waterworks System</u>										
Waterworks	77.5	71.6	70.3	69.2	71.7	70.6	68.25	66.75	104.0	104.5
Wastewater	92	73.1	80.4	90.4	82.2	69.8	72.25	69.75	31.5	31.5
Total Harlingen Waterworks	169.5	144.7	150.7	159.6	153.9	140.4	140.5	136.5	135.5	136.0
Grand Total	802.3	783.8	795.9	804.6	794.0	795.4	799.5	795.5	791.5	804.0

City of Harlingen, Texas
 Operating Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	17	16	16	13	13	13
Scheduled airplane flights per day arriving:	17	17	17	17	17	16	16	13	13	13
Passenger enplaning and deplaning per year (approximate)	851,377	859,473	857,135	875,427	824,084	744,379	726,424	700,520	664,805	606,635
Fire Protection										
Number of stations:	7	7	7	7	7	7	7	7	7	7
Number of hydrants:	2,005	2,167	2,287	2,287	2,322	2,335	2,335	1,990	1,990	2,519
Number of fighters:	107	107	107	107	109	109	110	110	110	109
Employees per 1,000 population:	1.68	1.68	1.65	1.59	1.60	1.45	1.60	1.69	1.69	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	1
Number of sworn officers:	127	127	127	127	127	131	132	128	132	131
Sworn officers per 1,000 population:	1.99	2.00	1.95	1.9	1.88	1.74	1.76	1.98	1.76	1.75
Libraries										
Number of libraries (public):	1	1	1	1	1	1	1	1	1	1
Number of volumes:	181,368	159,671	151,017	145,637	170,512	148,928	173,068	169,121	157,061	168,643
Circulation of volumes:	171,306	156,116	168,038	132,850	134,335	115,393	111,430	117,768	148,460	177,061
Circulation per capita:	4.40	3.79	2.58	2.1	2.1	1.5	1.7	3.68	3.98	4.75
Library cards in force (approximate)	38,854	41,182	37,552	39,954	39,954	27,415	27,570	32,025	37,281	37,281
Parks and Recreation										
Park acreage developed:	436	643	643	643	723	723	723	723	723	723
Park acreage undeveloped:	81	648	648	648	568	568	568	568	568	568
Private golf course:	3	3	3	3	3	3	3	2	2	3
Public golf course:	1	1	1	1	1	1	1	2	2	3
Number of holes:	72	72	72	72	72	72	72	72	72	90
Playgrounds:	18	18	18	18	18	18	18	18	18	18
Streets										
Miles of paved streets:	250.21	255.16	235.76	237.89	240.19	251.71	254.48	257.32	257.88	259.08
Miles of unpaved streets:	7.08	8.71	8.71	8.71	11.07	11.07	10.98	11.73	11.73	11.73
Miles of alleys:	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	66.69
Miles of paved alleys:	13.8	13.63	13.63	13.85	13.63	13.63	13.76	13.76	13.76	15.44
Miles of sidewalks:	40.85	40.75	40.75	40.75	41.25	47.52	47.52	48.21	50.00	102.32
Number of streetlights:	3,467	3,562	3,410	3,483	3,527	3,572	3,597	3,653	3,751	3,858

City of Harlingen, Texas
 Operating Statistics by Function/Program
 Last Ten Fiscal Years

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

Function/Program

GOVERNMENTAL FACILITIES - Continued

Utilities

Water System

Number of water plants: 2 2 2 2 2 2 2 2 2 2
 Miles of water mains: 463 472.79 478.69 486.63 490.5 492.58 493 493 500 500
 Daily average consumption: 11 MGD 13.8 MGD 12.56 MGD 9.42 MGD 12.56 MGD 12.83 MGD 10.03 MGD 13.0 MGD 13.3 MGD 13.1 MGD
 Plant capacity: 30 MGD 35 MGD 39 MGD 38.8 MGD 38.8 MGD 26.0 MGD 28.0 MGD 28.0 MGD 35.0 MGD 35.0 MGD
 Number of service connections: 24,404 22,102 23,133 23,357 23,581 23,996 23,824 24,144 24,445 24,592
 Storage tank capacity: 22.75 MG 22.75 MG

Sewage System

Number of disposal plants: 2 2 2 2 2 2 2 2 2 2
 Miles of sanitary sewers: 273 281.08 286.84 295.54 300.45 306.14 310 310 313 314
 Number of lift stations: 77 74 78 77 74 70 69 69 63 58
 Combined daily average treatment 6.0 MGD 6.0 MGD 6.11 MGD 6.11 MGD 6.742 MGD 6.2 MGD 6.2 MGD 6.2 MGD 5.8 MGD 5.7 MGD
 Maximum capacity of treatment plant: 9.7 MGD 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
 number of service connections: 17,159 17,961 18,676 18,790 19,008 19,197 19,226 19,457 19,633 19,762

Schools

Texas State Technical College - Harlingen

Number of classrooms: 164 189 166 192 220 223 184 185 151 212
 Number of administrative personnel: 11 11 11 9 8 8 11 11 11 11
 Number of full-time professors: 161 162 160 149 154 155 157 148 157 156
 Number of full-time students: 4,434 4,881 4,464 4,384 4,290 4,486 5,526 5,400 4,868 5,217
 Number of part-time students: 6,175 7,845 8,041 7,797 9,861 11,530 11,091 11,595 10,702 9,054
 Major counties served: 4 4 4 4 4 4 4 4 4 4
 Annual budget: 45.2 million 43.8 million 48.5 million 49.7 million 49.8 million 49.4 million 57.6 million 61 million 58 million 67 million

Harlingen Consolidated Independent School District

Number of square miles: 82.85 82.85 82.85 82.85 62.65 82 82 82 82 82
 Total number of school buildings: 25 26 26 26 27 28 28 28 28 30
 Elementary campuses: 16 16 16 16 16 17 17 17 17 17
 Middle school campuses: 4 5 5 5 5 5 5 5 5 5
 High school campuses: 2 2 2 2 3 3 3 3 3 4
 Elementary Alternative Education: 1 1 1 1 1 1 1 1 1 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: 1,100 1,039 1,118 1,122 1,140 1,193 1,230 1,201 1,176 1,203
 Number of students: 17,520 17,341 17,580 17,684 17,894 18,081 18,225 18,146 18,176 18,360
 Annual budget: 115.9 million 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
 Net bonded - indebtedness: 138.9 million 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

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)
2004	\$ 18,590,000	\$ 335,794	\$ 18,254,206	0.90%	\$ 287
2005	19,560,000	300,037	19,259,963	0.89%	304
2006	20,075,000	334,766	19,740,234	0.88%	297
2007	49,695,000	348,648	49,346,352	1.87%	733
2008	48,385,000	498,901	47,886,099	1.73%	736
2009	46,395,000	495,882	45,899,118	1.60%	612
2010	47,335,000	515,108	46,819,892	1.58%	722
2011	45,050,000	591,967	44,458,033	1.49%	679
2012	43,225,000	688,077	42,536,923	1.40%	643
2013	46,605,000	972,810	45,632,190	1.43%	695

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, 2013, 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 April 15, 2014.

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 April 15, 2014.

Purpose of this Report

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

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

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
April 15, 2014

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

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, 2013. 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, 2013.

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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
April 15, 2014

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted? _____ yes X none reported

Federal Awards

Internal control over major programs:

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

* Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant
16.710 – including ARRA	COPS/UHP Grant
20.106	Airport Development Aid
20.205	Highway Planning and Construction

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, 2013

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, 2013

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, 2013

None that were required to be reported.

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

(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 Agriculture</u>			
Community Development Block Grant	B-08-MC-48-0504	14.218	\$ 20,684
Community Development Block Grant	B-09-MC-48-0504	14.218	267,133
Community Development Block Grant	B-10-MC-48-0504	14.218	199,778
Community Development Block Grant	B-11-MC-48-0504	14.218	477,173
Community Development Block Grant	B-12-MC-48-0504	14.218	<u>323,484</u>
Total Passed through Texas Department of Agriculture			1,288,252
<u>Passed through Texas Department of Housing and Community Affairs</u>			
HOME Investment Partnership Program	M-08-MC-48-0504	14.239	56,754
HOME Investment Partnership Program	M-09-MC-48-0504	14.239	70,651
HOME Investment Partnership Program	M-10-MC-48-0504	14.239	122,126
HOME Investment Partnership Program	M-11-MC-48-0504	14.239	9,920
HOME Investment Partnership Program	M-12-MC-48-0504	14.239	<u>5,404</u>
Total Passed through Texas Department of Housing and Community Affairs			264,855
<u>Passed through Texas Department of Rural Affairs</u>			
North Area Drainage Improvement	DRS-010063	14.228	<u>334,723</u>
Total Passed through Texas Department of Rural Affairs			<u>334,723</u>
Total U.S. Department of Housing and Urban Development			1,887,830
U.S. Department of Homeland Security			
<u>Passed through Texas Department of Public Safety -</u>			
<u>Division of Emergency Management</u>			
FEMA - Jefferson Street Drainage (Disaster)	FEMA-1780-DR-TX	97.039	9,455
FEMA - 3rd Street Drainage Ditch Improvements	DR-1931-00	97.039	218,673
FEMA - SHSP Fire	IMW-2011-SS-00019	97.067	<u>17,724</u>
Total Passed through Texas Department of Public Safety			<u>245,852</u>
Total U.S. Department of Homeland Security			245,852
U.S. Department of Transportation			
Direct Program:			
<u>Federal Aviation Administration</u>			
Airport Development Aid Program Grant	3-48-0101-48-09	20.106	42,927
Airport Development Aid Program Grant	3-48-0101-52-09	20.106	124,840
Airport Development Aid Program Grant	3-48-0101-53-09	20.106	1,157,187
Airport Development Aid Program Grant	3-48-0101-54-09	20.106	450,656
Airport Development Aid Program Grant	3-48-0101-55-09	20.106	<u>187,200</u>
Total Direct from Federal Aviation Administration			\$ 1,962,810

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, 2013

(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	\$ 263,620
25th Street Pedestrian and Bicycle Trail	CDJ# -0921-06-243	20.205	<u>445,586</u>
Total Passed through Texas Department of Highways and Public Transportation			<u>709,206</u>
Total U.S. Department of Transportation			<u>2,672,016</u>
National Highway Traffic Safety Administration			
<u>Passed through Texas Department of Transportation</u>			
STEP - Single Year - 2013 Comprehensive	2013-Harlingen-S-1YG-0067	20.600	36,992
STEP - Click It Or Ticket	2013-Harlingen-CIOT-00034	20.600	<u>3,184</u>
Total National Highway Traffic Safety Administration			<u>40,176</u>
U.S. Department of Justice			
<u>Passed through Texas Department of Criminal Justice:</u>			
2011 Justice Assistance Grant (JAG)	EBMG #2011-DJ-BX-3005	16.738	4,012
2012 Justice Assistance Grant (JAG)	EBMG #2012-DJ-BX-0302	16.738	<u>29,188</u>
Total Passed through Texas Department of Criminal Justice			33,200
Direct Program			
<u>Office of the Governor - Criminal Justice Division</u>			
Crime Victims Liaison - CVL	VA-25552-01	16.575	29,049
Crime Victims Liaison - CVL	VA-25552-02	16.575	<u>2,943</u>
Total Direct from Office of the Governor - Criminal Justice Division			31,992
Direct Program:			
<u>Office of Bureau of Justice Assistance</u>			
2012 Bulletproof Vest Partnership Program	DX-III A	16.607	<u>1,663</u>
Total Direct from Office of Bureau of Justice Assistance			1,663
Direct Program:			
<u>Office of Justice Programs</u>			
ARRA - Community Oriented Policing Services (COPS) Grant	2009-RK-WX0815	16.710	<u>156,463</u>
Total Direct from Office of Justice Programs			156,463
Total U.S. Department of Justice			<u>223,318</u>
Total Federal Awards Expended			<u>\$ 5,069,192</u>

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

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, 2013. 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.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

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, 2013

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

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City of Hartlingen
General Fund Revenues and Expenditures History
 September 30, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property Taxes - including P & I	\$ 8,404,559	\$ 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
Non-property Taxes	14,850,780	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
Fines & Forfeitures	694,327	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
Licenses & Permits	671,081	679,277	832,712	707,343	598,789	584,810	500,265	505,837	552,753	614,735
Charges for Services	431,707	731,980	920,267	941,188	1,092,497	1,234,933	1,254,346	1,163,357	1,037,873	2,391,671
Intergovernmental	321,444	166,479	520,207	361,651	254,576	207,142	1,153,048	1,062,729	254,552	296,070
Contributions and donations	-	-	-	-	-	-	-	-	-	827,353
Miscellaneous	-	60,095	71,631	122,917	240,330	187,902	99,178	620,067	946,188	173,637
Interest and Investment Income	195,827	181,564	427,071	605,826	557,126	218,109	98,128	40,517	39,415	31,265
Total Revenues	\$ 25,569,725	\$ 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
Expenditures:										
General Government	\$ 3,457,032	\$ 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
Public Safety	14,180,295	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
Highways & Streets	2,427,187	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
Health & Welfare	2,123,230	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
Culture & Recreation	3,027,360	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
Capital Outlay	82,097	285,260	812,263	1,175,649	1,411,576	525,728	398,916	1,879,673	1,210,517	1,197,032
Debt Payments	68,011	11,004	101,080	-	79,296	-	-	13,136	-	-
Total Expenditures	\$ 25,365,212	\$ 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
Excess (Deficiency) of Revenues Over/(Under) Expenditures	204,513	760,358	2,480,582	1,228,932	549,690	(151,498)	(631,378)	(882,536)	2,576,292	1,907,181
Budgeted Transfers and Other Financing Sources (Uses)	424,979	475,575	322,696	(585)	(816,281)	19,977	232,563	1,214,559	(39,150)	480,194
Excess of Revenues Other Financing Sources (Uses) Over (Under) Expenditures & Others	629,492	1,235,933	2,803,278	1,228,347	(266,591)	(131,521)	(398,815)	332,023	2,537,142	2,387,375
Beginning Fund Balance	5,427,508	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
Ending 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

City of Harlingen, Texas
PROPERTY TAX RATE, LEVY AND COLLECTIONS HISTORY
September 30, 2013

Fiscal Year Ended 9/30	Tax Year	Property Tax Rate	General Fund	Debt Service Fund	Tax Levy	Percentage Current Collection	Percentage Total Collections
2004	2003	0.579944	0.418831	0.161113	11,061,452	95.08%	97.71%
2005	2004	0.590559	0.418831	0.171728	11,997,416	94.34%	97.86%
2006	2005	0.590559	.4179.34	0.172625	12,547,864	95.76%	99.74%
2007	2006	0.590000	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%

City of Harlingen, Texas
Valuation and General Obligation Debt History
Last Ten Fiscal Years

Fiscal Year	Estimated City	Taxable Assessed	Per Capita	General	Ratio G.O.	Percentage
Ending 9/30	Population (1)	Valuation (2)	Taxable	Obligation	Tax Debt to	of Total
			Assessed	(G.O.) Tax	Taxable Assessed	Tax
			Valuation	Debt (3)	Valuation	Collection
2004	63,668	1,907,331,080	29,957	169	0.57%	97.7%
2005	63,404	2,028,834,987	31,999	233	7.30%	97.9%
2006	66,459	2,124,743,480	32,682	252	7.70%	99.7%
2007	67,300	2,328,478,990	33,968	369	1.09%	99.1%
2008	65,043	2,461,393,258	37,843	373	0.99%	99.5%
2009	74,950	2,566,847,205	34,247	307	0.90%	99.9%
2010	64,849	2,675,276,539	41,254	364	0.88%	98.9%
2011	65,466	2,670,987,425	40,800	338	0.83%	98.0%
2012	66,122	2,696,242,041	40,777	316	0.77%	96.4%
2013	65,679	2,863,202,306	43,594	0	0.00%	0.0%

- (1) City Planning & 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, 2013

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2013		2012		2011		2010	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,368,138,082	42.93%	\$1,344,724,352	44.28%	\$1,318,224,240	44.31%	\$1,308,281,506	44.07%
Real, Residential, Multi-Family	137,135,722	4.30%	125,142,938	4.12%	116,950,700	3.93%	114,665,293	3.86%
Real, Vacant Lots/Tracts	77,780,405	2.44%	80,612,755	2.65%	85,528,469	2.88%	86,030,347	2.90%
Real, Acreage (Land Only)	104,026,465	3.26%	101,376,116	3.34%	96,496,499	3.24%	98,101,068	3.30%
Real, Farm and Ranch Improvements	12,967,265	0.41%	12,037,445	0.40%	11,841,531	0.40%	11,871,389	0.40%
Real, Commercial and Industrial	817,744,628	25.66%	684,313,854	22.53%	672,640,392	22.61%	667,709,872	22.49%
Real and Tangible Personal Utilities	64,460,988	2.02%	64,184,140	2.11%	70,089,816	2.36%	75,445,515	2.54%
Tangible Personal, Commercial and Industrial	392,710,604	12.32%	369,969,623	12.18%	368,545,689	12.39%	377,239,082	12.71%
Tangible Personal, Mobile Homes	19,303,546	0.61%	18,702,753	0.62%	24,904,511	0.84%	25,268,797	0.85%
Real Property, Inventory	4,839,652	0.15%	8,875,454	0.29%	8,622,072	0.29%	7,187,256	0.24%
Special Inventory	22,494,609	0.71%	18,209,616	0.60%	15,730,782	0.53%	19,951,047	0.67%
Total Exempt Property	165,626,270	5.20%	208,669,510	6.87%	185,184,548	6.23%	177,089,322	5.96%
Total Appraised Value Before Exemptions	3,187,228,236	100.00%	3,036,818,556	100.00%	2,974,759,249	100.00%	2,968,840,494	100.00%
Less: Total Exemptions/Reductions/Adjustments	324,025,930		340,576,515		303,771,824		293,563,955	
Taxable Assessed Value	\$2,863,202,306		\$2,696,242,041		\$2,670,987,425		\$2,675,276,539	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2009		2008		2007		2006	
	Amount	% of Total						
Real, Residential, Single-Family	\$1,244,751,258	43.52%	\$1,203,276,059	43.47%	\$1,120,198,367	42.43%	\$985,635,031	43.70%
Real, Residential, Multi-Family	107,342,483	3.75%	87,364,093	3.16%	75,277,924	2.85%	70,321,084	3.12%
Real, Vacant Lots/Tracts	76,079,534	2.66%	77,954,373	2.82%	77,523,856	2.94%	72,572,005	3.22%
Real, Acreage (Land Only)	100,118,412	3.50%	106,785,310	3.86%	111,131,900	4.21%	102,145,356	4.53%
Real, Farm and Ranch Improvements	11,498,793	0.40%	11,696,515	0.42%	11,496,550	0.44%	10,263,114	0.46%
Real, Commercial and Industrial	655,078,159	22.90%	647,695,888	23.40%	621,650,294	23.55%	571,240,554	25.33%
Real and Tangible Personal Utilities	78,043,858	2.73%	68,524,040	2.48%	80,573,423	3.05%	76,380,068	3.39%
Tangible Personal, Commercial and Industrial	364,266,408	12.73%	361,951,074	13.08%	339,742,457	12.87%	317,088,469	14.06%
Tangible Personal, Mobile Homes	25,594,139	0.89%	26,017,359	0.94%	26,052,587	0.99%	25,371,340	1.12%
Real Property, Inventory	8,212,479	0.29%	6,531,199	0.24%	7,218,014	0.27%	5,618,275	0.25%
Special Inventory	20,389,001	0.71%	19,105,549	0.69%	17,808,977	0.67%	18,125,295	0.80%
Total Exempt Property	169,133,280	5.91%	151,138,046	5.46%	151,404,138	5.73%	806,614	0.04%
Total Appraised Value Before Exemptions	2,860,507,804	100.00%	2,768,039,505	100.00%	2,640,078,487	100.00%	2,255,567,205	100.00%
Less: Total Exemptions/Reductions/Adjustments	293,660,599		306,646,247		311,599,497		130,823,725	
Taxable Assessed Value	\$2,566,847,205		\$2,461,393,258		\$2,328,478,990		\$2,124,743,480	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2005		2004	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$919,586,724	42.55%	\$850,030,082	41.99%
Real, Residential, Multi-Family	63,866,305	2.95%	59,294,125	2.93%
Real, Vacant Lots/Tracts	71,212,574	3.29%	68,439,929	3.38%
Real, Acreage (Land Only)	99,976,724	4.63%	94,081,098	4.65%
Real, Farm and Ranch Improvements	9,877,969	0.46%	9,223,851	0.46%
Real, Commercial and Industrial	564,725,204	26.13%	527,941,754	26.08%
Real and Tangible Personal Utilities	74,019,260	3.42%	73,862,649	3.65%
Tangible Personal, Commercial and Industrial	311,430,113	14.41%	296,746,099	14.66%
Tangible Personal, Mobile Homes	24,644,237	1.14%	21,931,460	1.08%
Real Property, Inventory	3,702,746	0.17%	4,960,798	0.25%
Special Inventory	18,313,185	0.85%	17,792,800	0.88%
Total Exempt Property	0	0.00%	0	0.00%
Total Appraised Value Before Exemptions	2,161,355,041	100.00%	2,024,304,645	100.00%
Less: Total Exemptions/Reductions/Adjustments	132,520,054		116,973,565	
Taxable Assessed Value	\$2,028,834,987		\$1,907,331,080	

City of Harlingen, Texas
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
September 30, 2013

<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	\$47,391,416	100.00%	\$47,391,416
<u>OVERLAPPING DEBT</u>			
Cameron County	73,615,657	0.01%	9,786
Harlingen Consolidated Independent School District	153,583,000	100.00%	153,583,000
Rio Hondo Independent School District	22,640,833	1.89%	428,931
San Benito Independent School District	93,945,000	1.85%	1,735,236
Overlapping Debt	<u>\$343,784,490</u>		<u>1,735,236</u>
Total Direct and Overlapping Debt	<u><u>\$391,175,906</u></u>		<u><u>\$203,148,369</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
TEN LARGEST TAXPAYERS
September 30, 2013

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>2012/2013 Taxable Assessed Valuation</u>	<u>Percentage Of Total Taxable Assessed Valuation</u>
VHS Harlingen Hospital Company	Medical Services	\$82,442,845	2.93%
United Launch Alliance, LLC	Aviation Aerospace	38,271,757	1.36%
Boyer Harlingen LC	Real Estate Developers	27,955,724	0.99%
Harlingen Medical Center Realty Limited	Medical Real Estate Developers	23,852,478	0.85%
VHS Harlingen Hospital Co LLC	Medical Services	21,111,118	0.75%
Mall at Valle Vista LLC	Shopping Center Operations	20,843,119	0.74%
AEP Texas Central Company	Electricity Suppliers	20,311,990	0.72%
Valley Baptist Realty Corp. Map	Medical Real Estate Developers	17,078,945	0.61%
Valley Baptist Realty Corp.	Medical Real Estate Developers	13,227,498	0.47%
Harlingen Venture No Two LP	Shopping Center Operations	12,668,434	0.45%
		<u>\$277,763,908</u>	<u>9.87%</u>

Source: Cameron Appraisal District

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	2005 G. O. REFUNDING BONDS		2006 G. O. BONDS		2007 CERTIFICATE OF OBLIGATION		2007 G. O. BONDS		2010 CERTIFICATE OF OBLIGATION	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
9/30/2014	360,000	128,013	150,000	97,560	535,000	797,438	240,000	391,169	150,000	98,606
9/30/2015	375,000	115,330	155,000	91,841	600,000	774,738	270,000	380,969	130,000	95,481
9/30/2016	385,000	101,789	160,000	85,935	810,000	746,538	365,000	368,269	135,000	92,169
9/30/2017	395,000	87,405	165,000	79,635	1,120,000	707,938	510,000	350,769	140,000	88,381
9/30/2018	280,000	74,679	175,000	72,835	1,285,000	659,838	590,000	328,769	145,000	84,106
9/30/2019	295,000	63,643	180,000	65,735	1,335,000	606,603	615,000	304,284	145,000	79,756
9/30/2020	210,000	53,833	190,000	58,335	1,415,000	549,884	715,000	276,853	150,000	75,144
9/30/2021	220,000	45,338	195,000	50,513	1,475,000	489,356	745,000	246,275	155,000	69,994
9/30/2022	230,000	36,194	205,000	42,263	1,540,000	425,288	775,000	213,975	160,000	64,481
9/30/2023	240,000	26,500	210,000	33,625	1,610,000	357,344	810,000	179,788	170,000	58,494
9/30/2024	250,000	16,300	220,000	24,595	1,680,000	285,375	845,000	143,584	175,000	52,025
9/30/2025	260,000	5,525	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>3,500,000</u>	<u>754,549</u>	<u>2,475,000</u>	<u>723,061</u>	<u>18,930,000</u>	<u>6,780,700</u>	<u>9,260,000</u>	<u>3,376,178</u>	<u>2,860,000</u>	<u>1,011,660</u>

2010 G. O. REFUNDING BONDS		2011 G. O. REFUNDING BONDS		2012 CERTIFICATE OF OBLIGATION		2013 CERTIFICATE OF OBLIGATION		TOTAL	TOTAL	GRAND
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL PRINCIPAL & INTEREST
465,000	24,275	265,000	68,055	-	56,588	-	112,625	2,165,000	1,774,329	3,939,329
480,000	13,625	275,000	61,602	-	56,588	30,000	82,075	2,315,000	1,672,249	3,987,249
305,000	3,813	285,000	54,910	75,000	56,588	45,000	81,475	2,565,000	1,591,485	4,156,485
		285,000	48,099	115,000	54,338	100,000	80,575	2,830,000	1,497,140	4,327,140
		250,000	41,706	140,000	50,888	140,000	78,575	3,005,000	1,391,396	4,396,396
		255,000	35,671	140,000	46,688	155,000	75,775	3,120,000	1,278,156	4,398,156
		260,000	29,517	150,000	42,488	150,000	72,675	3,240,000	1,158,729	4,398,729
		265,000	23,243	145,000	39,488	160,000	69,675	3,360,000	1,033,882	4,393,882
		275,000	16,790	150,000	36,588	165,000	66,475	3,500,000	902,054	4,402,054
		280,000	10,157	150,000	33,588	165,000	63,175	3,635,000	762,670	4,397,670
		285,000	3,405	160,000	30,588	165,000	59,875	3,780,000	615,747	4,395,747
				140,000	27,388	195,000	54,925	3,650,000	462,282	4,112,282
				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>1,250,000</u>	<u>41,713</u>	<u>2,980,000</u>	<u>393,155</u>	<u>2,280,000</u>	<u>681,908</u>	<u>3,070,000</u>	<u>1,196,725</u>	<u>\$46,605,000</u>	<u>\$14,959,648</u>	<u>\$61,564,648</u>