

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF WESLACO, TEXAS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

Issued By:

LEONARDO OLIVARES, City Manager

BRET L. MANN, Director of Finance

**CITY OF WESLACO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010**

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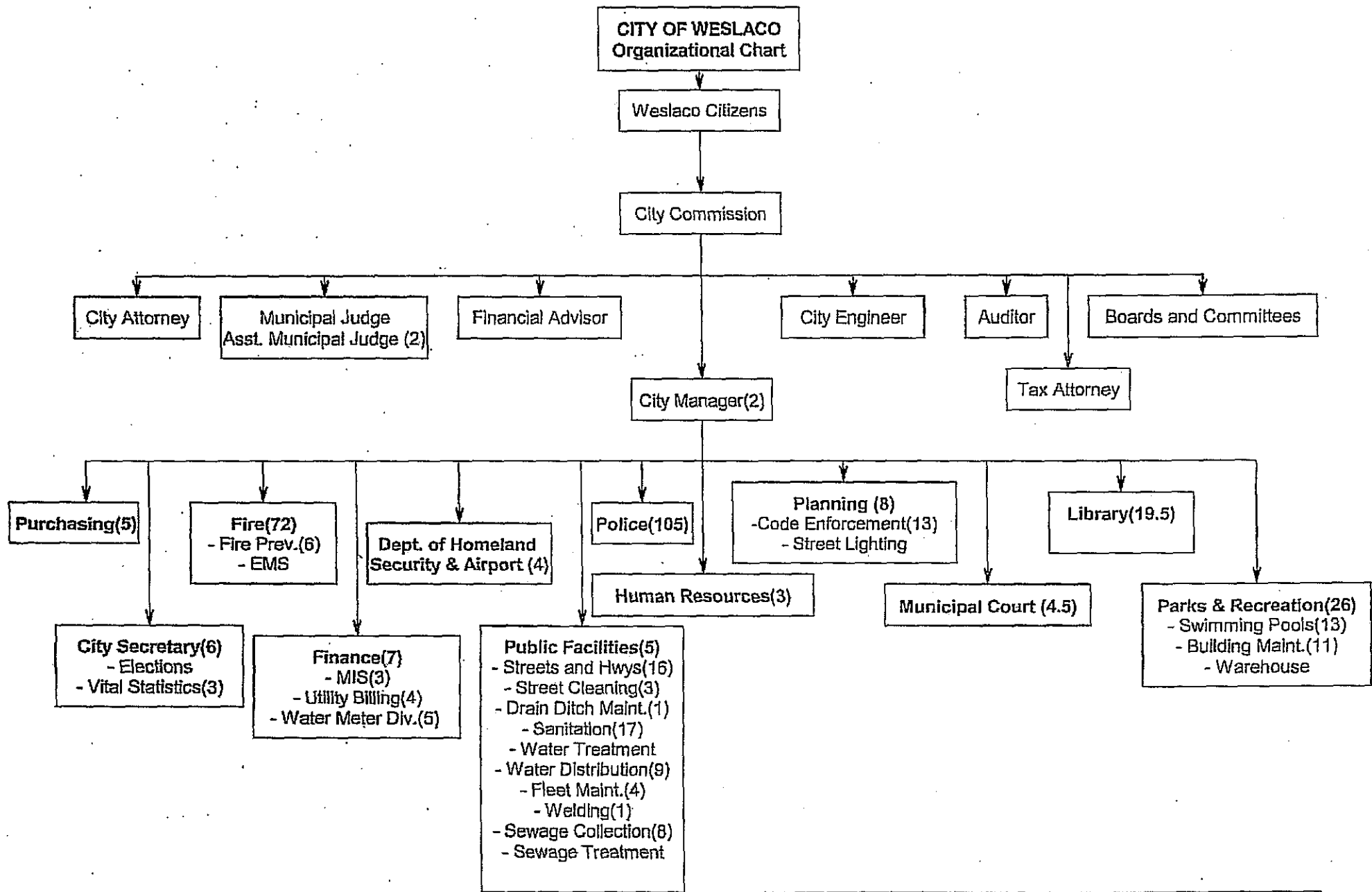
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PART I

INTRODUCTION SECTION



Number in parenthesis indicates full-time equivalent positions.

CITY OF WESLACO, TEXAS
ANNUAL FINANCIAL REPORT
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CITY OFFICIALS

Mayor	Miguel D. "Mike" Wise
Commissioners	John F. "Johnny" Cuellar Mayor Pro-Tem Robert Garza Rene Rodriguez, Jr. Gerardo "Jerry" Tafolla Lupe V. Rivera Joe A. Martinez
City Manager	Leonardo Olivares
Finance Director	Bret L. Mann
City Secretary	Amanda C. Elizondo
Purchasing Director	Gloria Sepulveda
City Attorney	Ramon Vela
Chief Appraiser	Rolando Garza Hidalgo County Appraisal District
Collector of Taxes	Armando Barrera, Jr. County of Hidalgo
Chief of Police	Robert De La Cerda
Fire Chief	Arturo Avila
Human Resources Director	Francisco Castellanos
Planning Director	Bernard Rodriguez
Parks Director	Pete Garcia
Public Works Director	
Library Director	Arnold Becho
Aviation Director/Emergency Management	George P. Garrett

City of Weslaco

"The City on the Grow"



Miguel D. Wise, Mayor
John F. Cuellar, Mayor Pro-Tem, District 2
Robert J. Garza, Commissioner, District 1
Olga M. Noriega, Commissioner, District 3
Gerardo "Jerry" Tafolla, Commissioner, District 4
Lupe V. Rivera, Commissioner, District 5
Joe A. Martinez, Commissioner, District 6

Leonardo Olivares, City Manager

May 24, 2011

To the Honorable Mayor, Members of the City Commission, and Citizens of the City of Weslaco:

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Weslaco, Texas for the fiscal year ended September 30, 2010.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the municipal government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Weslaco's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Weslaco's financial statements have been audited by Garcia & Pena, CPA's, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Weslaco for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Weslaco was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal

controls and legal requirements involving the administration of federal awards. These reports are available on pages 230-234 in this report.

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

Profile of the Government

The City of Weslaco, Texas, established in 1919, is located in the southern tip of Texas in the heart of the Rio Grande Valley, which is considered to be one of the top growth areas in the state, and in the country. The City of Weslaco currently occupies a land area of 14.12 square miles and serves a population of 35,670. The City of Weslaco is authorized to levy a property tax on both real and personal properties located within its boundaries. It also is authorized by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission.

The City of Weslaco has operated under the council-manager form of government since incorporation in 1921. Policy-making and legislative authority are vested in a City Commission consisting of the Mayor and six Commissioners. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments. The Commission is elected on a non-partisan basis. The Mayor and Commissioners serve three-year staggered terms, with two commissioners elected every year except for every third year when the Mayor is elected.

The City of Weslaco provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water, sewer, and sanitation service is also provided by the City of Weslaco. The City of Weslaco also is financially accountable for a legally separate economic development corporation, which is reported separately within the City of Weslaco's financial statements. Additional information on this legally separate entity can be found in Note A in the notes to the financial statements.

The annual budget serves as the foundation for the City of Weslaco's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager during the budget process. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Commission for review. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Weslaco's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department directors may, with City Manager's approval, make transfers of appropriations within a department. Transfers of appropriations between departments,



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however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 74 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the special revenue funds subsection of this report on page 90.

Factors Affecting Financial Condition

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

Local economy. The City of Weslaco currently is experiencing a rebounding of the sales tax revenue. The last four months of the fiscal year have seen positive growth over the prior year. Sales tax revenue exceeded \$1.0 million for the first time in history. This has occurred twice within this current fiscal year. The ongoing expressway expansion will provide an enhanced infrastructure to further fuel the City's growth. A new Lowe's and Academy will begin operations in the next fiscal year.

The taxable assessed value of property in the City of Weslaco remained stable for this fiscal year. The growth in the City has offset the lower housing values that have impacted the entire country. The unemployment rate also increased during the last year from 10.7% to 11.3%. The current labor force is approximately 13,000 workers.

Long-term financial planning. One of the projects that the City has undertaken has been the Volunteer Separation Program (VSP). The VSP resulted in 54 employees leaving city service. This will decrease the annual operating costs by approximately \$1.0 million to \$1.5 million.

The City Commission has also been focusing on the City's property tax rate. This focus has been driven by the desire to give taxpayers the best value for their money as well as making Weslaco more attractive to business and residents looking to relocate. The City Commission has held the City's property tax rate steady at a rate of \$0.6967 per \$100 of valuation. The budget adopted for the 2011 fiscal year remains unchanged at \$0.6967 per \$100 of valuation.

The City continues to look for ways to maximize the collection of funds owed to the City. This strategy along with equitable user fees are preferable to increases in the property tax rate. We are constantly striving to increase the efficiency of the City's operations in ways that will enhance the services provided to our citizens.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of agencies of the United States. The maturities of the investments ranged from 1 month to 3 years, with an average maturity of 13 months. All funds kept with the depository bank are collateralized at a minimum rate of 102% of the market value. The City's objectives for managing cash include safety, liquidity, yield, and public trust.



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Pension and other post employment benefits. The City of Weslaco contributes to a single-employer defined benefit pension plan for its fire fighters. Every few years, an independent actuary engaged by the pension plan calculates the amount of benefits that can be paid to beneficiaries of the plan in light of the number of participants, contribution rates, and projected investment earnings, in order to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Weslaco fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City of Weslaco also provides pension benefits for its employees not covered by the firemen's pension plan. These benefits are provided through a defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS). The City of Weslaco has no obligation in connection with employee benefits offered through this plan beyond its contractual payments to TMRS.

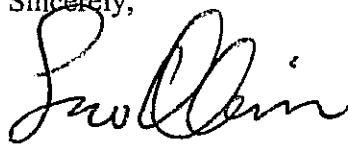
Additional information on the City of Weslaco's pension plan benefits can be found in Note K in the notes to the financial statements.

Awards and Acknowledgements

The City of Weslaco received the Government Finance Officers Association's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ending September 30, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all staff that assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Weslaco finances.

Sincerely,



Leonardo Olivares, JD, MPA
City Manager



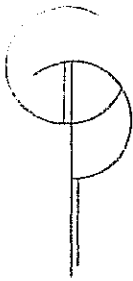
Bret L. Mann, MBA, CPA
Finance Director



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PART II

FINANCIAL SECTION



GARCIA & PENA

Certified Public Accountants

R O. Box 8032

301 West 4th

Weslaco, Texas 78599

956-969-1433 • Fax 956-968-1467 • 956-421-4601

Manuel B. Garcia, CPA
Jaime X. Pena, CPA

Independent Auditor's Report on Financial Statements

Honorable Mayor and
Members of the City Commission
City of Weslaco
255 S. Kansas Ave.
Weslaco, Texas 78596

Honorable Mayor and Members of the City Commission:

We have audited the accompanying basic and combining financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of and for the year ended September 30, 2010, which collectively comprise the City of Weslaco, Texas basic and combining financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Weslaco, Texas management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, we well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our

opinion, the combining financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Weslaco, Texas and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011, on our consideration of the City of Weslaco, Texas internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. This report also covers the compliance with Title 49 U.S. Code as it applies to airport revenues and local taxes on aviation fuel.

Management's discussion and analysis and the schedules of funding progress for the Texas Municipal Retirement System on page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on them.

Our audit was performed for the purpose of forming opinions, on the financial statements which collectively comprise the City of Weslaco, Texas' basic and combining financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the supporting schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic and combining financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, accordingly, we express no opinion on them.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

The bond ordinances authorizing the issuance of waterworks and sewer system revenue bonds require that the independent auditors disclose the information of items (a) and (g). Part of this statistical information is a non-accounting nature and is presented in this report. This information was obtained by us from the records of the City of Weslaco. We did not make tests of the data underlying the statistics presented herein, as they do not involve information which enters into the financial statements.

- a. Detail statements of income and expenses:

The statements are presented on page 112 of the annual report. Also, income and expenses are regrouped on page 116 to indicate net revenue available for debt service as recommended by the Municipal Advisory Council of Texas.

- b. Balance sheet at the end of the fiscal year:

The balance sheet of the Water and Sewer Revenue Fund is presented as pages 110 and 111 of the annual report.

- c. Accountants' comment regarding the manner in which the City has complied with the ordinances, and recommendations for any changes or improvements in the operations, records, and accounts of the system:

The City has met the requirements of these ordinances in all material respects.

- d. List of insurance policies in force at the end of the fiscal year:

A schedule of insurance coverage is presented on page 190 to 195 of the annual report.

- e. The number of properties connected with each system and total income from each system for the year are:

	<u>Connected Properties</u>	<u>Income</u>
Waterworks	9,826	\$ 4,132,623
Sewer System	8,936	\$ 3,434,957

- f. The number of unmetered customers for each system at the end of the year:

None

- g. The number of gallons of water registered through the master meter and the Number of gallons sold through the year:

Gallons pumped at filter plant	1,786,618,000
Gallons sold (estimated)	1,361,165,700

Garcia & Pena, CPAS
Certified Public Accountants

June 22, 2011

Management's Discussion and Analysis

As management of the City of Weslaco, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Weslaco for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages a - f of this report.

Financial Highlights

- The assets of the City of Weslaco exceeded its liabilities at the close of the most recent fiscal year by \$45,827,953 (net assets). Of this amount, \$3,071,422 represents unrestricted net assets. This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Weslaco's governmental funds reported combined ending fund balances of \$4,242,611. Approximately 55.94% of this total amount, \$2,737,153 is available for spending at the government's discretion (undesignated fund balance).
- At the end of the current fiscal year, the general fund's deficit fund balance of (\$34,679), or .99% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Weslaco's basic financial statements. The City of Weslaco's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Management's Discussion and Analysis

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

The government-wide financial statements include not only the City of Weslaco itself (known as the primary government), but also the Weslaco Economic Development Corporation (EDC), which is a legally separate entity. The City Commission appoints the EDC board members and sets expenditure caps over which the City of Weslaco Commissioners' approval is required. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-16 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Weslaco, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Weslaco can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Weslaco maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general

Management's Discussion and Analysis

fund, the debt service fund, the Economic Development Corporation, and the capital projects fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary funds. The City of Weslaco maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Weslaco uses enterprise funds to account for its water and sewer fund, for its sanitation fund and for its airport fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Weslaco's various functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the sanitation fund, and the airport fund, all of which are considered to be major funds of the City of Weslaco. Individual fund data for the internal service fund is provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Weslaco's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 141-144 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-68 of this report.

Management's Discussion and Analysis

Government-wide Financial Analysis

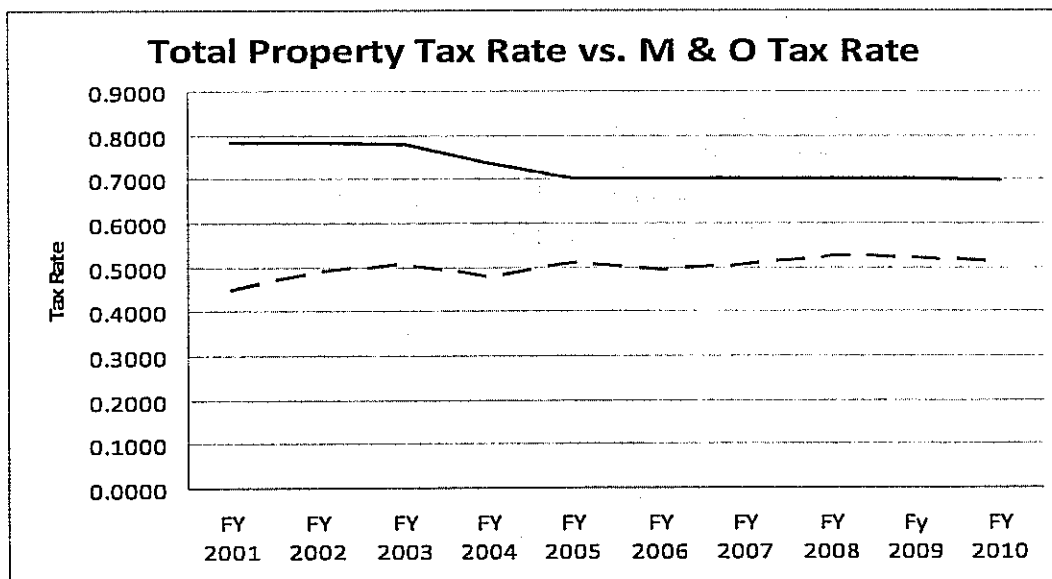
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Weslaco, assets exceeded liabilities by \$45,827,953 at the close of the most recent fiscal year.

The City of Weslaco's net assets available for capital projects acquisition is \$4,069,728, which reflect 8.88% of total net assets. On September 30, 2010, the City had an outstanding bonds balance of \$56,205,000 and had \$4,669,338 in cash to be used for completing the 2007 bond issues projects.

An additional portion of the City of Weslaco's net assets (3 percent) represents other resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* is a \$3,071,422. This amount may be used to meet the government's ongoing obligations to citizens and creditors.

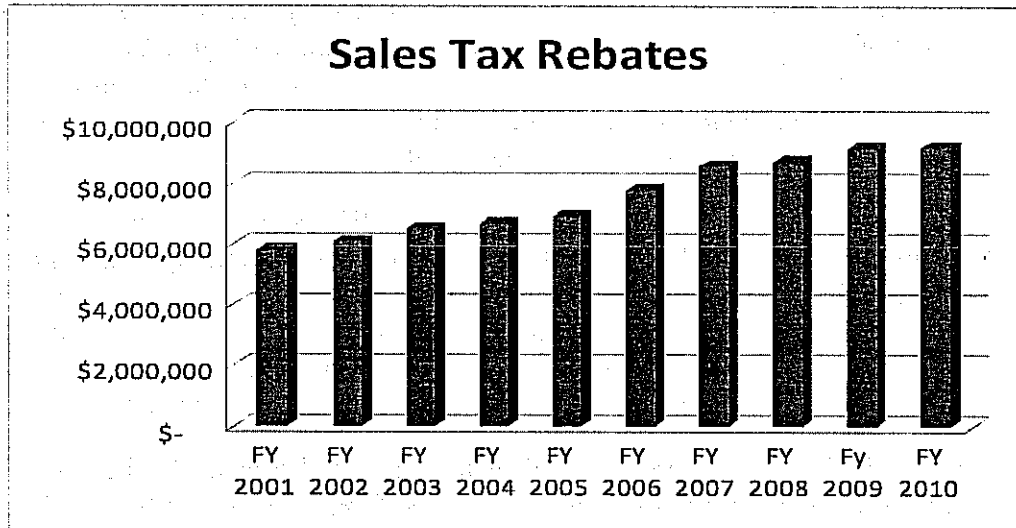
At the end of the current fiscal year, the City of Weslaco is able to report positive balances of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. The property tax levy increased by \$508,762 (5.70 percent) during the year due mostly to new development and construction. The tax rate has been reduced or maintained each year for the last eight years. This has been due to a concerted effort on the part of the City Commission to maintain or reduce the tax rate. Below is a graph showing the changes in the maintenance and operation (M & O – used for operations of the City) as it compares with the total property tax rate that includes the debt service portion of the tax rate as well.



Management's Discussion and Analysis

Sales tax rebates amounted to \$9,218,352 for the year with an increase of \$42,899 or .47% over the last fiscal year. Of the total amount collected, 25% goes to the Weslaco Economic Development Corporation. The remainder stays in the General Fund with some of those funds being used for the operation of the library.



Operating grants for governmental activities amounted to \$753,267 in the General Fund. It is the practice of the City of Weslaco to utilize grant revenues whenever possible to improve city services and quality of life in our community.

Business-type activities. Business-type activities accounted for 61.07% of the City of Weslaco's net assets.

- The water and sewer rates were adjusted during the current fiscal year by 6%. The rate increases were necessary to increase bond debt service coverage ratios and to provide for needed capital improvements. Some of the planned capital improvements include a new water plant as well as renovations to the north sewer plant.
- The net assets of the Water & Sewer Fund increased by \$591,989. Revenues decreased by \$226,927 and expenses decreased by \$833,316
- The net assets of the Sanitation Fund increased by \$612,983. Revenues increased by \$222,960, and expenses decreased by \$110,493.
- The net assets of the Airport Fund decreased by \$334,195. The Airport Fund receives revenues from fuel sales, hangar rentals, and grants. Any shortfalls are subsidized by the General Fund. Grants from the state are utilized when possible to improve and maintain the airport.
- Investment earnings decreased by \$235,855 for business-type activities because of an overall decrease in the amount of cash and cash investments.

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Weslaco's governmental funds reported combined ending fund balances of \$4,242,611. Approximately 64.52% of this total amount \$2,737,153 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, or 2) to pay debt service.

The general fund is the chief operating fund of the City of Weslaco. At the end of the current fiscal year, the general fund's deficit unreserved fund balance was \$(616,131), the total fund balance reached \$(34,679). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.6 percent of total general fund expenditures, while total fund balance represents 4.5 percent of that same amount. While it is recommended that the General Fund should have an unreserved fund balance of no less than 5 to 15% of operating expenditures, the City has placed the target for unreserved fund balance in the General Fund at 25%. The City has implemented a fiscal forecast model that is designed to increase the fund balance in the General Fund to 25% by the year 2015.

- The City Commission decreased the tax rate to \$.6967 for the 2010 tax levy. The decrease in the tax rate contributed to budgetary challenges and decreased in the fund balance.

- It was a modest year for sales tax revenues which increased by .47% over the prior year. The increase in the sales tax revenues can be attributed at least in part to retail development on the expressway. Now that the expressway expansion is complete it is reasonable to expect the economic growth to continue.

The debt service fund has a total fund balance of \$603,258 after all scheduled debt service payments were made, all of which is reserved for the payment of debt service. It is prudent to maintain a fund balance in the debt service fund up to one year's debt service payments. The scheduled tax supported debt service payments for fiscal year 2010 was \$2,274,586.

Management's Discussion and Analysis

Proprietary funds. The City of Weslaco's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$731,156, the unrestricted assets for the Sanitation Fund amounted to \$791,238 and those for the Airport Fund amounted to \$(42,644). Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Weslaco's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Weslaco's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$100,948,032 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Weslaco's investment in capital assets for the current fiscal year was 19.81% (a 22.06% increase for business-type activities, and 17.77% increase for governmental activities).

Additional information on the City of Weslaco's capital assets can be found in note F on pages 44-45 of this report.

Long-term debt. At the end of the current fiscal year, the City of Weslaco had total bonded debt outstanding of \$56,205,000. Of this amount, \$25,032,196 comprises debt backed by the full faith and credit of the government. The remainder of the City of Weslaco's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Weslaco currently has a "BBB+" rating from Standard & Poor's and a "Baa2" rating from Moody's for general obligation debt. This is reflective of the rating review in December 2009 by both rating agencies. The prior ratings were "Baa1" from Moody's and "A-" from Standard & Poor's.

In 1995, the State Legislature enacted a 10% (of taxable valuations) debt limit rate for school districts in Texas and has subsequently been used by municipalities as a general rule in computing debt margin.

Additional information on the City of Weslaco's long-term debt can be found in note G on pages 46-52 of this report.

Economic Factors and Next Year's Budget

- The employment rate for the City of Weslaco is currently 88.7 percent, compared to 89.3 percent a year ago. This rate compares to the state's average employment rate of 92.0 percent.

Management's Discussion and Analysis

• Due to a desire by the City Commission to make the City of Weslaco more attractive to businesses and individuals, the adopted property tax rate was reduced to \$.6967 per \$100 of valuation for fiscal year 2010. This tax rate represents the lowest tax rate in thirteen years, as well as a concerted effort on the part of the City Commission and staff to continue the downward trend on the tax rate. While the City Commission is doing there part to keep the tax rate as low as possible it is important to note that the City's tax rate is only one of six tax rates from all taxing entities that together make up the total tax rate for Weslaco's citizens. Weslaco's total tax rate is quite favorable when compared with other cities in the area.

Taxing Entity	McAllen	Mission	Weslaco	Edinburg	Pharr
Population	129,887	77,058	36,670	77,100	70,400
Valuation	\$ 7,522,001,086	\$ 3,126,370,682	\$ 1,331,533,783	\$ 3,297,049,879	\$ 2,057,427,857
City	\$ 0.4213	\$ 0.5566	\$ 0.6967	\$ 0.6350	\$ 0.6800
Drainage	0.0725	0.0725	0.0725	0.0725	0.0725
Hidalgo					
County	0.5900	0.5900	0.5900	0.5900	0.5900
STC	0.1491	0.1491	0.1491	0.1491	0.1491
ISD	0.1650	0.2800	1.1397	1.2198	1.3013
STC	0.0492	0.0492	0.0492	0.0492	0.0492
Total	\$ 2.4471	\$ 2.6974	\$ 2.6972	\$ 2.7156	\$ 2.8421

Note: Population figures are 2008 estimates obtained from the U.S. Census Bureau.

Valuation represents "Net Taxable Before Freeze as reported by the Hidalgo County Appraisal District for tax year 2009.

Tax rates are for tax year 2009 and were obtained from the Hidalgo County Appraisal District.

Requests for Information

This financial report is designed to provide a general overview of the City of Weslaco's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 255 S Kansas Avenue, Weslaco, Texas, 78596.

Management's Discussion and Analysis

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BASIC FINANCIAL STATEMENTS

CITY OF WESLACO, TEXAS
GOVERNMENT-WIDE STATEMENT OF NETS ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash investments	\$ 3,817,077	\$ 2,381,313	\$ 6,198,390
Receivables (net of allowance for doubtful accounts)			-
Ad valorem taxes	1,761,284		1,761,284
Sales taxes	700,246		700,246
Ambulance fees	139,780		139,780
Other	299,567	1,823,821	2,123,388
Other assets	5,000		5,000
Due from other governments	236,012	122,803	358,815
Internal balances	929,906	(929,906)	-
Notes receivables	4,047,930		4,047,930
Due from others			-
Prepaid items			-
Inventories	69,467	137,079	206,546
Assets held for resale	284,376		284,376
Restricted assets:			-
Cash and cash investments	879,516	6,053,167	6,932,683
Capital assets:			-
Land	4,490,570	2,458,500	6,949,070
Buildings	18,441,623	1,010,863	19,452,486
Equipment	8,784,392	7,152,029	15,936,421
Improvements	36,957,928	44,440,522	81,398,450
Infrastructure (380 Agreements)	7,406,417		7,406,417
Construction-in-progress		20,460,957	20,460,957
Accumulated depreciation	(23,881,188)	(26,774,581)	(50,655,769)
Total assets	<u>\$ 65,369,903</u>	<u>\$ 58,336,567</u>	<u>\$ 123,706,470</u>

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

CITY OF WESLACO, TEXAS
GOVERNMENT-WIDE STATEMENT OF NETS ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 1,067,394	\$ 668,724	\$ 1,736,118
Accrued salaries payable	101,831	14,516	116,347
Bank overdraft		3,038	3,038
Compensated absences payable	206,022	257,959	463,981
Contracts payable	326,743	1,177,653	1,504,396
Other liabilities	232,712	90,192	322,904
Volunteer Separation Payable	611,900	62,158	674,058
Trust-Boy's & Girl's Club	397,595		397,595
Trust-Friends of the Library	481,921		481,921
Revolving Loan-Contingency	550,000		550,000
Deferred revenue	3,218,276		3,218,276
Payable from restricted assets:			-
Current portion of long-term debt			-
Revenue bonds payable		1,154,004	1,154,004
Accrued interest	141,484	185,935	327,419
Deposits		772,838	772,838
Due within one year	1,867,974	459,109	2,327,083
Non-current liabilities:			-
Due in more than one year	38,325,135	25,503,404	63,828,539
Total Liabilities	47,528,987	30,349,530	77,878,517
Net Assets			
Invested in capital assets, net of related debt	12,006,633	21,631,773	33,638,406
Restricted for:			-
Prepaid items			-
Debt service	1,505,458	2,032,312	3,537,770
General fund	(34,679)		(34,679)
Special revenue funds	1,535,306		1,535,306
Capital projects	1,236,526	2,843,202	4,079,728
Unrestricted	1,591,672	1,479,750	3,071,422
Total Net assets	\$ 17,840,916	\$ 27,987,037	\$ 45,827,953
Total Liabilities and Net Assets	\$ 65,369,903	\$ 58,336,567	\$ 123,706,470

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

CITY OF WESLACO, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2010

Program Activities	Expenses	Program Revenues		
		Fees, Fine and Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government and administration	\$ 4,307,902	\$ 370,890	\$ -	\$ 1,000
Public safety	12,676,095	1,026,371	-	403,384
Emergency medical services	343,818	976,166		
Public works	1,870,276			38,279
Health	132,612	168,587		
Culture and recreation	2,486,171	94,903		166,105
Development services	4,657,676	109,445		
Interest on long-term debt	1,478,830			
Total governmental activities	<u>27,953,380</u>	<u>2,746,362</u>	<u>-</u>	<u>608,768</u>
Business-type activities:				
Water and sewer	7,433,263	8,719,988		80,875
Sanitation	3,517,000	4,215,582		
Airport	532,828	186,184	8,098	-
Total business-type activities	<u>11,483,091</u>	<u>13,121,754</u>	<u>8,098</u>	<u>80,875</u>
Total governmental and and business-type activities	<u>\$ 39,436,471</u>	<u>\$ 15,868,116</u>	<u>\$ 8,098</u>	<u>\$ 689,643</u>

General Revenues

Taxes:

Ad valorem

Sales

Occupancy

Other

Franchise fees

Intergovernmental

Investment earnings

Gain (loss) on sale/retirement of
capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

**Net assets at beginning of year,
as restated**

Net assets at end of year

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

Net (Expenses) Revenue
And Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,936,012)	\$ -	\$ (3,936,012)
(11,246,340)		(11,246,340)
632,348		632,348
(1,831,997)		(1,831,997)
35,975		35,975
(2,225,163)		(2,225,163)
(4,548,231)		(4,548,231)
(1,478,830)		(1,478,830)
<u>(24,598,250)</u>	<u>-</u>	<u>(24,598,250)</u>
	1,367,600	1,367,600
	698,582	698,582
	(338,546)	(338,546)
<u>-</u>	<u>1,727,636</u>	<u>1,727,636</u>
<u>\$ (24,598,250)</u>	<u>\$ 1,727,636</u>	<u>\$ (22,870,614)</u>
9,729,729		9,729,729
9,218,352		9,218,352
359,421		359,421
71,255		71,255
1,414,910		1,414,910
144,499		144,499
139,903	618,350	758,253
(115,940)	-	(115,940)
348,954		348,954
1,475,209	(1,475,209)	-
<u>22,786,292</u>	<u>(856,859)</u>	<u>21,929,433</u>
(1,811,958)	870,777	(941,181)
<u>19,652,874</u>	<u>27,116,260</u>	<u>46,769,134</u>
<u>\$ 17,840,916</u>	<u>\$ 27,987,037</u>	<u>\$ 45,827,953</u>

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

**GOVERNMENTAL-TYPE
ACTIVITIES**

**CITY OF WESLACO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Economic Development</u>
Assets			
Cash and cash investments	\$ 580,055	\$ 416,434	\$ 1,626,260
Receivables (net where applicable of allowance for doubtful accounts):			
Ad valorem taxes	1,255,471	505,813	
Sales taxes	700,246		
Ambulance fees	139,780		
Other	214,823		12,532
Other assets	5,000		-
Due from other funds	929,906	167,780	175,061
Due from other governments	236,012		
Notes receivable			4,047,930
Restricted Cash-Boy's & Girls Club	397,595		
Restricted Cash-Friends of the Library	481,921		
Prepaid items			
Inventories	69,467		284,376
Total Assets	<u>\$ 5,010,276</u>	<u>\$ 1,090,027</u>	<u>\$ 6,146,159</u>
Liabilities and Fund Balances			
Liabilities			
Liabilities:			
Accounts payable	\$ 878,974	\$ -	\$ 187,905
Accrued salaries and payroll taxes	101,698		
Contracts payable			239,096
Due to other funds	342,841		
Compensated balances	206,022		
Volunteer separation payable	611,900		
Other liabilities	229,712		3,000
Trust account-Boy's & Girls Club	397,595		
Trust account-Friends of the Library	481,921		
Deferred revenues	1,244,292	486,769	3,218,276
Revolving loan	550,000		
Total Liabilities	<u>5,044,955</u>	<u>486,769</u>	<u>3,648,277</u>
Fund Balances			
Reserved for:			
Encumbrances			
Prepaid items			
Debt service		603,258	902,200
Unreserved, reported in:			
General fund	(34,679)		
Special revenue funds			995,682
Capital projects funds			600,000
Undesignated			
Total Fund Balances	<u>(34,679)</u>	<u>603,258</u>	<u>2,497,882</u>
Total Liabilities and Fund Balances	<u>\$ 5,010,276</u>	<u>\$ 1,090,027</u>	<u>\$ 6,146,159</u>

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

Capital Projects	Non-Major Funds	Total Governmental Funds
\$ 724,173	\$ 468,060	\$ 3,814,982
		-
		1,761,284
		700,246
		139,780
	72,212	299,567
		5,000
		1,272,747
		236,012
		4,047,930
		397,595
		481,921
		-
		353,843
<u>\$ 724,173</u>	<u>\$ 540,272</u>	<u>\$ 13,510,907</u>
\$ -	\$ 515	\$ 1,067,394
	133	101,831
87,647		326,743
		342,841
		206,022
		611,900
		232,712
		397,595
		481,921
		4,949,337
		550,000
<u>87,647</u>	<u>648</u>	<u>9,268,296</u>
		-
		1,505,458
		(34,679)
	539,624	1,535,306
636,526		1,236,526
		-
<u>636,526</u>	<u>539,624</u>	<u>4,242,611</u>
<u>\$ 724,173</u>	<u>\$ 540,272</u>	<u>\$ 13,510,907</u>

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

CITY OF WESLACO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balance-total governmental funds \$ 4,242,611

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

Deferred revenue in the General Fund and Debt Service Fund which are included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. 1,731,061

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund balance sheet. Include capital assets of Internal Service Funds. 52,199,742

Interest payables on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet. (141,484)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Fund are:

(Net of amount allocated to business-type activities, capital assets and long-term liabilities). Internal Service Fund balances are not included in other reconciling items:

Current assets	\$	2,095	
Net of amount allocated to business-type activities			2,095

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (Includes Internal Service Funds' non-current liabilities):

Due within one year	\$	1,867,974	
Due in more than one year		3,825,135	(40,193,109)

Net assets of governmental activities \$ 17,840,916

CITY OF WESLACO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	Debt Service	Economic Development
Revenues			
Taxes:			
Ad valorem	\$ 6,965,013	\$ 2,404,920	\$ -
Penalty and interest	249,906	97,590	
Sales	6,913,764		2,304,588
Occupancy			
Other	71,255		
Franchise fees	1,414,910		
Charges for services	2,905,104		
Program Income			109,445
Intergovernmental	753,267		
Licenses and permits	370,890		
Investment income	5,824	860	69,767
Fines and forfeitures	676,431		
Contributions	8,500		
Miscellaneous	329,067		11,387
Proceeds from sales	-		131,825
Total Revenues	<u>20,663,931</u>	<u>2,503,370</u>	<u>2,627,012</u>
Expenditures			
Current:			
General government and administration	3,633,642	3,986	
Public safety	12,725,966		
Public works	1,390,192		
Health	128,875		
Culture and recreation	2,311,038		99,292
Economic development			3,223,681
Nondepartmental	779,286		
Capital outlay	7,649,738		647,471
Debt service:			
Principal retirement		1,110,972	571,207
Interest and fiscal charges		1,169,745	320,377
Total Expenditures	<u>28,618,737</u>	<u>2,284,703</u>	<u>4,862,028</u>
Excess (deficiency) of revenues over expenditures	<u>(7,954,806)</u>	<u>218,667</u>	<u>(2,235,016)</u>
Other financing sources (uses):			
Bond proceeds			
Bond Management Fees			
Transfers in	164,040		
Transfers out	-		(4,339)
Volunteer separation expense	(611,900)		
Proceeds from 380 agreements	7,406,417		
Total other financing sources (uses)	<u>6,958,557</u>	<u>-</u>	<u>(4,339)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(996,249)</u>	<u>218,667</u>	<u>(2,239,355)</u>
Fund balances at beginning of year,	<u>961,570</u>	<u>384,591</u>	<u>4,737,237</u>
Fund balances at end of year	<u>\$ (34,679)</u>	<u>\$ 603,258</u>	<u>\$ 2,497,882</u>

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

<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,369,933
		347,496
		9,218,352
	359,421	359,421
		71,255
		1,414,910
		2,905,104
		109,445
-		753,267
		370,890
63,419	33	139,903
	-	676,431
		8,500
		340,454
		131,825
<u>63,419</u>	<u>359,454</u>	<u>26,217,186</u>
-		3,637,628
		12,725,966
		1,390,192
		128,875
	-	2,410,330
	409,764	3,633,445
		779,286
1,088,885		9,386,094
		1,682,179
		1,490,122
<u>1,088,885</u>	<u>409,764</u>	<u>37,264,117</u>
<u>(1,025,466)</u>	<u>(50,310)</u>	<u>(11,046,931)</u>
-		-
-		164,040
-		(4,339)
		(611,900)
		7,406,417
<u>-</u>	<u>-</u>	<u>6,954,218</u>
(1,025,466)	(50,310)	(4,092,713)
<u>1,661,992</u>	<u>589,934</u>	<u>8,335,324</u>
<u>\$ 636,526</u>	<u>\$ 539,624</u>	<u>\$ 4,242,611</u>

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

CITY OF WESLACO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2010

Net change in fund balances-total governmental funds \$ (4,092,713)

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 9,386,094

Governmental funds do not report the retirement of fixed assets. In the Government-Wide Statement of Revenues, Expenditures and Changes in Fund Balances this is the amount of fixed assets retired in the current period. (247,765)

Depreciation expense on capital assets is reported in the government-wide statement activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (Includes Internal Service Funds' depreciation expense of \$-0-. (1,260,241)

Long-term liability for accrued vacation and accrued sick leave is not recorded with the governmental activities 103,313

The issuance of long-term debt (e.g., bonds) provides current financial resource to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.

Proceeds	\$ 7,406,417	
Principal Retirement	1,682,179	(5,724,238)

Some property tax will not be collected for several months after the city's fiscal year end, they are not considered "available" revenues in the governmental funds. 12,300

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 11,292

Internal Service funds are used by management to charge the costs of certain activities such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type activities and depreciation .

Change in net assets	\$ -	
Net of amount allocated to business-type activities	-	
Depreciation expense	-	
Change in net assets of governmental activities		\$ (1,811,958)

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

CITY OF WESLACO, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
Revenues				
Taxes:				
Ad-valorem	\$ 7,319,094	\$ 9,039,207	\$ 9,369,933	\$ 330,726
Penalty and interest	400,000	316,000	347,496	31,496
Sales	8,184,940	9,432,369	9,218,352	(214,017)
Hotel/Motel Tax		430,000	359,421	(70,579)
Other	441,500	48,000	71,255	23,255
Franchise fees	1,331,500	1,425,000	1,414,910	(10,090)
Charges for service	2,660,790	2,939,290	2,905,104	(34,186)
Program income	147,866	1,482,008	109,445	(1,372,563)
Intergovernmental	331,118	793,300	753,267	(40,033)
Licenses and permits	456,250	408,860	370,890	(37,970)
Investment income	104,076	63,230	139,903	76,673
Fines and forfeitures	939,500	653,700	676,431	22,731
Contributions			8,500	
Miscellaneous	275,500	326,800	340,454	13,654
Proceeds from sales	50,000	-	131,825	131,825
Total Revenues	<u>22,642,134</u>	<u>27,357,764</u>	<u>26,217,186</u>	<u>(1,140,578)</u>
Expenditures				
Current:				
General government and administration	3,245,372	3,726,322	3,637,628	88,694
Public safety	10,441,413	12,953,963	12,725,966	227,997
Public works	1,748,458	1,434,736	1,390,192	44,544
Health	121,728	132,272	128,875	3,397
Cultural and recreation	1,969,428	2,655,628	2,410,330	245,298
Economic development	2,602,491	3,076,117	3,633,445	(557,328)
Nondepartmental services	1,084,700	626,485	779,286	(152,801)
Capital outlay	4,108,301	1,610,366	9,386,094	(7,775,728)
Debt service				
Principal retirement	1,963,596	1,747,272	1,682,179	65,093
Interest	1,274,917	1,435,925	1,490,122	(54,197)
Total Expenditures	<u>28,560,404</u>	<u>29,399,086</u>	<u>37,264,117</u>	<u>(7,865,031)</u>
Deficiency of revenues over expenditures	<u>(5,918,270)</u>	<u>(2,041,322)</u>	<u>(11,046,931)</u>	<u>(9,005,609)</u>
Other financing sources (uses):				
Volunteer separation expense			(611,900)	(611,900)
Proceeds from 380 agreements			7,406,417	7,406,417
Transfers in	2,342,477	-	164,040	164,040
Transfers out		-	(4,339)	(4,339)
Total other financing sources (uses)	<u>2,342,477</u>	<u>-</u>	<u>6,954,218</u>	<u>6,954,218</u>
Excess (deficiency) of revenues and other sources over expenditures (uses)	<u>\$ (3,575,793)</u>	<u>\$ (2,041,322)</u>	<u>(4,092,713)</u>	<u>\$ (2,051,391)</u>
Fund balances at beginning of year,			<u>8,335,324</u>	
Fund balances at end of year			<u>\$ 4,242,611</u>	

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

**BUSINESS-TYPE
ACTIVITIES**

CITY OF WESLACO, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>Business-Type Activities-Enterprise Funds</u>				
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Assets					
Current Assets					
Cash and cash investments	\$ 1,131,718	\$ 1,249,595	\$ -	\$ 2,381,313	\$ 2,095
Receivables (net where applicable of allowance for doubtful accounts)	1,255,415	557,717	10,689	1,823,821	
Accrued interest				-	
Due from other funds	594,179	48,863		643,042	
Due from other governments	122,553		250	122,803	
Due from others				-	
Inventories	93,824		43,255	137,079	
Prepaid expenses				-	
Total current assets	<u>3,197,689</u>	<u>1,856,175</u>	<u>54,194</u>	<u>5,108,058</u>	<u>2,095</u>
Restricted Assets					
Cash and cash investments	<u>6,053,167</u>		-	<u>6,053,167</u>	
Non-current assets					
Deferred charges					
Capital assets					
Land	571,805	421,247	1,465,448	2,458,500	
Buildings	362,323		648,540	1,010,863	
Equipment	4,735,887	1,890,958	525,184	7,152,029	2,406,778
Improvements	39,242,874	733,242	4,464,406	44,440,522	
Infrastructure					
Construction-in-progress	20,246,237		214,720	20,460,957	
Accumulated depreciation	<u>(21,650,711)</u>	<u>(2,132,722)</u>	<u>(2,991,148)</u>	<u>(26,774,581)</u>	<u>(2,406,778)</u>
Total capital assets, net of accumulated depreciation	<u>43,508,415</u>	<u>912,725</u>	<u>4,327,150</u>	<u>48,748,290</u>	<u>-</u>
Total non-current assets	<u>43,508,415</u>	<u>912,725</u>	<u>4,327,150</u>	<u>48,748,290</u>	<u>-</u>
Total assets	<u>\$ 52,759,271</u>	<u>\$ 2,768,900</u>	<u>\$ 4,381,344</u>	<u>\$ 59,909,515</u>	<u>\$ 2,095</u>

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

CITY OF WESLACO, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>Business-Type Activities-Enterprise Funds</u>				<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Totals</u>	
Liabilities					
Current Liabilities					
Accounts payable	\$ 284,750	\$ 376,121	\$ 7,853	\$ 668,724	\$ -
Accrued salaries		14,516		14,516	
Bank Overdraft			3,038	3,038	
Due to other funds	926,819	646,129		1,572,948	
Customer deposits	770,204		2,634	772,838	
Other liabilities	90,192			90,192	
Volunteer separation payable	62,158			62,158	-
Compensated absences	146,475	28,171	83,313	257,959	
Accrued interest				-	
Total current liabilities	<u>2,280,598</u>	<u>1,064,937</u>	<u>96,838</u>	<u>3,442,373</u>	<u>-</u>
Liabilities payable from restricted assets					
Accounts payable	1,177,653			1,177,653	
Rebatable Arbitrage					
Revenue bonds payable	1,154,004			1,154,004	
Accrued interest	185,935			185,935	
Total liabilities payable from restricted assets	<u>2,517,592</u>	<u>-</u>	<u>-</u>	<u>2,517,592</u>	
Noncurrent liabilities					
General obligation bonds payable	24,857,060	215,105		25,072,165	
Revenue bonds payable				-	
Landfill closure		890,348		890,348	
Total noncurrent liabilities	<u>24,857,060</u>	<u>1,105,453</u>	<u>-</u>	<u>25,962,513</u>	
Total liabilities	<u>\$ 29,655,250</u>	<u>\$ 2,170,390</u>	<u>\$ 96,838</u>	<u>\$ 31,922,478</u>	<u>\$ -</u>

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

CITY OF WESLACO, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Totals	
Net Assets					
Invested capital assets, net of related debt	\$ 17,497,351	\$ (192,728)	\$ 4,327,150	\$ 21,631,773	\$ -
Restricted for:					
Revenue bond retirement	2,032,312			2,032,312	
Construction	2,843,202			2,843,202	
Unrestricted	731,156	791,238	(42,644)	1,479,750	2,095
Total net assets	\$ 23,104,021	\$ 598,510	\$ 4,284,506	\$ 27,987,037	\$ 2,095

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of Internal Service
Funds' activities related to Enterprise Funds

Net assets of business-type activities

\$ 27,987,037

CITY OF WESLACO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Operating Revenues:					
Water Sales	\$ 4,132,623	\$ -	\$ -	\$ 4,132,623	\$ -
Charges for services	3,434,957	4,123,467		7,558,424	
Other			179,406	179,406	-
Miscellaneous	278,787	92,115	6,778	377,680	
Total operating revenues	7,846,367	4,215,582	186,184	12,248,133	-
Operating Expenses:					
Personal services	1,209,215	605,488	216,057	2,030,760	
Other services and charges	1,113,135	760,942	87,189	1,961,266	
Supplies	339,157	128,970	21,773	489,900	
Contractual services	3,329,297	1,898,673		5,227,970	
Total operating expenses	5,990,804	3,394,073	325,019	9,709,896	-
Depreciation	(1,394,506)	(113,125)	(207,809)	(1,715,440)	-
Income (loss) from operations	461,057	708,384	(346,644)	822,797	-
Non-operating revenues (expenses)					
Investment income	618,299	39	12	618,350	-
Unrealized gain on investments				-	
Administrative fees	246,737			246,737	
Sewer backup issues				-	
Capital Improvement fees	626,884			626,884	
Capital grants	80,875		8,098	88,973	
Interest expense	(1,301,303)	(9,802)		(1,311,105)	
Loss on sale of asset				-	
Total non-operating revenues (expenses)	271,492	(9,763)	8,110	269,839	-

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

CITY OF WESLACO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Income (loss) before transfers	732,549	698,621	(338,534)	1,092,636	-
Transfers in			4,339	4,339	
Transfers (out)	(78,402)	(85,638)		(164,040)	
Volunteer separation expense	(62,158)			(62,158)	
Change in net assets	591,989	612,983	(334,195)	870,777	-
Net assets at beginning of year,	9,797,666	(3,738,616)	(1,963,111)	4,095,939	2,095
Net assets at end of year	<u>\$ 10,389,655</u>	<u>\$ (3,125,633)</u>	<u>\$ (2,297,306)</u>	<u>\$ 4,966,716</u>	<u>\$ 2,095</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of Internal Service
Funds' activities related to Enterprise Funds

Change in net assets of business-type activities

\$ 4,966,716

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

CITY OF WESLACO, TEXAS
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Cash flows from operating activities					
Cash received from customers	\$ 7,532,692	\$ 4,062,327	\$ 405,082	\$ 12,000,101	\$ -
Cash received from others	11,283			11,283	
Cash received from operating grants				-	
Cash received from other funds for services	517,956	59,801		577,757	
Cash payments to suppliers for goods and services	(4,739,353)	(2,359,288)	(357,158)	(7,455,799)	
Cash payments to employees for services	(1,232,762)	(628,540)	(210,486)	(2,071,788)	
Cash payments to other funds	(288,778)			(288,778)	
Net cash provided (used) by operating activities	<u>1,801,038</u>	<u>1,134,300</u>	<u>(162,562)</u>	<u>2,772,776</u>	<u>-</u>
Cash flows from noncapital financing activities					
Capital grants			8,098	8,098	
Transfers from other funds			4,339	4,339	
Transfers to other funds	(78,402)	(85,638)		(164,040)	
Net cash provided (used) by noncapital financing activities	<u>(78,402)</u>	<u>(85,638)</u>	<u>12,437</u>	<u>(151,603)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(11,444,744)	(107,559)	(10,496)	(11,562,799)	
Casualty loss				-	
Retirement on accounts payable				-	
Proceeds from sale of capital assets					
Capital Improvement/Administrative Fees	873,621			873,621	
Bond proceeds				-	
Interest paid on bonds	(1,315,807)	(9,802)		(1,325,609)	
Retirement of bonds	(924,843)	(50,000)		(974,843)	
Landfill closure costs		(36,774)		(36,774)	
Sewer Backup Issues				-	
Contributed capital	<u>80,875</u>			<u>80,875</u>	
Net cash provided (used) by capital and related financing activities	<u>(12,730,898)</u>	<u>(204,135)</u>	<u>(10,496)</u>	<u>(12,945,529)</u>	<u>-</u>

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

CITY OF WESLACO, TEXAS
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Cash flow from investing activities:					
Interest on cash and investments	618,299	39	12	618,350	-
Unrealized loss on investments					
Net increase (decrease) in cash and cash investments	(10,389,963)	844,566	(160,609)	(9,706,006)	-
Cash and cash investments, October 1	17,574,848	405,029	157,571	18,137,448	2,095
Cash and cash investments, September 30	<u>\$ 7,184,885</u>	<u>\$ 1,249,595</u>	<u>\$ (3,038)</u>	<u>\$ 8,431,442</u>	<u>\$ 2,095</u>

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

CITY OF WESLACO, TEXAS
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Reconciliation of income (losses) from operations to net cash provided (used) by operating activities:					
Income (loss) from operations	\$ 461,057	\$ 708,384	\$ (346,644)	\$ 822,797	\$ -
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities					
Depreciation	1,394,506	113,125	207,809	1,715,440	
Provision for doubtful accounts					
Change in assets and liabilities:					
(Increase) Decrease in Assets:					
Accounts receivables	(362,536)	(102,471)	(328)	(465,335)	
Other receivables				-	
Due from other funds	(288,778)	(48,863)	(164)	(337,805)	
Inventories			(18,690)	(18,690)	
Increase (Decrease) in Liabilities:					
Due to other funds	566,819	340,728		907,547	
Accounts payable	40,648	153,136	(10,116)	183,668	
Deposits	11,283			11,283	
Liability for compensated absences	(23,549)	(44,255)	5,571	(62,233)	
Other liabilities	1,588	14,516		16,104	
Net cash provided (used) by operating activities	<u><u>\$ 1,801,038</u></u>	<u><u>\$ 1,134,300</u></u>	<u><u>\$ (162,562)</u></u>	<u><u>\$ 2,772,776</u></u>	<u><u>\$ -</u></u>
Reconciliation of total cash and cash investments					
Current assets-cash and cash investments	\$ 1,131,718	\$ 1,249,595	\$ -	\$ 2,381,313	\$ 2,095
Restricted assets-cash and cash investments	6,053,167			6,053,167	
Current liabilities-Bank Overdraft			(3,038)	(3,038)	
Total cash and cash investments	<u><u>\$ 7,184,885</u></u>	<u><u>\$ 1,249,595</u></u>	<u><u>\$ (3,038)</u></u>	<u><u>\$ 8,431,442</u></u>	<u><u>\$ 2,095</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Statement

The City of Weslaco, Texas was incorporated September 18, 1919, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

2. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- . the organization is legally separate (can sue and be sued in their own name)
- . the City holds the corporate powers of the organization
- . the City appoints a voting majority of the organization's board
- . the City is able to impose its will on the organization
- . the organization has the potential to impose a financial benefit/burden on the City
- . there is fiscal dependency by the organization on the City

The general-purpose financial statements present financial information on activities of the City for which the City Commissioners have oversight responsibility, including the Firemen's Relief and Retirement Fund of Weslaco, Texas (Firemen's Fund), and Weslaco Economic Development Corporation (EDC). The City is represented on the governing board of the Firemen's Fund and has the ability to significantly influence operations. The City appoints the EDC's board members and sets expenditures caps, which requires the City of Weslaco Commissioners' approval over Specified Dollar amounts. The Firemen's Fund is included as a pension trust fund, and the Weslaco Economic Development Corporation is included with the Special Revenue Funds.

The City's general-purpose financial statements do not reflect the operations of the Weslaco Chamber of Commerce (WCC), Weslaco Independent School District (WISD) or Texas Municipal Retirement System (TMRS). The Weslaco Chamber of Commerce and Weslaco Independent School District are not included because they have their own elected governing

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

boards and are independent of the City as to fiscal accountability and financial affairs. Responsibility for administration and operation of TMRS has been vested with its board of Trustees. The City has no oversight responsibility regarding TMRS. Also excluded from the reporting entity is the Housing Authority of Weslaco. The Housing Authority is governed by a board of five commissioners, administers 180 units of low-income housing and also operates 328 units of existing Section 8 Housing Voucher Choice Program.

Based on the following criteria, the City determined that the actual degree of oversight is remote, and the financial operations and status of the Housing Authority is not integral to that of the City, thus the relationship of the Housing Authority to the City is best described in a note to the financial statements as follows:

- a. Ability to Exercise Oversight Responsibility
The City of Weslaco appoints members to the Authority and has a moral responsibility for debts. The City of Weslaco has little influence in the hiring of management and clerical staff, reviewing and approving budgets, adjustments and amendments, signing contracts, exercising control over facilities and property, and determining the outcome or disposition of matters affecting the service tenants of the Housing Authority received.
- b. Scope of Service
The Housing authority provides housing for the residents of the City of Weslaco. The Housing Authority operates within the city limits.
- c. Special Financing Relationships
The City of Weslaco and the Housing Authority are two separate legal entities and the financial operations and status of each is not integral.

The four industrial development corporation's referred to in Note O are not part of the City's reporting entity because the City exercises no oversight responsibility and has no accountability for fiscal matters. The significant factors for exclusion are: the appointed board members have no continuing relationships with the City; the board designates management; the City cannot significantly influence the corporations' operations; the Board has sole budgetary authority; the corporations' control surpluses and deficits, the City is not legally or morally obligated for the corporations' debt and the corporation's are responsible for fiscal management and fee determination. In this situation, the preceding factors are conclusive in contrast to the following factors indicating inclusion. The corporation's operate within the boundaries of the City and the City approves bonds for issuance.

3. Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted principles 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 reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. Basis of Presentation
The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support.

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

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund –

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to finance specific activities.

Debt Service Fund –

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund –

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds-

Proprietary Funds are accounted for using the economic resources measurements focus on the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water and Sewer Fund --

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Sanitation Fund --

Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

Airport Fund --

Airport Fund accounts for the provision of airport facilities to area residents. All activities necessary to provide such services are accounted for in this fund. The fund is financed primarily by the City of Weslaco operating grants, hangar rentals and tie-down fees.

Additionally, the City reports the Internal Service Fund which is used to account for the capital acquisitions and leasing services provided to departments of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

5. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured: basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurements focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

6. Budgetary Control

1. The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Commission by August 1. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
2. Upon receipt of the budget estimates, the Commission holds public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. Prior to October 1, the budgets for the General, Special Revenue, and Debt Service Funds are legally enacted through passage of an ordinance.
4. At least ten days prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission, even though the City Charter does not impose any restrictions or limit expenditures to amounts appropriated.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Formal budgetary integration is not employed for Capital Project Funds because effective budgetary control is alternatively achieved through the life of the respective project and not on an annual basis.

6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with Generally Accepting Accounting Principles (GAAP).
7. Current year appropriations lapse at year-end.

Budgeted amounts are as originally adopted or as amended by the City Commission through September 30, 2010. Subsequent to year-end management and the City Commission amended the September 30, 2010 budget authorizing the reallocation of expenses and related budget transfers relative to the Interest and Sinking Fund, Water and Sewer Fund and General Fund. All budget appropriations lapse at year-end except for the Urban County Development Grants (CDBG). Although they are appropriated annually, unspent appropriations in the Urban County Development Grants (CDBG) are appropriated under the same objects of expenditures in subsequent grant periods.

7. Cash and Cash Investments
Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers cash and equivalents to include all highly liquid investments with maturity of three months or less when purchased.

The City maintains and controls three major cash investment pools. Cash of all funds, including restricted cash is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as inter-fund receivables of the General Fund and inter-fund payables of the deficit fund.

Investments

In accordance with provisions of GASB Statement No.31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in current transactions between willing parties.

Interest Rate Risk

The City's investment policy limits investment maturities to no more than two years from the date of purchase.

8. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Inventories

The inventories in the Governmental Funds and Proprietary Funds consist of supplies and are recorded at the lower of weighted average cost or market.

10. Inter-fund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "Internal balances".

11. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary Funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. During the year ended September 30, 2010, the City allocated \$1,315,508 as a transfer for such services.

12. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000.00 or more and over one year of useful life. Infrastructure assets, capitalized have an original cost of \$5,000.00 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Water and Sewer System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5-10 years
Improvements	20 years

13. Compensated Absences

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to 30 days except vacation leave accrued prior to December 1990, which shall be refunded in full.

Non-Civil Service employees who have completed ten years of employment are entitled to be paid up to 30 days of accumulated sick leave, 60 days for those employees with 11 to 20 years and 90 days for 21 years or more and any accumulated vacation upon termination. Civil

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service employees hired are entitled to be paid any accumulated vacation, but must complete five years of employment with the City to be entitled to be paid up to 90 days of accumulated sick leave upon termination. Sick leave in excess of maximum limits is not paid upon termination, but will be paid only upon illness while in the employ of the City.

At September 30, 2010, the liability for accrued vacation leave and accrued sick leave is approximately \$ 2,319,506. The amount applicable to the Enterprise Funds of \$257,959 has been recorded in the Water, Sewer, Sanitation, and Airport Funds. The amount applicable to the General Fund long-term debt has been recorded in the General Fund as \$2,061,546 and \$206,022 as been recorded in the General Fund and Special Revenue Funds as the amount expected to be paid from current resources.

14. Nature and Purpose of Reservations and Designation of Fund Equity

The fund equity reserves for revenue bonds retirement and construction. Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond future debt service" account is used to report resources set aside to make potential future deficiencies in the revenue bond current debt service account. The fund equity designation for subsequent years' expenditures primarily represents capital outlays.

15. Net Assets

Net assets represent the difference between assets and liabilities. Net assets in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

16. Implementation of New Accounting Principles

The City elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34 (GASB 34), "Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments" and in fiscal year 2010 has not capitalized its major infrastructure networks; street, drainage and parks. It will be using in the absence of actual cost information, weighted average age calculation for estimating the historical cost of these infrastructure networks.

17. Reclassification

Certain items in the prior year have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net income.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of implementing the infrastructure transition provision of GASB 34, net assets at October 1, 2009 is reconciled as follows:

	<u>Governmental Activities</u>
Net Assets, October 1, 2009	
as previously reported	\$ 8,335,324
Internal Service Fund Balance	2,095
Deferred Revenue	1,718,761
General Fixed Assets, net	66,942,601
Estimated depreciation at October 1, 2009	(22,620,947)
Prior Period Adjustment	-
Accrued Interest	(152,776)
Long-term Debt	(34,572,184)
Net Assets, October 1, 2009	<u>\$ 19,652,874</u>

NOTE B. BUDGET BASIS OF ACCOUNTING

The City of Weslaco, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statements of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund are that total property taxes collected are recognized as revenues (budget) as opposed to recognizing the current year levy as revenues (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues and other sources over expenditure and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues and other uses over	
expenditures and other sources-budget basis	\$ (996,249)
Accrued interest	(111,883)
Net of fixed assets	7,649,738
Current year levy in excess of collection	12,300
Net of allowance for uncollectible	-
Excess of revenues and other sources	
over expenditures and other uses-	
GAAP basis	<u>\$ 6,553,906</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE C. DEPOSITS AND INVESTMENTS

Deposits and Credit Risks

Custodial Credit Risk

Custodial credit risk refers to the risk that in the event of a bank failure, the City's deposits may not be returned to them.

It is the City's policy, as well as a requirement in its Depository agreement, 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. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2010. At year-end, the respective bank balance totaled \$10,958,645.30. Of the total bank balance, \$500,000 was covered by Federal Depository Insurance Corporation (FDIC). The remainder was covered by collateral with a value of \$10,458,645.30. The collateral was held at third party banks (safekeeping banks) in the City's name under a joint safekeeping agreement between various banks and the City as detailed below.

<u>Bank</u>	<u>Bank</u>	<u>Amount</u>
The Independent Banker's Bank San Antonio, Texas	First National Bank Weslaco, Texas	\$ 444,580
	BBVA Compss Bank	<u>10,514,065</u>
	Total	<u>\$ 10,958,645</u>

Investments --

State statutes, city bond ordinances, city resolutions, and an investment policy adopted by the City Commission authorize the City's investments. The City is authorized to invest in obligations of the United States of America, its agencies and instrumentalities, direct obligations of the State of Texas and agencies thereof, obligations of the states (agencies thereof, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating equivalent), certificates of deposit of state and national banks domiciled in Texas, fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by law, and commercial paper with a 270 day limit and an A1P1 rating by two rating agencies.

All securities held at September 30, 2010, were insured or registered, or were held by the City or its agent in the City's name (Category 1).

Fair Values of Financial Instruments --

The following methods of assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term investments, and promises to give are due in less than one year. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE C. DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments carried at fair value at September 30, 2010, are:

	<u>Fair Value</u>
Investments:	
Texpool	\$ 173,277
Government Agencies	<u> </u>
Total Investments	<u>\$ 173,277</u>

The City's portfolios are actively monitored and managed, and while the City's liquidity is managed such that these securities can be held to maturity, changes in market conditions may make it advantageous to sell them in advance of maturities.

Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2010. All investments held by the Firemen's Relief and Retirement Fund at September 30, 2010 were uninsured and unregistered securities which are held by the counterparty, its trust department, or agent, but not in the Funds name (Category 3).

	<u>Fair Value</u>
Investments:	
Texpool	\$ 868,268
Jessup & Lamont (Stocks & Bonds)	<u>4,433,286</u>
Total Investments	<u>\$ 5,301,554</u>

NOTE D. DUE FROM OTHER GOVERNMENTS

Due from other governments for the General Fund consists of the following:

County of Hidalgo	Rural Fire	\$ 30,875
Department of Justice	DEA	16,903
	Marshals Service	3,944
	COPS Grant	27,306
Federal Emergency Management Agency	Hurricane Alex	38,279
Department of Homeland Security	SHSP Grant	19,844
	Safer Grant	49,477
Texas Alcohol and Beverage Commission		18,107
Weslaco ISD	Elections	22,566
Texas Department of Public Safety	Border Star (2008)	7,616
State of Texas	Bingo Tax	1,095
Total Due from Other Governments		<u>\$ 236,012</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE E. NOTES RECEIVABLES

Economic Development Corporation Grant Fund

As an inducement for businesses to expand their operations to the City's Industrial Park, the Economic Development Corporation (EDC), accepted notes from various businesses. These notes are for cash loans, and sale of industrial park lots. The loans carry various credit incentives up to the amounts of the loans and sometimes beyond the initial loans. The credits vary by individual entities. The credits involve construction of buildings, leasing of existing properties at the industrial park, employing local residents and the purchase of good and services from merchants in the local area. All notes receivable carry incentives to the extent of the note receivable balance.

The following is a summary of notes receivable payable to the Corporation at September 30, 2010:

	<u>2009</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>2010</u>
Anabell Cardona	\$ 7,145		\$ 7,145	\$ - *
Anabell Cardona	249,221			249,221 *
Sigma Foods	60,000			60,000 *
TNT Investments	60,000			60,000 *
Weslaco Bicultural Museum	18,000		12,000	6,000
Weslaco Hills Apartments		72,500		72,500
Mandujano Western Boot	33,300			33,300 *
Sugar Sweet Realty, LLC	550,322	54,883		605,205 (1)
AC/DC Signs	22,897		4,448	18,449 *
Savory Perks		5,000		5,000
RGV Word		225,000		225,000
Joe Olivarez		75,000		75,000
Weslaco Professional Plaza		300,000		300,000
Maverick Ind. Services	125,000			125,000
Total	<u>\$ 1,125,885</u>	<u>\$ 732,383</u>	<u>\$ 23,593</u>	<u>\$ 1,834,675</u>

(1) The note receivable from Sugar Sweet Realty, LLC was advanced on January 29, 2008 to help the entity discharge corporate debt. The terms of the note called for monthly payments of \$10,153.75, including interest at eight percent (8%). As of September 30, 2008, the note was in default. Subsequent to September 30, the EDC filed suit to enforce collection of the note. The note is collateralized individually by members of Sugar Sweet Realty, LLC. Sugar Sweet Realty, LLC filed for bankruptcy protection on November 30, 2009. On September 2, 2010, the Corporation filed for a default judgment on the members of Sugar Sweet Realty, LLC. The default provision of the note called for an eighteen percent (18%) interest rate; using this rate the note balance plus late fees and accrued interest is \$683,461. The general ledger and the audit reflect \$605,204.85 using an eight percent (8%) interest rate. This is due to the uncertainty in the collection process of enforcing the eighteen (18%) interest rate in the State of New York.

Long-Term Note Receivable
(SDI Weslaco Holdings, LLC)

\$2,213,255 *

Note receivable from SDI Weslaco Holdings, LLC (SDI) of \$914,408 at September 30, 2009, subsequently increased to \$2,213,255 at 8% interest rate after September 30, 2010. This note is secured by a Chapter 380 Economic Development Agreement between the City of Weslaco, Texas and SDI. SDI has assigned the annual payments due from the City to the Economic Development Corporation (EDC) of Weslaco, Texas until the note is paid in full. The note is payable in annual payments, until March 1, 2030. The 380 Agreement was to facilitate the construction of infrastructure improvements for a commercial development. The EDC spurred the development by advancing \$2,213,255 of the \$3,300,000 project.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE E. NOTES RECEIVABLES (CONTINUED)

The economic incentive portion of the note receivable balances have been recognized as expenditures in current year operations, as well as the long-term note receivable advance. As the entities earn their incentives, the note balances will be reduced accordingly with an equal offset to deferred revenues. This is to control compliance with the agreements. The long-term note receivable principal payments will be recognized as revenues, with an equal off-set to deferred revenues. The rest of the note balances are to be collected in cash.

* Note balances with deferred component \$ 3,218,276

NOTE F. CAPITAL ASSETS

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 4,711,085	\$ 27,250	\$ 247,765	\$ 4,490,570
Construction-in-Progress	-			-
Total assets, not being depreciated	<u>4,711,085</u>	<u>27,250</u>	<u>247,765</u>	<u>4,490,570</u>
Capital assets being depreciated				
Buildings	17,714,197	727,426	-	18,441,623
Equipment	8,538,913	245,479		8,784,392
Improvements	35,978,406	979,522		36,957,928
380 Agreements Infrastructure		7,406,417		7,406,417
Total capital assets being depreciated	<u>62,231,516</u>	<u>9,358,844</u>	<u>-</u>	<u>71,590,360</u>
Less accumulated depreciation for:				
Buildings	4,472,963	423,926	-	4,896,889
Equipment	3,808,368	379,763		4,188,131
Improvements	14,339,616	456,552		14,796,168
Total accumulated depreciation	<u>22,620,947</u>	<u>1,260,241</u>	<u>-</u>	<u>23,881,188</u>
Total capital assets being depreciated, net	<u>39,610,569</u>	<u>8,098,603</u>	<u>-</u>	<u>47,709,172</u>
Governmental activities, capital assets, net	<u>\$44,321,654</u>	<u>\$8,125,853</u>	<u>\$ 247,765</u>	<u>\$52,199,742</u>

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

Governmental activities:	
General government and administration	\$ 161,687
Public Safety	293,947
Public Works	480,084
Health	3,737
Development services	75,841
Cultural and recreational	244,945
Total depreciation expense-	
Government activities	<u>\$ 1,260,241</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE F. CAPITAL ASSETS (CONTINUED)

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 2,458,500	\$ -	\$ -	\$ 2,458,500
Construction-in-progress	10,327,997	10,132,960		20,460,957
Total capital assets not being depreciated	12,786,497	10,132,960	-	22,919,457
Capital assets being depreciated				
Building	1,010,863		-	1,010,863
Equipment	6,838,751	313,278		7,152,029
Improvements	44,359,647	80,875		44,440,522
Total capital assets being depreciated	52,209,261	394,153	-	52,603,414
Less accumulated depreciation for:				
Building	459,460	35,511	-	494,971
Equipment	5,553,069	284,098		5,837,167
Improvements	19,046,612	1,395,831		20,442,443
Total accumulated depreciation	25,059,141	1,715,440	-	26,774,581
Total capital assets being depreciated, net	27,150,120	(1,321,287)	-	25,828,833
Business-type activities capital assets, net	\$39,936,617	\$ 8,811,673	\$ -	\$ 48,748,290

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

Business-type activities:	
Water and Sewer	\$ 1,394,506
Sanitation	113,125
Airport	207,809
Total depreciation expense-	
Business-type activities	\$ 1,715,440

The City has active construction projects as of September 30, 2010. Total accumulated commitments for ongoing capital projects are as follows:

	Governmental Funds	Enterprise Funds
Streets and Drainage Projects	\$ 1,464,608	\$ -
General Facilities	197,384	
New Sewer Plant		12,358,232
	\$ 1,661,992	\$ 12,358,232

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT

The following is a summary of bonded and other debt transactions of the City for the year beginning October 1, 2009 and ending September 30, 2010.

Proprietary Fund Long-Term Debt as of September 30, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
<u>Water and Sewer Fund</u>		
\$5 930 000 Waterworks and Sewer System Revenue Bonds, Series 1988, due in annual installments varying from \$100 000 to \$450 000 through December 1, 2017. Interest varies from 3.05% to 4.50%.	\$ 3,135,000	\$ 3,460,000
Tax and Waterworks and Sewer System (Limited-Pledge) Revenue Certificate of Obligations, Series 1999, due in annual installments varying from \$84 000 to \$141 000 through 2019. Interest varies from 4.40% to 4.50%. Bond proceeds will be used for Water and Sewer System Infrastructure improvements.	1,034,604	1,125,432
\$2 829 600 General Obligation Refunding Bonds, Series 2002, dated September 1, 2002, due in annual installment varying from \$117 000 to \$369 000 through February 15, 2014, bearing interest rates of 3.00% to 3.875%.	718,200	1,076,400
\$21 710 000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 dated August 15, 2008, due in annual installments varying from \$40 000 to \$2 270 000 through February 15, 2027, bearing interest rates of 4.00% to 5.00%.	21,470,000	21,670,000
<u>Sanitation Fund</u>		
\$360 000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 August 15, 2008, due in annual installments varying from \$45 000 to \$60 000 through February 15, 2014, bearing interest rates of 4.00%.	<u>220,000</u>	<u>270,000</u>
Total Proprietary Fund Long-Term Debt	<u><u>\$26,577,804</u></u>	<u><u>\$27,601,832</u></u>

**CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE G.

LONG-TERM DEBT (CONTINUED)

Governmental Fund Long-Term Debt as of September 30, 2010 is as follows:

<u>Governmental Long-Term Debt</u>	<u>2010</u>	<u>2009</u>
Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificate of Obligations, Series 1999, due in annual installments varying from \$245 000 to \$522 000 through 2019. Interest varies from 4.40% to 4.50%. Bonds proceeds will be used for infrastructure improvements.	\$ 3,920,396	\$ 4,264,568
\$5 030 400 General Obligation Refunding Bonds, Series 2002, dated September 1, 2002, due in annual installments varying from \$208 000 to \$656 000 through February 14, 2014. Interest varies from 3.00% to 3.875%.	1,276,800	1,913,600
\$14 080 000 2003 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, dated August 15, 2003, due in annual installments varying from \$10 000 to \$1 460 000 through February 15, 2023, bearing interest rates of 2.00% to 5.00%.	13,790,000	13,865,000
\$6 105 000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 dated August 15, 2008, due in annual installments varying from \$5 000 to \$530 000 through February 15, 2027, bearing interest rates of 4.00% to 5.00%.	6,045,000	6,100,000
Total Governmental Long-Term Debt	<u>\$25,032,196</u>	<u>\$26,143,168</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT (CONTINUED)

Economic Development Fund Long-Term Debt as of September 30, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
<u>Economic Development Revenue Bonds</u>		
\$1 270 000 Economic Development Sales Tax Revenue Bond, Series 2000, due in annual installments not exceeding \$170 000 beginning February 15, 2001 through August 15, 2010, interest varies between 4.55% and 4.95%.	\$ -	\$ 170,000
\$2 000 000 Economic Development Sales Tax Revenue Bond, Series 2003, due in annual installments not exceeding \$145 000 beginning February 15, 2004 through August 15, 2023, interest varies between 1.50% and 4.75%.	1,480,000	1,565,000
\$4 060 000 Economic Development Sales Tax Revenue Bond, Series 2003A, due in annual installments not exceeding \$330 000 beginning February 15, 2004 through February 15, 2003, interest varies between 2.00% and 6.00%.	<u>3,115,000</u>	<u>3,280,000</u>
Total Revenue Bonds	<u>\$ 4,595,000</u>	<u>\$ 5,015,000</u>
<u>Note Payable</u>		
A note dated May 6, 2009 and payable to Compass Bank for \$1,300,000. The terms of the note include principal and interest payments ranging from \$12,000 to \$18,000 beginning June 6, 2009 and continuing regularly thereafter until May 6, 2016, when the entire balance, including principal and interest will be due and payable. The interest rate is a fixed 6.25%. The note is secured by 2.900 acres owned by the Corporation. The note was used to meets its obligations under its existing SDI Weslaco Holdings, LLC. Construction Loan Agreement and Amended Development Agreement	<u>1,097,950</u>	<u>1,249,157</u>
Total Note Payable	<u>1,097,950</u>	<u>1,249,157</u>
Total Economic Development Revenue Bonds and Notes Payable	<u><u>\$ 5,692,950</u></u>	<u><u>\$ 6,264,157</u></u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT (CONTINUED)

Transactions for the year ended September 30, 2010 are summarized as follows:

	Balance October 1	Issues or Additions	Payments or Expenditures	Balance September 30	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 1,913,600	\$ -	\$ 636,800	\$ 1,276,800	\$ 656,800
Certificates of Obligation	19,965,000	-	130,000	19,835,000	215,000
Water District Debt Assumed	-	-	-	-	-
Tax and Waterworks and Sewer System (Limited Pledge)	4,264,568	-	344,172	3,920,396	359,996
380 Agreement Infrastructure	-	7,406,417	-	7,406,417	-
Compensated Absences	2,164,859	-	103,313	2,061,546	219,943
	<u>28,308,027</u>	<u>7,406,417</u>	<u>1,214,285</u>	<u>34,500,159</u>	<u>1,451,739</u>
<u>Economic Development Sales Tax</u>					
Revenue Bonds	5,015,000	-	420,000	4,595,000	260,000
Notes Payable	1,249,157	-	151,207	1,097,950	156,035
Sub-total Governmental Activities	<u>6,264,157</u>	<u>-</u>	<u>571,207</u>	<u>5,692,950</u>	<u>416,035</u>
Total Governmental Activities	<u>\$ 34,572,184</u>	<u>\$ 7,406,417</u>	<u>\$ 1,785,492</u>	<u>\$ 40,193,109</u>	<u>\$ 1,867,774</u>
<u>Business-Type Activities</u>					
General Obligation Bonds	\$ 1,076,400	\$ -	\$ 358,200	\$ 718,200	\$ 369,000
Revenue Bonds Payable	3,460,000	-	325,000	3,135,000	340,000
Certificate of Obligation	23,065,432	-	340,828	22,724,604	495,004
Notes Payable	320,041	-	-	320,041	320,041
Landfil Closure	927,122	-	36,774	890,348	139,068
Total Business-Type Activities	<u>28,848,995</u>	<u>-</u>	<u>1,060,802</u>	<u>27,788,193</u>	<u>1,663,113</u>
Total Government	<u>\$ 63,421,179</u>	<u>\$ 7,406,417</u>	<u>\$ 2,846,294</u>	<u>\$ 67,981,302</u>	<u>\$ 3,530,887</u>

General Obligation Bonds and Certificates of Obligation -

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time that taxes are levied, the rate of tax required to provide (in each year that bonds are outstanding) the funds to pay for interest and principal at maturity. The City is in compliance with this requirement.

On September 18, 2007, the City issued \$28,175,000 of Series 2007, Tax & Waterworks and Sewer System Surplus Revenue Certificates of Obligation. The bonds were issued to acquire land, equipment and motor vehicles, to under -take street improvements and water and sewer improvements. The bonds are payable in average annual installments of \$2,343,143 (including principal and interest) with maturity dates ranging from February 15, 2008 through February 15, 2027. The average interest (coupon) rate for the bonds is 4.88%. Any interest earned on the

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT (CONTINUED)

bond proceeds in excess of allowable amounts will be rebated to the United States Treasury as required by Section 148 of the Internal Revenue Code of 1986. The City has placed all bond proceeds in a repurchase agreement yielding 4.54%. The City has the option to redeem certificates having stated maturities on or after February 15, 2018, on February 15, 2017, or on any date thereafter. The bonds were further allocated with \$6,105,000 for tax supported projects, \$21,710,000 for water and sewer projects, and \$360,000 for equipment in the Sanitation Fund.

Revenue Bonds -

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the Water and Sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenue may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special fund noted above contain the required amounts and certain financial ratios are met. The City is in compliance with all significant financial requirements as of September 30, 2010.

Sales Tax Revenue Bonds are direct obligations issued on a pledge of the City's sales tax revenues allocated to the Economic Development Corporation, in accordance with state statutes.

General Obligation Refunding Bonds-

On October 10, 2002, the City of Weslaco issued general refunding obligation bonds of \$7,860,000 (par value) with an average coupon rate of 3.34% to advance refund 1993 General Obligation Bonds with an average coupon rate of 5.19% and a par value of \$4,880,000, and to advance refund 1995 Certificate of Obligation Bonds with an average coupon rate of 6.00% and a par value of \$2,580,000. The bonds have a final maturity date of February 15, 2014, and are callable on or after February 15, 2012. The general obligation bonds were issued at a premium of \$32,049, with accrued interest of \$27,558, and after paying issuance costs of \$166,726, the net proceeds were \$7,752, 881. The net proceeds from the issuance were used to purchase U. S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1993 General Obligation Bonds were called on February 15, 2003, and the 1995 Certificate of Obligation bonds were called on February 15, 2004. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the City's government-wide financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$530,972, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$471, 685.

On September 24, 2004, the City issued \$14, 080, 000 of Series 2004 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation. The bonds were issued to pay for street improvements, public facilities, park improvements, main street beautification, landfill closure costs, and fire and EMS equipment. The bonds are payable in average annual installments of \$1,175,995 including principle and interest with maturity dates ranging from February 15, 2006 through February 15, 2023. The average interest (coupon) rate for the bonds is 4.69%. Any interest earned on the bond proceeds in excess of allowable amounts will be rebated to the United

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT (CONTINUED)

States Treasury as required by Section 148 of the Internal Revenue Code of 1986. The City has the option to redeem Certificates having stated maturities on and after February 15, 2014, on February 15, 2012, or on any date thereafter.

Defeased Bonds Outstanding –

In prior years, the City issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

Revenue Bonding Refunding –

On March 20, 2002, the City of Weslaco Economic Development Corporation issued Sales Tax Revenue Bonds Series 2003-2003A for \$2,000,000 and \$4,060,000. The \$2,000,000 bond issue was used to finance the costs of public facilities to include municipally owned buildings and tourist information/exhibition facilities. The 2003-A \$4,060,000 issue was used to finance the construction of building for use in manufacturing finished wood products, which was leased to a private enterprise. This is in conformity with the Constitution of Texas, including Section 4a of Article 5190.6, Vernon Texas Civil Statutes. The issue dated was March 28, 2003.

Bond Authorized and Unissued -

At September 30, 2010, the City had no General Obligations Bonds and Revenue Bonds which were authorized and unissued.

The following table summarizes the restricted cash and cash investments:

Reserve for Bond Debt Service	\$ 12,703
Reserve for Revenue Bond Retirement	469,687
Total Reserve for Revenue Bond Retirement	<u>482,390</u>
Revenue Bond Construction	4,020,855
Capital Improvement Fee	<u>1,549,922</u>
Total Restricted Cash and Cash Investments as of September 30, 2010	<u>\$ 6,053,167</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE G. LONG-TERM DEBT (CONTINUED)

The annual aggregate maturities for each bond type for the year subsequent to September 30, 2010, are as follows:

General Obligation Bonds

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	Principal	Interest	Principal	Interest	
2011	\$ 656,000	\$ 34,768	\$ 369,000	\$ 19,557	\$ 1,079,325
2012	201,600	19,634	113,400	11,044	345,678
2013	211,200	12,020	118,800	6,761	348,781
2014	208,000	4,030	117,000	2,267	331,297
Total	<u>\$ 1,276,800</u>	<u>\$ 70,452</u>	<u>\$ 718,200</u>	<u>\$ 39,629</u>	<u>\$ 2,105,081</u>

Certificate of Obligations

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	Principal	Interest	Principal	Interest	
2011	\$ 574,996	\$1,091,448	\$ 495,004	\$ 1,080,968	\$ 3,242,416
2012	1,455,820	1,049,606	509,180	1,060,520	4,075,126
2013	1,590,600	986,363	529,400	1,039,289	4,145,652
2014	1,651,424	917,634	573,576	1,016,670	4,159,304
2015	1,726,204	844,404	873,796	986,610	4,431,014
2016-2020	9,386,352	2,947,699	6,003,648	4,238,224	22,575,923
2021-2025	6,335,000	859,790	9,310,000	2,314,973	18,819,763
2026-2027	1,035,000	52,375	4,430,000	224,250	5,741,625
Total	<u>\$23,755,396</u>	<u>\$8,749,319</u>	<u>\$22,724,604</u>	<u>\$11,961,504</u>	<u>\$67,190,823</u>

Revenue Bonds

Year Ending September 30	<u>Business-type Activities</u>		
	Principal	Interest	Total
2011	\$ 600,000	\$ 362,065	\$ 962,065
2012	625,000	335,720	960,720
2013	650,000	307,295	957,295
2014	680,000	276,859	956,859
2015	715,000	244,671	959,671
2016-2020	3,110,000	711,410	3,821,410
2021-2023	1,350,000	116,501	1,466,501
Total	<u>\$7,730,000</u>	<u>\$ 2,354,521</u>	<u>\$10,084,521</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE H. SEGMENT INFORMATION FOR ENTERPRISE FUND

Generally accepted accounting principles require disclosure, as part of the Combined Statements-Overview, of certain information concerning individual funds including segment information for the Enterprise Funds.

The City maintains four Enterprise Funds which provide, water, sewer, sanitation, and airport services to the City of Weslaco. Selected segment information for the year ended September 30, 2010 is as follows:

	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total Enterprise Fund
Operating Revenues	\$ 7,846,367	\$ 4,215,582	\$ 186,184	\$ 12,248,133
Operating Expenses	5,990,804	3,394,073	325,019	9,709,896
Depreciation	1,394,506	113,125	207,809	1,715,440
Operating Income	461,057	708,384	(346,644)	822,797
Net Non-Operating Revenues and Expenses	190,617	(9,763)	8,110	188,964
Contributions	80,875	-	-	80,875
Transfers	(140,560)	(85,638)	4,339	(221,859)
Changes in Net Assets	591,989	612,983	(334,195)	870,777
Beginning Net Assets	22,512,032	(14,473)	4,618,701	27,116,260
Ending Net Assets	<u>\$ 23,104,021</u>	<u>\$ 598,510</u>	<u>\$ 4,284,506</u>	<u>\$ 27,987,037</u>
Condensed Cash Flow				
Net Cash Provided (Used) by:				
Operating Activities	\$ 1,801,038	\$ 1,134,300	\$ (162,562)	\$ 2,772,776
Non-Capital Financing Activities	(78,402)	(85,638)	12,437	(151,603)
Capital and Related Financing Activities	(12,730,898)	(204,135)	(10,496)	(12,945,529)
Investing Activities	618,299	39	12	618,350
Beginning Cash	17,574,848	405,029	157,571	18,137,448
Ending Cash	<u>\$ 7,184,885</u>	<u>\$ 1,249,595</u>	<u>\$ (3,038)</u>	<u>\$ 8,431,442</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE I. CONTRIBUTED CAPITAL-PROPRIETARY FUND TYPES

	<u>10/1/2009</u>	<u>Additions (Deletions)</u>	<u>9/30/2010</u>
<u>Water and Sewer Fund</u>			
Contributed Capital Donation	\$ 11,000	\$ -	\$ 11,000
Contributions from City	2,926,974		2,926,974
Contributions In Aid of Construction	707,629		707,629
Contributions-State Grants	3,954,105		3,954,105
Contributions-Federal Grants	5,114,658		5,114,658
	<u>12,714,366</u>	<u>-</u>	<u>12,714,366</u>
<u>Sanitation Fund</u>			
Contributions from City	3,715,956		3,715,956
Contributions-Federal Grants	8,187		8,187
	<u>3,724,143</u>	<u>-</u>	<u>3,724,143</u>
<u>Airport Fund</u>			
Contributions from City	1,398,150		1,398,150
Contributions-State Grants	1,617,395		1,617,395
Contributions from Revenue Sharing Fund	175,130		175,130
Contributions-Federal Grants	3,391,137		3,391,137
	<u>6,581,812</u>	<u>-</u>	<u>6,581,812</u>
<u>Internal Service Fund</u>			
<u>Equipment Replacement Fund</u>			-
Total Contributed Capital	<u>\$23,020,321</u>	<u>\$ -</u>	<u>\$ 23,020,321</u>

NOTE J. PROPERTY TAX

The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2010 was levied using a rate of \$.6967 per one hundred dollars of assessed valuation based on 100 percent of estimated market value.

Legislation has been passed by the Texas Legislature which affects the methods of property appraisal in the City. This legislation, with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles (unless specifically authorized by resolution of the governing body) from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county appraisal districts and for a state property board.

The appraisal of property within the city is the responsibility of the Hidalgo County Tax Appraisal District.

**CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE J.

PROPERTY TAX (CONTINUED)

The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100 percent of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The city may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on city property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate of the previous year by more than 8 percent, qualified voters of the city may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the effective tax rate.

The city bills and collects its own property taxes through a contractual agreement with the County of Hidalgo. Collections of the city taxes and remittance of them are accounted for in the County of Hidalgo Tax Collection Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables. January 1 is the assessment date. March 31 is the end of the rendition period for the Appraisal District.

By September 30, the City adopts the tax rate. On October 1 taxes are levied and payable by January 31. Property taxes attach as an enforceable lien on property as of January 1. Uncollected taxes are placed in the hands of the attorney for legal action on February 1, following year of assessment.

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The City usually waits until after July 1 to file suits on real estate property. As of July 1, 15% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2010, were 93.12% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

The City charter of the City of Weslaco, Texas, does not provide for a debt limit, therefore, no computation can be made. However, at September 30, 2010, the City had a tax margin of \$1.8033 for every \$100 valuation based upon a maximum ad valorem tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional law.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K.

PENSION PLAN

Employee Pension Plans (Other Than Firemen)

Plan Description

The City provides pension benefits for all of its full-time employees, except the fire department employees, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 837 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and monetary credits for service since the plan began, would be the total monetary credits and employees contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

At September 30, 2010, the contribution rate for the employees was 7%, and the City matching percent was 14.44%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. The unit credit actuarial cost method is used for determining the contribution rate for each city. This rate consists of the normal cost contribution rate, both of which are calculated to be a level percent of payroll from year to year.

The normal cost contribution rate finances the currently accruing monetary credits due to the city matching percent, which are the obligation of the City matching percent, which are the obligation of the City as of the employee's retirement date, not at the time the employee's contributions are made.

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K. PENSION PLAN (CONTINUED)

The prior service contribution rate amortizes the unfunded (or over-funded) actuarial liability (asset) over the remainder of each plan's 25-year amortization period. Currently, the unfunded actuarial liability is being amortized over a 25-year open period. The employer contribution rate cannot exceed a statutory maximum rate that is a function of the employee contribution rate and the City matching percent. The maximum employer contribution rate is 14%. These maximum rates come into play only occasionally. Contributions are made monthly by both the employees and City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis of the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2010 was \$13,271,337 and the City's contributions were based on payroll of \$10,083,824. Both the City and the covered employees made the required contributions, amounting to \$1,328,825 (12.77% for calendar year 2009, and 14.44% for calendar year 2010) for the City, and \$665,542 (7%) for the employees. There were no related-party transactions. All contributions were made by their respective due dates.

Funding Status and Programs

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit credits and benefits. Statement No. 27 of the Governmental Accounting Standards Board (GASB 5) defines Actuarial Accrued Liability (AAL) as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding progress over time, of public employee pension plans, in accumulating sufficient assets to pay benefits when due rather than placing under emphasis on current point-in-time measures.

The Actuarial Accrued Liability shown below is similar in nature to the standardized disclosure measure required by GASB # 27 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 2009. Because of the money-purchase nature of the plan, the interest rate assumption, currently 7.0% per year does not have as much impact on the results as it does for a defined benefit plan. Market value of investments is not determined for each City's plan. All investments for TMRS are at fair value at December 31, 2009. This is in accordance with the elected implementation of Governmental Accounting Standards Board Statement No. 25. The Texas Legislation, thru House Bill 1113 authorized the "Partial Lump Sum Distributions and the "POP-UP" factor. These provisions became effective September 1, 1997. This increases qualified employment under the Restricted Prior Service Credit.

The City of Weslaco is one of 837 municipalities having the benefit plan administered by TMRS. Each of the 837 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/09 valuations are contained in the 2009 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K. PENSION PLAN (CONTINUED)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	(After Plan Change)	(Prior to Plan Change)	
	12/31/09	12/31/09	12/31/08
Actuarial Value of Assets	\$ 19,199,534	\$ 15,705,424	\$ 17,001,070
Actuarial Accrued Liability	21,559,545	30,697,078	27,821,973
Percentage Funded	89.05%	62.55%	61.10%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	2,360,011	11,497,544	10,820,903
Annual Covered Payroll (Calendar year)	10,083,824	10,083,824	9,899,222
UAAL as a Percentage of Covered Payroll	23.40%	114.02%	109.30%
Net Pension Obligation (NPO) at the Beginning of Period			
Annual Pension Cost:			
Annual Required Contribution (ARC)	831,915	1,472,331	1,196,828
Interest on NPO			
Adjustments to the ARC			
Contributions Made	831,915	1,472,331	1,196,828
Increase in NPO			
NPO at the end of the period	\$ -	\$ -	\$ -

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the actuarial accrued liability. The numbers above reflect changes in actuarial assumptions since the previous actuarial valuation, which had the effect of increasing the City's contribution rate by 1.67% for 2010. Because of the one-year lag between the actuarial valuation date and the calendar year when the newly calculated rate goes into effect, the new actuarial assumptions will first affect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded actuarial accrued liability by \$676,641. The 2011 rate will be 8.25%. This will decrease the unfunded actuarial accrued liability from \$11,497,544 to \$2,360,011, given a funded ratio of 89.1%.

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

Fireman's Pension Plan

The Weslaco's Firemen's Relief and Retirement Fund administer a retirement plan for the employees of the fire department. All employees who are members of the fund on the valuation date are included in the valuation.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K. PENSION PLAN (CONTINUED)

<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
\$ 150,705,424	\$ 14,910,028	\$ 13,912,836	\$ 14,244,463
25,524,437	19,506,553	18,092,798	15,456,284
61.50%	76.40%	76.90%	92.20%
9,819,013	4,596,525	4,179,962	1,211,821
9,099,212	7,821,257	7,955,459	7,623,491
107.90%	58.70%	52.50%	15.90%
984,969	795,931	592,416	539,959
<u>984,969</u>	<u>795,931</u>	<u>592,416</u>	<u>539,959</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The date of the most recent valuation was December 31, 2006. The valuation was based on the plan of benefits in effect on the valuation date. Valuations are required on this fund every three years. The actuarial cost method used was the Entry Age Actuarial Cost Method. The unfunded accrued liability is being amortized with a level percentage of projected payroll, assuming a 4.5% annual increase. At the current funding levels it is expected to be amortized over nine years.

The City of Weslaco contributed \$512,957.28 to the plan during this fiscal year including \$6,594 towards amortizing an unfunded accrued liability of \$2,976,827.

At the end of the fiscal year 2010 the City was contributing 12.01% on gross wages for all full-time firemen and \$240 annually for each volunteer fireman. The full-time firemen contributed 9% of their gross wages to the plan. In 2011 the City's contribution rate will increase to 14.44%.

Actuarial Present Value of Accrued Benefits	\$ 6,535,107
Actuarial Present Value of Assets	<u>(3,558,280)</u>
Unfunded Actuarial Accrued Liabilities	<u>\$ 2,976,827</u>

Total assets include the present value of additional contributions of \$6,594 per year made by the volunteer firemen.

The City's rate is the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K.

PENSION PLAN (CONTINUED)

Other Plans

The City has deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans are administered by independent plan administrators through administrative service agreements. One plan is available to all city employees, and the other plan is available to all employees of the Weslaco Fire Department.

Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, but not subject to the claims of the City's general creditors. Participants' rights under the plan are preferred to those of general creditors of the City in an amount equal to the fair market value of the deferred amount for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan agreement but does not have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE L.

INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2010 consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
<u>General Fund</u>		
Special Revenue - EDC	\$ -	\$ 175,061
Debt Service Fund		167,780
Water and Sewer Fund	877,956	
Sanitation Fund	51,950	
Total General Fund	<u>929,906</u>	<u>342,841</u>
<u>Special Revenue Fund</u>		
General Fund	<u>175,061</u>	
Total Special Revenue Fund	<u>175,061</u>	
<u>Debt Service Fund</u>		
General Fund	<u>167,780</u>	
Total Debt Service Fund	<u>167,780</u>	

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE L. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Receivable</u>	<u>Payable</u>
<u>Enterprise Funds</u>		
Water and Sewer Fund		
Sanitation Fund	\$ 594,179	\$ 48,863
General Fund		877,956
Sanitation Fund		
Water & Sewer Fund	48,863	594,179
General Fund		51,950
	<u>643,042</u>	<u>1,572,948</u>
Total Enterprise funds		
	<u>\$ 1,915,789</u>	<u>\$ 1,915,789</u>
Total All Fund		

NOTE M. OPERATING TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>		
Water and Sewer Fund	\$ 78,402	\$ -
Sanitation Fund	85,638	
Total General Fund	<u>164,040</u>	<u>-</u>
<u>Special Revenue Fund</u>		
Airport Fund		4,339
Total Special Revenue Fund	<u>-</u>	<u>4,339</u>
<u>Enterprise Funds</u>		
Water and Sewer Fund		
General Fund		78,402
Sanitation Fund		
General Fund		85,638
Airport Fund		
Special Revenue Fund	4,339	
	<u>4,339</u>	<u>164,040</u>
Total Enterprise Funds		
	<u>\$ 168,379</u>	<u>\$ 168,379</u>
Total All Funds		

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE N. DEFERRED REVENUES

Deferred Revenues at September 30, 2010 are composed of the following:

General Fund		
Taxes receivable net of allowances	\$ 1,203,705	
Paving assessments	26,885	
Confiscated Property	5,000	
Other	8,702	
Total General Fund		\$ 1,244,292
Economic Development Corporation		
	3,218,276	
Total Economic Development Corporation		3,218,276
Debt Service Fund		
Taxes Receivable net of allowances	486,769	
Total Debt Service Fund		486,769
Total Deferred Revenues		<u>\$ 4,949,337</u>

NOTE O. COMMITMENTS

The City contracts with the County of Hidalgo, Office of Tax Assessor-Collector to assess, maintain accountability, and collect its property taxes. The City is also committed to the Hidalgo County Appraisal District for the appraisal of property within the City. Also, on October 1, 1993, the Sewer Plant Operations were contracted to OMI, a private management company. The water plant operations were contracted to OMI, on October 1994. The brush collection was contracted to BFI on April 1996. Minimum annual payments are as follows for the fiscal year ended September 30, 2010:

	<u>2010</u>	<u>2009</u>
County of Hidalgo-Tax Collection	\$ 41,963	\$ 41,963
Hidalgo County Appraisal District	86,033	80,622
OMI Management Company Sewer Plant	1,059,979	1,040,103
OMI Management Company Water Plant	1,237,756	1,184,710
Browning Ferris Industries (Brush Collections)	823,115	797,290
Browning Ferris Industries (Garbage Collections)	547,062	589,490
Upper Valley Humane Society	107,809	72,631
Municipal Judge	87,180	86,264
Medical Doctor (EMS)	40,000	40,000
Total	<u>\$ 4,030,897</u>	<u>\$ 3,933,073</u>

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE O. COMMITMENTS (CONTINUED)

The Economic Development Corporation of Weslaco (EDC) extended economic incentives to private enterprises as follows:

	<u>Commitment</u>	<u>Paid in Prior Years</u>	<u>Paid in Current Year</u>	<u>Balance Due</u>
Loan/Rent Incentives				
La Abuela Foods, Inc.	\$ 132,500	\$ 129,437	\$ -	\$ 3,063
Total Loan/Rent Incentives	132,500	129,437	-	3,063
 <u>Monetary/Incentives</u>				
NICO-WFI, LLC	110,000	100,000		10,000
Nico Tenant Building	180,000			180,000
Tan 'US' Sales Company (Payable over 7 years)	2,000,000	1,122,333	305,668	571,999
Anabell Cardona	249,222	249,222		-
Medical Safety Technicians	37,500	37,500		-
Builders First Source	47,000	47,000		-
RDG Ande, LTD	50,848			50,848
Reyna Family Development	350,000			350,000
Mountain Glacier	75,000	68,750	6,250	-
John Knox Village	60,000			60,000
Weslaco Hills Apartments	620,000		72,500	547,500
Becknell Development	250,000			250,000
Gran Café de la Parroquia	34,000		34,000	-
Maverick Ind. Services	125,000			125,000
Pharmacy Care USA	75,000			75,000
American Auto Alarm & Tint	25,500		25,500	-
Weslaco Professional Plaza	300,000		300,000	-
RGV W.O.R.D. Properties, LLC	375,000		225,000	150,000
Sizewise Rentals, LLC	35,000		35,000	-
Sue Grooms- Pins & Cues	150,000		150,000	-
Del Bravo Ice	40,000		40,000	-
Oswalt Holdings, LLC	15,730		15,730	-
Total Monetary Incentives	<u>5,204,800</u>	<u>1,624,805</u>	<u>1,209,648</u>	<u>2,370,347</u>
 Total Commitment	<u>\$ 5,337,300</u>	<u>\$ 1,754,242</u>	<u>\$ 1,209,648</u>	<u>\$ 2,373,410</u>

Subsequent year balances of \$2,373,410 are contingent on the business entities maintaining agreed upon employment levels and other conditions of the loan/grant incentives. This amount is not recognized as a liability in the financial statements.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE P. CITY ADVISORY NON-PROFIT CORPORATION

There are five non-profit corporations owned by the City of Weslaco that are used to attract and promote industry, hospital and housing facilities. The City Hospital and Housing Corporations (four) act as advisory boards which review and provide recommendations to the City Commission. There are no financial transactions involved. Weslaco Development Committee, Inc. dissolved during the 2002 fiscal year. The Weslaco Economic Development Corporation absorbed the Weslaco Development Committee, Inc. assets and liabilities. The EDC operations are reported as a component unit in the Special Revenue Fund.

NOTE Q. PROPRIETARY FUND-SANITARY LANDFILL

Recognition of closure and post-closure costs

State and federal EPA laws require final cover closure as well as post-closure care of the City of Weslaco landfill site in Alton, Texas. The Governmental Accounting Standards Board issued Statement No. 18-Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs. This statement addresses the financial statement effect of the EPA rules and states rules and requires that all closure and post-closure costs be recognized during the operating life of the landfill. The City's landfill is currently inactive. The closure and post-closure costs considered are based on this inactive state. If the landfill begins receiving wastes, the closure and post-closure and related liability balance will have to be revised based on the capacity of the landfill that will be used.

Approximately twenty-five percent of the landfill capacity has been used to date. Based on the current capacity used, \$825,224, is estimated as a closure and post-closure cost. The transfer station, underground petroleum storage tanks, closure and post-closure costs are estimated at \$131,556. The landfill has been closed and post-closure costs are estimated at \$890,348. These costs are currently reflected in the financial statements of the Sanitation Fund. As costs are incurred during the year, the liability will be reduced. The City met the state's financial assurance requirements during the current fiscal year. The landfill remains in an inactive status as of September 30, 2010. The post-closure costs include lab tests, gas monitoring, leachate disposal and general monitoring maintenance during its inactive status.

NOTE R. CONTINGENT LIABILITIES

The City participates in a number of federally assisted grant programs which are the Community Development Block Grants, the Local Public Works Program, and the Texas Department of Transportation. These programs are subject to program compliance audits by the grantors or their representatives. The audit of these programs for/or including the year ending September 30, 2010 have not yet 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.

NOTE S. LITIGATION

There are several pending lawsuits in which the City is involved. The City attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at September 30, 2010.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE T. 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENT

The City of Weslaco is committed to the promotion of high quality development in all parts of the City and to an ongoing improvement in the quality of life for its citizens. The City of Weslaco has previously developed economic development programs and incentives designed to encourage high quality business, commercial, professional sports and manufacturing concerns to locate, remain, and expand in the City of Weslaco. Now the City of Weslaco seeks to enhance its economic development efforts to attract and retain high quality development and jobs by establishing Chapter 380 Economic Development Program Agreements.

These 380 Economic Development Program Agreements are established in an effort to develop and expand the local economy by promoting and encouraging development and redevelopment projects that enhance the City's economic base, and diversify and expand job opportunities or by promoting and encouraging projects that create additional revenue for the City without substantially increasing the demand on City services or infrastructure. The ultimate goal and public purpose of programs established is to protect and enhance the City's fiscal ability to provide high quality municipal services for the safety, comfort and enjoyment of Weslaco residents.

The following table lists the total Economic Development Program Agreements of the active 380 Economic Development Program Agreements:

<u>Agreement</u>	<u>Total Payments</u>
SDI Weslaco Holdings, LLC	\$ 3,213,255
HEB Grocery Company, L.P.	4,193,162
Total	<u>\$ 7,406,417</u>

In addition to the 380 Agreement, the City also offered sales rebates as additional incentives to the developer and retail establishments, locating within the SDI development project. These rebates are not recorded as a liability or commitment, as the individual amounts are not known until the sales taxes are collected. The total rebates have been set at \$5,250,000. These are to be reimbursed over ten years, beginning January 1, 2011.

NOTE U. VOLUNTEER SEPARATION PLAN

On August 5, 2010, the City of Weslaco offered a Volunteer Separation Plan I (VSP I) to all full-time employees. VSP I benefits included:

- Employees with five (5) complete years of full-time employment or less shall receive the equivalent of five (5) weeks of base salary in one (1) installment,
- Employees with more than five (5) complete years of full-time employment will receive one (1) week's base salary for every year of employment, to a maximum of 20 weeks, payable in a maximum of five (5) equal monthly installments, and
- The separation benefits will be calculated as of September 3, 2010.

CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE U. VOLUNTEER SEPARATION PLAN (CONTINUED)

In addition under the VSP I employees shall receive payment of accrued vacation and sick leave as allowable per:

1. The City of Weslaco Personnel Policies and Procedures Manual,
2. The Collective Bargaining Agreement with the Weslaco Municipal Police Union, or
3. The Collective Bargaining Agreement with the Weslaco Fire Fighters Association, IAFF, Local #3207, whichever is applicable

As of September 30, 2010, 39 employees signed the VSP I. Total VSP I payable at September 30, 2010 was \$790,405. Prior to the end of the fiscal year 12 employees had separated; accrued salaries payable was \$116,347.

The remaining 27 employees separated after September 30, 2010, the Volunteer Separation Plan payable was \$674,058.

NOTE V. SUBSEQUENT EVENTS

Long-Term Debt

Subsequent to September 30, 2010, the City of Weslaco approved the issuance of the Limited Tax Refunding Bond Series 2010 for \$5,140,000 and the Waterworks and Sewer System Revenue Refunding Bonds, Series 2010 for \$2,845,000. The bonds are the first current refunding of the obligation for the originally issued Tax and Waterworks and Sewer System Revenue Certificate of Obligation, Series 1999 and the Waterworks and Sewer System Revenue Bonds, Series 1998.

**CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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**CITY OF WESLACO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF WESLACO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
LAST THREE FISCAL YEARS**

Fiscal Year	(1) Actuarial Value of Assets**	(2) Actuarial Accrued Liability *	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability As A Percentage of Covered Payroll
2007	\$ 15,705,424	\$ 25,524,437	61.5%	\$9,819,013	\$ 9,099,212	107.9%
2008	17,001,070	27,821,973	61.1%	10,820,903	9,899,222	109.3%
2009	15,705,424	30,697,078	62.5%	11,497,544	10,083,824	114.02%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated cost as of December 31 of the preceding year.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Library Fund-This fund was created to account for sales tax allocations, grants and contributed revenues used to operate the Weslaco Library.

Hotel/Motel Tax Fund-This fund was created to account for hotel/motel tax collected in Weslaco. These funds are allocated for use in economic development and community enhancement.

**CITY OF WESLACO, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>Special Revenue Funds</u>			
	<u>Hotel/ Motel Tax</u>	<u>Library Fund</u>	<u>2010 Total Funds</u>	<u>2009 Total Funds</u>
Assets				
Cash and Cash Investments	\$ 453,696	\$ 14,364	\$ 468,060	\$ 500,869
Accounts Receivable	72,212	-	72,212	89,687
Due From Other Governments	-	-	-	-
Total Assets	<u>\$ 525,908</u>	<u>\$ 14,364</u>	<u>\$ 540,272</u>	<u>\$ 590,556</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 648	\$ -	\$ 648	\$ 622
Deferred Revenue	-	-	-	-
Total Liabilities	<u>648</u>	<u>-</u>	<u>648</u>	<u>622</u>
Fund Balances				
Unreserved				
Designated			-	
Undesignated	<u>525,260</u>	<u>14,364</u>	<u>539,624</u>	<u>589,934</u>
Total Fund Balance	<u>525,260</u>	<u>14,364</u>	<u>539,624</u>	<u>589,934</u>
Total Liabilities and Fund Balances	<u>\$ 525,908</u>	<u>\$ 14,364</u>	<u>\$ 540,272</u>	<u>\$ 590,556</u>

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

CITY OF WESLACO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Hotel/ Motel Tax</u>	<u>Library Fund</u>	<u>2010 Total Funds</u>	<u>2009 Total Funds</u>
Revenues				
Hotel/Motel Tax	\$ 359,421	\$ -	\$ 359,421	\$ 403,467
Intergovernmental	-	-	-	-
Investment Income	33	-	33	3,585
Contributions	-	-	-	554
Miscellaneous	-	-	-	-
Total Revenue	<u>359,454</u>	<u>-</u>	<u>359,454</u>	<u>407,606</u>
Expenditures				
Current:				
Development services	44,086	554	44,640	59,905
Cultural and recreational	365,124	-	365,124	589,825
Capital outlay	-	-	-	-
Total Expenditures	<u>409,210</u>	<u>554</u>	<u>409,764</u>	<u>649,730</u>
Excess (deficiency) of revenues over expenditures	<u>(49,756)</u>	<u>(554)</u>	<u>(50,310)</u>	<u>(242,124)</u>
Other financing sources (uses)				
Bonds issued				
Transfers in			-	-
Transfers out			-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of (deficiency) revenues and other sources over expenditures and other (uses)	<u>(49,756)</u>	<u>(554)</u>	<u>(50,310)</u>	<u>(242,124)</u>
Fund balances at beginning of year	<u>575,016</u>	<u>14,918</u>	<u>589,934</u>	<u>832,058</u>
Fund balances at end of year	<u>\$ 525,260</u>	<u>\$ 14,364</u>	<u>\$ 539,624</u>	<u>\$ 589,934</u>

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

**CITY OF WESLACO, TEXAS
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE ACTUAL TOTALS FOR 2009**

	2010				2009
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
Revenues					
Occupancy tax	\$ 430,000	\$ 430,000	\$ 359,421	\$ (70,579)	\$ 403,467
Investment income	4,220	4,220	33	(4,187)	3,540
Miscellaneous Income	-	-	-	-	-
Total Revenues	434,220	434,220	359,454	(74,766)	407,007
Expenditures					
Current:					
Development services	76,914	76,914	44,086	32,828	59,905
Cultural and recreational	391,350	391,350	365,124	26,226	589,825
Capital outlay	-	-	-	-	-
Total Expenditures	468,264	468,264	409,210	59,054	649,730
Excess of revenues over expenditures	(34,044)	(34,044)	(49,756)	(15,712)	(242,723)
Other financing (uses)					
Transfers out	-	-	-	-	-
Excess of revenues over expenditures and other (uses)	(34,044)	(34,044)	(49,756)	(15,712)	(242,723)
Fund balances at beginning of year			575,016		817,739
Fund balances at end of year			\$ 525,260		\$ 575,016

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

**CITY OF WESLACO, TEXAS
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE ACTUAL TOTALS FOR 2009**

	2010			2009
	Budget Amounts		Variance with	
	Original	Final	Final Budget Positive (Negative)	Actual GAAP Basis
Revenues				
Sales tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-
Investment income	-	-	-	45
Other	-	-	-	554
Total revenues	-	-	-	599
Expenditures				
Current:				
Cultural/recreation	-	-	554	(554)
Capital outlay	-	-	-	-
Total expenditures	-	-	554	(554)
Excess (deficiency) of revenues over expenditures	-	-	(554)	(554)
Other financing sources (uses)				
Transfers in				
Transfers out				
Total other financing sources (uses)		-	-	-
Excess of (deficiency) revenues and other sources over expenditures and other (uses)	-	-	(554)	(554)
Fund balance at beginning of year			14,918	14,319
Fund balances at end of year			\$ 14,364	\$ 14,918

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

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND ACCOUNT
GROUPS**

GENERAL FUND

The General Fund accounts for the resources used to finance the fundamental operations of the City. It is the basic fund of the City and covers all activities for which a separate fund has not been established.

**CITY OF WESLACO, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010**

Assets	2010	2009
Cash	\$ 580,055	\$ 1,100,529
Investments		
Receivable (Net of allowance)		
Property taxes	1,255,471	1,243,644
Sales taxes	700,246	678,252
Ambulance fee	139,780	108,308
Other	214,823	194,600
Other assets	5,000	5,000
Inventories	69,467	61,244
Due from other funds	929,906	360,000
Due from other governments	236,012	248,332
Restricted Cash-Boy's & Girls Club	397,595	425,353
Restricted Cash-Friends of the Library	481,921	481,362
Total Assets	\$ 5,010,276	\$ 4,906,624
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 878,974	\$ 577,982
Accrued salaries and payroll taxes	101,698	
Compensated absences	206,022	240,289
Volunteer separation payable	611,900	
Due to other funds	342,841	240,566
Other liabilities	229,712	193,272
Trust-Boy's & Girl's Club	397,595	425,353
Trust-Friends of the Library	481,921	481,362
Deferred revenues	1,244,292	1,236,230
Revolving Loan-Contingency	550,000	550,000
Total Liabilities	5,044,955	3,945,054
Fund Balance		
Reserve for inventories	69,467	61,244
Unreserved		
Designated for community promotion	31,301	31,301
Designated for public safety equipment	222,186	63,231
Designated for drainage projects	49,775	49,775
Designated for excess sales tax receipts	167,976	167,976
Designated for land improvements	15,000	15,000
Designated for the endowments	747	747
Designated for swimming pool project	25,000	25,000
Undesignated	(616,131)	547,296
Total Fund Balance	(34,679)	961,570
Total Liabilities and Fund Balance	\$ 5,010,276	\$ 4,906,624

CITY OF WESLACO, TEXAS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2009)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2009 Actual</u>
Revenues				
Taxes	\$ 15,667,804	\$ 15,614,848	\$ (52,956)	\$ 15,623,980
Licenses and permits	408,860	370,890	(37,970)	406,099
Intergovernmental	793,300	753,267	(40,033)	1,061,356
Charges for services	2,937,290	2,905,104	(32,186)	3,752,129
Fines and forfeits	653,700	676,431	22,731	690,602
Interest	11,000	5,824	(5,176)	12,912
Miscellaneous revenue	326,800	337,567	10,767	390,465
Sale of assets	2,000	-	(2,000)	500
Total Revenues	<u>20,800,754</u>	<u>20,663,931</u>	<u>(136,823)</u>	<u>21,938,043</u>
Expenditures				
Current				
General government	3,716,322	3,633,642	82,680	3,481,440
Public safety	12,953,963	12,725,966	227,997	12,486,212
Public works	1,434,736	1,390,192	44,544	1,468,756
Health	132,272	128,875	3,397	123,307
Culture and recreation	2,264,278	2,311,038	(46,760)	2,231,748
Economic Development	-	-	-	-
Nondepartmental expenses	626,485	779,286	(152,801)	541,759
Capital Outlay	260,366	7,649,738	(7,389,372)	664,538
Total Expenditures	<u>21,388,422</u>	<u>28,618,737</u>	<u>(7,230,315)</u>	<u>20,997,760</u>
Excess (Deficiency) of Revenues Over Expenditures Before Operating Transfers and Extraordinary Items	<u>(587,668)</u>	<u>(7,954,806)</u>	<u>(7,367,138)</u>	<u>940,283</u>
Operating Transfers and Extraordinary Items				
Operating transfers in (Note L)	525,775	164,040	(361,735)	525,775
Operating transfers out	(283,350)	-	283,350	(287,000)
Volunteer Separation Expense		(611,900)		
Proceeds from 380 Agreements		7,406,417		
Total Operating Transfers and Extraordinary Items	<u>242,425</u>	<u>6,958,557</u>	<u>(78,385)</u>	<u>238,775</u>
Excess (Deficiency) of Revenues Operating Transfers, and Extraordinary Items Over Expenditures	<u>\$ (345,243)</u>	<u>\$ (996,249)</u>	<u>\$ (7,445,523)</u>	<u>\$ 1,179,058</u>

CITY OF WESLACO, TEXAS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2009)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2009 Actual</u>
Excess (Deficiency) of Revenues, Operating Transfers, and Extraordinary Items Over Expenditures	<u>\$ (345,243)</u>	<u>\$ (996,249)</u>	<u>\$ (7,445,523)</u>	<u>\$ 1,179,058</u>
Fund Balance, October 1,		<u>961,570</u>		<u>(217,488)</u>
Fund Balance, September 30,		<u>\$ (34,679)</u>		<u>\$ 961,570</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes			
General property taxes			
Advalorem taxes	\$ 6,841,000	\$ 6,965,013	\$ 124,013
Penalties and interest on taxes	225,000	249,906	24,906
Total General Property Taxes	7,066,000	7,214,919	148,919
City sales tax	7,128,804	6,913,764	(215,040)
Alcoholic beverage tax	45,000	66,846	21,846
Bingo tax	3,000	4,409	1,409
Payment in lieu of taxes	-	-	-
Franchise taxes	1,425,000	1,414,910	(10,090)
Other	-	-	-
Total Taxes	15,667,804	15,614,848	(52,956)
Licenses and Permits			
Business licenses and permits	367,900	324,532	(43,368)
Non-business licenses and permits	40,960	46,358	5,398
Total Licenses and Permits	408,860	370,890	(37,970)
Intergovernmental Revenue			
Urban County Development Grant	12,105	144,499	132,394
Federal Grants	250,000	539,632	289,632
State Grants	531,195	69,136	(462,059)
Total Intergovernmental Revenue	793,300	753,267	(40,033)
Charges for Services			
Administrative fee (other city funds)	1,521,790	1,315,508	(206,282)
Public safety	1,085,000	1,334,617	249,617
Health	270,000	168,587	(101,413)
Cemetery charges	60,500	86,392	25,892
Total Charges for Services	\$ 2,937,290	\$ 2,905,104	\$ (32,186)

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and Forfeits			
Corporation court fines	\$ 500,000	\$ 319,364	\$ (180,636)
Municipal court technology		11,093	11,093
Parking meter fines	2,500	-	(2,500)
Money confiscated		259,211	259,211
Court fines	145,600	78,252	(67,348)
Library fines	5,600	8,511	2,911
Total Fines and Forfeits	<u>653,700</u>	<u>676,431</u>	<u>22,731</u>
Interest			
Interest revenue	11,000	5,824	(5,176)
Total Interest	<u>11,000</u>	<u>5,824</u>	<u>(5,176)</u>
Miscellaneous Revenues			
Rents	62,700	77,929	15,229
Royalties	4,000	1,794	(2,206)
Contribution	29,400	8,500	(20,900)
Reimbursements	74,000	90,694	16,694
Other income	156,700	158,650	1,950
Total Miscellaneous Revenues	<u>326,800</u>	<u>337,567</u>	<u>10,767</u>
Sale of Assets			
Proceeds Sale of Assets	2,000	-	(2,000)
Total Sale of Assets	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total Revenues	<u>\$ 20,800,754</u>	<u>\$ 20,663,931</u>	<u>\$ (136,823)</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT			
Control			
Legislative-City Commission			
Personal services	\$ 13,564	\$ 11,511	\$ 2,053
Other services & charges	150,448	144,989	5,459
Supplies	9,250	9,315	(65)
Total Legislative-City Commission	<u>173,262</u>	<u>165,815</u>	<u>7,447</u>
Executive-/City Manager's Office			
Personal services	249,797	231,339	18,458
Other services & charges	14,706	14,766	(60)
Supplies	3,200	2,859	341
Total Executive-City Manager's Office	<u>267,703</u>	<u>248,964</u>	<u>18,739</u>
City Secretary's Office			
Personal services	287,838	280,579	7,259
Other services & charges	25,426	24,963	463
Supplies	6,998	8,096	(1,098)
Total City Secretary's Office	<u>320,262</u>	<u>313,638</u>	<u>6,624</u>
Judicial-Corporation Court			
Personal services	137,658	137,740	(82)
Other services & charges	100,669	97,717	2,952
Supplies	5,050	3,326	1,724
Total Judicial-Corporation Court	<u>243,377</u>	<u>238,783</u>	<u>4,594</u>
Total Control	<u>1,004,604</u>	<u>967,200</u>	<u>37,404</u>
Staff Agencies			
Elections			
Personal services	-	-	-
Other services & charges	17,095	14,124	2,971
Supplies	1,000	352	648
Total Elections	<u>\$ 18,095</u>	<u>\$ 14,476</u>	<u>\$ 3,619</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT-continued			
Staff Agencies-continued			
Finance			
Personal services	\$ 431,559	\$ 418,470	\$ 13,089
Other services & charges	75,878	76,360	(482)
Supplies	6,850	7,644	(794)
Subtotal	<u>514,287</u>	<u>502,474</u>	<u>11,813</u>
Assessment and Collection of Taxes	<u>235,843</u>	<u>286,086</u>	<u>(50,243)</u>
Total Finance	<u>750,130</u>	<u>788,560</u>	<u>(38,430)</u>
Personnel Director			
Personal services	221,129	213,361	7,768
Other services & charges	56,841	58,197	(1,356)
Supplies	8,130	7,522	608
Total Personnel Director	<u>286,100</u>	<u>279,080</u>	<u>7,020</u>
Purchasing			
Personal services	224,814	216,529	8,285
Other services & charges	17,921	8,444	9,477
Supplies	4,920	2,633	2,287
Total Purchasing	<u>247,655</u>	<u>227,606</u>	<u>20,049</u>
Law-City Attorney			
Personal services			
Other services & charges	311,020	304,632	6,388
Total Law	<u>311,020</u>	<u>304,632</u>	<u>6,388</u>
Building Maintenance			
Personal services	404,090	393,830	10,260
Other services & charges	146,080	154,638	(8,558)
Supplies	45,902	38,827	7,075
Total Building Maintenance	<u>\$ 596,072</u>	<u>\$ 587,295</u>	<u>\$ 8,777</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT-continued			
Data Processing			
Personal services	\$ 111,435	\$ 104,133	\$ 7,302
Other services & charges	111,049	105,101	5,948
Supplies	1,500	775	725
Total Data Processing	<u>223,984</u>	<u>210,009</u>	<u>13,975</u>
 Planning			
Personal services	256,546	236,146	20,400
Other services & charges	16,169	15,287	882
Supplies	5,947	3,351	2,596
Total Planning	<u>278,662</u>	<u>254,784</u>	<u>23,878</u>
 Total Staff Agencies	<u>2,711,718</u>	<u>2,666,442</u>	<u>45,276</u>
 Total General Government	<u>\$ 3,716,322</u>	<u>\$ 3,633,642</u>	<u>\$ 82,680</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY			
Police Department			
Investigation and Uniformed Patrol			
Personal services	\$ 5,944,655	\$ 5,887,052	\$ 57,603
Other services & charges	217,981	210,838	7,143
Supplies	195,101	239,703	(44,602)
Total Investigation and Uniformed Patrol	<u>6,357,737</u>	<u>6,337,593</u>	<u>20,144</u>
 Parking Control			
Personal services			-
Other services & charges			-
Supplies			-
Total Parking Control	<u>-</u>	<u>-</u>	<u>-</u>
 Traffic Safety			
Personal services	62,943	57,921	5,022
Other services & charges	53,903	39,477	14,426
Supplies	18,301	15,605	2,696
Total Traffic Safety	<u>135,147</u>	<u>113,003</u>	<u>22,144</u>
 Total Police Department	<u>6,492,884</u>	<u>6,450,596</u>	<u>42,288</u>
 Fire Suppression			
Personal services	5,031,743	4,949,949	81,794
Other services & charges	182,344	169,922	12,422
Supplies	174,361	151,071	23,290
Total Protective Inspection	<u>5,388,448</u>	<u>5,270,942</u>	<u>117,506</u>
 Emergency Medical Services			
Personal services			-
Other services & charges	242,370	220,847	21,523
Supplies	130,550	122,971	7,579
Total Emergency Medical Services	<u>\$ 372,920</u>	<u>\$ 343,818</u>	<u>\$ 29,102</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY-continued			
Code Enforcement			
Personal services	\$ 461,048	\$ 439,483	\$ 21,565
Other services & charges	154,346	143,498	10,848
Supplies	24,810	26,951	(2,141)
Total Code Enforcement	<u>640,204</u>	<u>609,932</u>	<u>30,272</u>
Emergency Management			
Personnel Services			-
Other services & charges	49,385	42,301	7,084
Supplies	10,122	8,377	1,745
Total Emergency Management	<u>59,507</u>	<u>50,678</u>	<u>8,829</u>
 Total Fire Department	 <u>6,461,079</u>	 <u>6,275,370</u>	 <u>185,709</u>
 Total Public Safety	 <u>12,953,963</u>	 <u>12,725,966</u>	 <u>227,997</u>
 PUBLIC WORKS			
Administration			
Personal services	28,221	28,002	219
Other services & charges	7,864	9,346	(1,482)
Supplies	3,122	1,947	1,175
Total Administration	<u>39,207</u>	<u>39,295</u>	<u>(88)</u>
Urban Development			
Personal services	-	-	-
Other services & charges	98,000	101,557	(3,557)
Supplies	-	-	-
Total Urban Development	<u>98,000</u>	<u>101,557</u>	<u>(3,557)</u>
Drain Ditch Maintenance			
Personal services	23,725	20,079	3,646
Other services & charges	26,243	20,993	5,250
Supplies	12,643	9,820	2,823
Total Drain Ditch Maintenance	<u>\$ 62,611</u>	<u>\$ 50,892</u>	<u>\$ 11,719</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC WORKS-continued			
Streets and Highways			
Personal services	\$ 531,944	\$ 508,688	\$ 23,256
Other services & charges	65,724	64,111	1,613
Supplies	53,986	45,947	8,039
Total Streets and Highways	<u>651,654</u>	<u>618,746</u>	<u>32,908</u>
Street Cleaning			
Personal services	103,085	100,905	2,180
Other services & charges	10,000	8,964	1,036
Supplies	10,179	9,276	903
Total Street Cleaning	<u>123,264</u>	<u>119,145</u>	<u>4,119</u>
Street Lighting			
Other services & charges	460,000	460,557	(557)
Total Street Lighting	<u>460,000</u>	<u>460,557</u>	<u>(557)</u>
Total Public Works	<u>1,434,736</u>	<u>1,390,192</u>	<u>44,544</u>
 HEALTH			
Vital Statistics			
Personal services	113,147	110,250	2,897
Other services & charges	11,625	10,751	874
Supplies	7,500	7,874	(374)
Total Vital Statistics	<u>132,272</u>	<u>128,875</u>	<u>3,397</u>
Total Health	<u>132,272</u>	<u>128,875</u>	<u>3,397</u>
 CULTURE AND RECREATION			
Municipal Parks			
Personal services	949,399	925,521	23,878
Other services & charges	321,817	325,292	(3,475)
Supplies	47,056	45,596	1,460
Total Municipal Parks	<u>\$ 1,318,272</u>	<u>\$ 1,296,409</u>	<u>\$ 21,863</u>

**CITY OF WESLACO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CULTURE AND RECREATION-continued			
Swimming Pool			
Personal services	\$ 43,409	\$ 42,919	\$ 490
Other services & charges	4,000	2,435	1,565
Supplies	13,000	12,944	56
Total Swimming Pool	<u>60,409</u>	<u>58,298</u>	<u>2,111</u>
Library			
Personal services	665,113	638,996	26,117
Other services & charges	136,567	142,861	(6,294)
Supplies	83,917	174,474	(90,557)
Total Library	<u>885,597</u>	<u>956,331</u>	<u>(70,734)</u>
Total Culture & Recreation	<u>2,264,278</u>	<u>2,311,038</u>	<u>(46,760)</u>
NON-DEPARTMENTAL EXPENSES			
General expenditures:			
Personal services	153,685	150,478	3,207
Other services & charges	472,800	484,309	(11,509)
Community expenditures-Urban County	-	144,499	(144,499)
Community development	-	-	-
Total Miscellaneous	<u>626,485</u>	<u>779,286</u>	<u>(152,801)</u>
CAPITAL OUTLAY			
General Government	49,000	21,345	27,655
Public Safety	131,966	145,206	(13,240)
Public Works	-	-	-
Streets and Highways	-	-	-
Culture and Recreation	79,400	76,770	2,630
Health	-	-	-
Infrastructure (380 Agreement)	-	7,406,417	(7,406,417)
Total Capital Outlay	<u>260,366</u>	<u>7,649,738</u>	<u>(7,389,372)</u>
Total Expenditures	<u>\$ 21,388,422</u>	<u>\$ 28,618,737</u>	<u>\$ (7,230,315)</u>

SPECIAL REVENUE FUNDS

These fund account for revenues are earmarked or restricted for certain purposes or within certain limitations.

Economic Development Corporation of Weslaco-This fund was created to account for the collection of a ½ cent sales tax to be used in economic development activities.

Library Fund-This fund was created to account for sales tax allocations, grants and contributed revenues used to operate the Weslaco Library.

Hotel/Motel Tax Fund-This fund was created to account for hotel/motel tax collected in Weslaco. These funds are allocated for use in economic development and community enhancement.

**CITY OF WESLACO, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)**

	<u>Economic Development Corporation</u>	<u>Library Fund</u>	<u>Hotel/ Motel Tax</u>
Assets			
Cash	\$ 724,060	\$ 14,364	\$ 453,696
Investments	902,200		
Accounts receivables	12,532		72,212
Due from other funds	175,061		
Due from others			
Notes receivable (net)	4,047,930		
Accrued Interest			
Prepaid expenses			
Escrow			
Assets held for resale	284,376		
Total Assets	<u>\$ 6,146,159</u>	<u>\$ 14,364</u>	<u>\$ 525,908</u>
Liabilities and Fund Balances			
Accounts payable	\$ 427,001	\$ -	\$ 515
Accrued salaries			133
Due to other funds			
Prepaid rent	3,000		
Deferred revenue	3,218,276		
Total Liabilities	<u>3,648,277</u>	<u>-</u>	<u>648</u>
Fund Balance			
Reserved			
Reserved for bond service	902,200		
Unreserved			
Designated for business loans			
Designated for administration			
Designated for economic incentive			
Designated for project development	600,000		
Undesignated	995,682	14,364	525,260
Total Fund Balance	<u>2,497,882</u>	<u>14,364</u>	<u>525,260</u>
Total Liabilities and Fund Balance	<u>\$ 6,146,159</u>	<u>\$ 14,364</u>	<u>\$ 525,908</u>

Totals	
2010	2009
\$ 1,192,120	\$ 2,031,076
902,200	1,279,940
84,744	104,495
175,061	169,563
-	270
4,047,930	2,040,293
-	
-	6,143
-	15,000
284,376	1,143,995
<u>\$ 6,686,431</u>	<u>\$ 6,790,775</u>
\$ 427,516	\$ 134,279
133	251
-	
3,000	5,000
<u>3,218,276</u>	<u>1,324,074</u>
<u>3,648,925</u>	<u>1,463,604</u>
902,200	902,200
-	
-	
-	
600,000	600,000
<u>1,535,306</u>	<u>3,824,971</u>
<u>3,037,506</u>	<u>5,327,171</u>
<u>\$ 6,686,431</u>	<u>\$ 6,790,775</u>

CITY OF WESLACO, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	<u>Economic Development Corporation</u>	<u>Library Fund</u>	<u>Hotel/ Motel Tax</u>
Revenues			
Sales taxes	\$ 2,304,588	\$ -	\$ -
Hotel taxes			359,421
Intergovernmental Contributions			
Interest	69,767		33
Program Income	109,445		
Sale of assets	131,825		
Other	11,387		
Total Revenues	<u>2,627,012</u>	<u>-</u>	<u>359,454</u>
Expenditures			
Economic development	4,115,265		
Culture & recreation	99,292	554	409,210
Capital outlay	647,471		
Total Expenditures	<u>4,862,028</u>	<u>554</u>	<u>409,210</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,235,016)</u>	<u>(554)</u>	<u>(49,756)</u>
Other Financing Sources (Uses):			
Notes proceeds			
Bond revenues			
Bond issuance costs			
Operating transfers in			
Operating transfers out	(4,339)		
Net Other Financing Sources (Uses)	<u>(4,339)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(2,239,355)</u>	<u>(554)</u>	<u>(49,756)</u>
Fund Balances at Beginning of Year	<u>4,737,237</u>	<u>14,918</u>	<u>575,016</u>
Fund Balances at End of Year	<u>\$ 2,497,882</u>	<u>\$ 14,364</u>	<u>\$ 525,260</u>

2010		Variance Favorable (Unfavorable)	2009
Totals	Budget		Totals
\$ 2,304,588	\$ 2,303,565	\$ 1,023	\$ 2,293,863
359,421	430,000	(70,579)	403,467
-		-	
-		-	554
69,800	50,720	19,080	121,209
109,445	532,008	(422,563)	62,604
131,825	950,000	(818,175)	904,934
11,387		11,387	42,241
<u>2,986,466</u>	<u>4,266,293</u>	<u>(1,279,827)</u>	<u>3,828,872</u>
4,115,265	3,497,801	(617,464)	4,716,486
509,056	872,146	363,090	649,730
647,471	1,350,000	702,529	214,129
<u>5,271,792</u>	<u>5,719,947</u>	<u>448,155</u>	<u>5,580,345</u>
(2,285,326)	(1,453,654)	(831,672)	(1,751,473)
-		-	1,300,000
-		-	
-		-	
-		-	
(4,339)		(4,339)	
<u>(4,339)</u>	<u>-</u>	<u>(4,339)</u>	<u>1,300,000</u>
(2,289,665)	(1,453,654)	(836,011)	(451,473)
<u>5,327,171</u>			<u>5,778,644</u>
<u>\$ 3,037,506</u>			<u>\$ 5,327,171</u>

**CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
OF WESLACO
COMPARATIVE SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Administration		
Personal services	\$ 51,392	\$ 48,624
Other services & charges	<u>136,881</u>	<u>132,399</u>
Total Administration	<u>188,273</u>	<u>181,023</u>
 Property Management		
Personal services	110,563	104,862
Other services & charges	231,574	212,350
Bad debt expense	<u>8,831</u>	
Total Property Management	<u>350,968</u>	<u>317,212</u>
 Promotion & Development		
Personal services	59,534	58,391
Consultants		79,549
Other services & charges	<u>39,758</u>	<u>40,413</u>
Total Promotion & Development	<u>99,292</u>	<u>178,353</u>
 Contract Services-Funding of Economic Development Projects		
Weslaco Chamber of Commerce	65,000	65,000
Vida Grant	25,000	25,000
City of Weslaco Airport	2,170	
Mighty Joe's Gym		3,025
Heart of Weslaco		24,897
City of Weslaco Development		15,285
Eastland Holdings, Inc.		5,000
Surya, LTD		12,378
Mid Valley Airport Project		464,454
Weslaco Museum		17,000
Rudy's Plaza		20,000
DK III Development		10,000
Donation to DPS		1,022,398
Payne Dealership Landscaping	28,435	
Arturo's Bar & Grill	3,700	
David Lopez	10,000	
Texas Rural Aid	2,000	
Montalvo Insurance Agency	12,000	
Shrimp House	1,293	
Valley Grande Institute	700	
Savory Perks	10,000	
Jose's Cafecito	<u>10,000</u>	
Total Contract Services	<u>170,298</u>	<u>1,684,437</u>

**CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
OF WESLACO
COMPARATIVE SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Economic Incentives to Area Businesses:		
Tan 'US Sales Company	\$ 305,668	\$ 288,994
Fed-Ex Ground		55,000
Anabell Cardona		
Savory Perks	5,000	
American Audio Alarm & Tint	25,500	
Sizewise Rentals	35,000	
Del Bravo Ice	40,000	
Weslaco Professional	300,000	
Oswalt Holdings, LLC	15,730	
Legacy Builder's		
Mountain Glacier	6,250	31,250
RGV Word	225,000	
Rio Bank		50,000
Cano Family Company		75,000
SDI Weslaco Holdings, LLC	1,298,847	914,408
Pins & Cues	150,000	
Weslaco Hill Apts.	72,500	
Gran Café de la Parroquia	34,000	
Total Economic Incentives	<u>2,513,495</u>	<u>1,414,652</u>
Capital Outlay		
Administration	2,158	2,863
Land & Building	27,250	211,266
Airport Improvements	618,063	
Total Capital Outlay	<u>647,471</u>	<u>214,129</u>
Debt Service		
Principal on bonds and notes	571,207	635,843
Loan refinancing costs		
Interest on bonds and notes	320,377	293,535
Contingency expense		
Fiscal charges	647	11,431
Total Debt Service	<u>892,231</u>	<u>940,809</u>
Total Expenditures	<u>\$ 4,862,028</u>	<u>\$ 4,930,615</u>

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DEBT SERVICE FUND

GENERAL OBLIGATION BONDS

This fund is used to account for payment of principal and interest on the general long-term debt of the City. Financing is provided by apportioning a percentage of the property tax levy of the City to meet the general obligation bond requirements.

CITY OF WESLACO, TEXAS
DEBT SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	Totals	
	2010	2009
Assets		
Cash	\$ 416,434	\$ 291,405
Investments		
Taxes receivable net of estimated uncollectible taxes	505,813	504,714
Due from other funds	167,780	71,003
Total Assets	\$ 1,090,027	\$ 867,122
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Interest payable		
Deferred revenues-tax	486,769	482,531
Total Liabilities	486,769	482,531
Fund Balances		
Reserved for debt service	603,258	384,591
Total Liabilities and Fund Balances	\$ 1,090,027	\$ 867,122

CITY OF WESLACO, TEXAS
DEBT SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	Totals	
	2010	2009
Revenues		
Property taxes	\$ 2,404,920	\$ 2,321,143
Penalty/interest	97,590	116,270
Interest	860	1,931
Other		
Total Revenues	2,503,370	2,439,344
Expenditures		
Debt service		
Defeased Bonds		
Redemption of serial bonds	1,110,972	954,904
Redemption of assumed		
Water District debt		
Interest on bonds and notes	1,169,745	1,206,625
Fiscal charges	3,410	2,425
Bond Issuance Costs		
Bank Service Charges	576	
Total Expenditures	2,284,703	2,163,954
Excess (Deficiency) of Revenues		
Over Expenditure	218,667	275,390
Other Financing Sources		
Bond Proceeds/Interest		
Transfers In		
	-	-
Excess of Revenues and Other		
Sources, Over-Expenditures	218,667	275,390
Fund Balances, October 1,	384,591	109,201
Fund Balances, September 30,	\$ 603,258	\$ 384,591

CITY OF WESLACO, TEXAS
DEBT SERVICE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

<u>Interest and Sinking Fund</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 2,198,207	\$ 2,404,920	\$ 209,851
Penalty and Interest	91,000	97,590	6,590
Interest	1,510	860	(650)
Other			-
Total Revenues	<u>2,290,717</u>	<u>2,503,370</u>	<u>215,791</u>
Expenditures			
Debt service			
Defeased bonds			-
Redemption of serial bonds	1,110,972	1,110,972	-
Redemption of assumed			-
Water District debt			-
Interest on bonds and notes	1,169,745	1,169,745	-
Fiscal charges	10,000	3,410	6,590
Bond issuance costs			-
Bank Service Charges		576	(576)
Total Expenditures	<u>2,290,717</u>	<u>2,284,703</u>	<u>6,014</u>
Excess (Deficiency) of Revenues Over Expenditures	-	218,667	221,805
Other Financing Sources			
Transfers in			
Transfers out			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources, Over-Expenditures	<u>\$ -</u>	<u>218,667</u>	<u>\$ 221,805</u>
Fund Balance, October 1,		<u>384,591</u>	
Fund Balance, September 30,		<u>\$ 603,258</u>	

CAPITAL PROJECTS FUND

CAPITAL PROJECTS FUNDS

These funds are used to account for revenues and expenditures relating to the acquisition of capital facilities and are principally financed from the sale of bonds and federal or state grants-in-aid.

2003 Certificate of Obligation Construction Fund – accounts for street improvements, public facilities, park improvements, main street beautification, landfill closure costs, and fire and EMS equipment. These projects are financed by the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003 for \$14,080,000.

2007 Certificate of Obligation Construction Fund – accounts for street improvements, acquisition of equipment for police department and fire suppression department, renovation of public works building, and improvement to the library facilities. These projects are financed by the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 for \$6,105,000.

**CITY OF WESLACO, TEXAS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)**

	2003 Certificate of Obligation Construction Fund	2007 Certificate of Obligation Construction Fund	Totals	
			2010	2009
Assets				
Cash	\$ 75,690	\$ 648,483	\$ 724,173	\$ 1,972,327
Investments			-	
Due from other funds			-	
Due from others			-	
Total Assets	<u>\$ 75,690</u>	<u>\$ 648,483</u>	<u>\$ 724,173</u>	<u>\$ 1,972,327</u>
Liabilities				
Contract payable	\$ 226	\$ 87,421	\$ 87,647	\$ 310,335
Retainage payable			-	
Due to others			-	
Due to other funds			-	
Total Liabilities	<u>226</u>	<u>87,421</u>	<u>87,647</u>	<u>310,335</u>
Fund Balances				
Unreserved-designated for capital expenditures	<u>75,464</u>	<u>561,062</u>	<u>636,526</u>	<u>1,661,992</u>
Total Liabilities and Fund Balance	<u>\$ 75,690</u>	<u>\$ 648,483</u>	<u>\$ 724,173</u>	<u>\$ 1,972,327</u>

CITY FOR WESLACO, TEXAS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	2003 Certificate of Obligation Construction Fund	2007 Certificate of Obligation Construction Fund	Totals	
			2010	2009
Revenues				
Interest	\$ 25	\$ 63,394	\$ 63,419	\$ 90,455
Intergovernmental revenues			-	81,000
Total Revenues	<u>25</u>	<u>63,394</u>	<u>63,419</u>	<u>171,455</u>
Expenditures				
Administrative expenditures			-	141
Capital outlay				
Street improvements	230,497	704,674	935,171	141,978
Park improvements			-	59,698
Mainstreet improvements			-	38,335
Library Improvements			-	3,733
Building improvements		153,714	153,714	419,927
Equipment				
Streets & Highways			-	-
Fire Department			-	25,670
Emergency Management			-	311,822
Police Department			-	-
Land acquisition			-	-
Cemetery improvements			-	-
Total Expenditures	<u>230,497</u>	<u>858,388</u>	<u>1,088,885</u>	<u>1,001,304</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(230,472)</u>	<u>(794,994)</u>	<u>(1,025,466)</u>	<u>(829,849)</u>
Other financing sources (uses)				
Bond Management Fees			-	(120,076)
Transfers in			-	-
Transfers out			-	(23,180)
Total Other Financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,256)</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(230,472)</u>	<u>(794,994)</u>	<u>(1,025,466)</u>	<u>(973,105)</u>
Fund Balances, October 1,	<u>305,936</u>	<u>1,356,056</u>	<u>1,661,992</u>	<u>2,635,097</u>
Fund Balances, September 30,	<u>\$ 75,464</u>	<u>\$ 561,062</u>	<u>\$ 636,526</u>	<u>\$ 1,661,992</u>

CITY OF WESLACO, TEXAS
2003 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest	\$ -	\$ 25	\$ 25
Intergovernmental revenues			-
Miscellaneous revenue			-
Total Revenue	<u>-</u>	<u>25</u>	<u>25</u>
Expenditures			
Administration expenditures			
Capital outlay			
Street Improvements			
TxDot Advance Funding Agreement		230,497	(230,497)
Park Improvements			-
Mainstreet Beautification			-
Cemetery Expansion			-
Total Expenditures	<u>-</u>	<u>230,497</u>	<u>(230,497)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(230,472)</u>	<u>(230,472)</u>
Other financing sources (uses)			
Bond Management Fees			-
Transfers in			-
Transfers out	<u>-</u>		<u>-</u>
Total Other Financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>(230,472)</u>	<u>\$ (230,472)</u>
Fund Balances, October 1		<u>305,936</u>	
Fund Balances, September 30		<u>\$ 75,464</u>	

CITY OF WESLACO, TEXAS
2007 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ -	\$ 63,394	\$ 63,394
Intergovernmental revenues			-
Miscellaneous revenue			-
Total Revenue	<u>-</u>	<u>63,394</u>	<u>63,394</u>
Expenditures			
Administration expenditures			
Capital outlay			
Generator-fire station #2			-
Ambulance - Type I			-
Rescue truck-pumper			-
Carpeting-library media center			
Street improvements			
TxDot Advance Funding Agreement		300,000	(300,000)
Border st. (18th to 34th)			-
Frost proof drive			-
Westgate Drive	335,000	404,674	(69,674)
Renovation-public works bldg		153,714	(153,714)
Reserved			-
Total Expenditures	<u>335,000</u>	<u>858,388</u>	<u>(523,388)</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(335,000)</u>	<u>(794,994)</u>	<u>(459,994)</u>
Other financing sources (uses)			
Bond Management Fees			-
Transfers in			-
Transfers out			-
Total Other Financing			
sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (335,000)</u>	<u>(794,994)</u>	<u>(459,994)</u>
Fund Balances, October 1		<u>1,356,056</u>	
Fund Balances, September 30		<u>\$ 561,062</u>	

ENTERPRISE FUNDS

Enterprise Funds are established to account for operations which are self-supporting through user charges to the general public. The City of Weslaco operates the water and sewer utility plants and the municipal airport on this basis.

Water and Sewer Fund- accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director, operations, maintenance, financing and related debt service, and billing and collection).

Airport Fund-accounts for the provision of airport facilities to area residents. All activities necessary to provide such services are accounted for in this fund. The fund is financed primarily by hangar rentals and tie-downs fees.

Sanitation Fund - accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund. Prior to 1994 sanitation services were accounted in the City of Weslaco General Fund.

**CITY OF WESLACO, TEXAS
ENTERPRISE FUND
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)**

Assets	Water and Sewer Fund	Sanitation Fund	Airport Fund
Current Assets			
Cash	\$ 1,131,718	\$ 1,249,595	\$ -
Investments	-		
Receivables			
Customers (net of allowance)	1,255,415	557,717	10,689
Inventory	93,824		43,255
Prepaid Expenses			
Due from other funds	594,179	48,863	
Due from other governments	122,553		250
Due from others		-	
Total Current Assets	3,197,689	1,856,175	54,194
Restricted Assets			
Cash Escrow (TXDOT)			-
Construction account			
Cash in bank			
Investments	-		
Due from other funds			
Revenue bond debt service account	12,703		
Revenue bond reserve account	469,687		
Revenue bond construction account	4,020,855		
Capital fee for construction	1,549,922		
Total Restricted Assets	6,053,167	-	-
Property, Plant, and Equipment			
Water and sewer plant	65,159,126		
Sanitation fixed assets		3,045,447	
Airport fixed assets			7,318,298
Total	65,159,126	3,045,447	7,318,298
Less: Allowances for depreciation	(21,650,711)	(2,132,722)	(2,991,148)
Net Property, Plant, and Equipment	43,508,415	912,725	4,327,150
Total Assets	\$ 52,759,271	\$ 2,768,900	\$ 4,381,344

Totals	
2010	2009
\$ 2,381,313	\$ 1,693,065
-	-
-	-
1,823,821	1,358,487
137,079	118,388
-	-
643,042	305,401
122,803	122,639
-	-
5,108,058	3,597,980
-	-
-	-
-	-
12,703	10,497
469,687	469,604
4,020,855	14,571,571
1,549,922	1,392,711
6,053,167	16,444,383
-	-
65,159,126	54,750,068
3,045,447	2,937,888
7,318,298	7,307,802
75,522,871	64,995,758
(26,774,581)	(25,059,141)
48,748,290	39,936,617
\$ 59,909,515	\$ 59,978,980

CITY OF WESLACO, TEXAS
ENTERPRISE FUND-COMBINING BALANCE SHEET
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	Water and Sewer Fund	Sanitation Fund	Airport Fund
Liabilities and Equity			
Current Liabilities			
Accounts payable	\$ 284,750	\$ 376,121	\$ 7,853
Bank overdraft			3,038
Accrued salaries and payroll taxes		14,516	
Compensated absences	146,475	28,171	83,313
Volunteer separation payable	62,158	-	-
Due to other funds	926,819	646,129	
Customer deposits	770,204		2,634
Other liabilities	90,192		
Total Current Liabilities	2,280,598	1,064,937	96,838
Current Liabilities			
Payable from Restricted Assets			
Construction contracts and retainage	1,177,653		
Accrued interest on bonds	185,935		
Revenue bonds payable-current	1,154,004		
Total Current Liabilities Payable from			
Restricted Assets	2,517,592	-	-
Other Liabilities			
Revenue bonds payable (net of current and unamortized issuance costs)	24,857,060	215,105	
Landfill closure and post-closure costs		890,348	
Total Other Liabilities	24,857,060	1,105,453	-
Total Liabilities	29,655,250	2,170,390	96,838
Equity			
Contributed Capital			
Contributed capital donation	11,000		
Contribution from City	2,926,974	3,715,956	1,398,150
Contributions in Aid of Construction	707,629		
Contributions from State Grants	3,954,105		1,617,395
Contributions from Revenue Sharing Fund			175,130
Contributions from Federal Grants	5,114,658	8,187	3,391,137
Total Contributed Capital	12,714,366	3,724,143	6,581,812
Retained Earnings			
Reserve for bond debt service	469,687		
Unreserved (Deficit)	9,919,968	(3,125,633)	(2,297,306)
Total Retained Earnings	10,389,655	(3,125,633)	(2,297,306)
Total Equity	23,104,021	598,510	4,284,506
Total Liabilities and Fund Equity	\$ 52,759,271	\$ 2,768,900	\$ 4,381,344

Totals	
2010	2009
\$ 668,724	\$ 485,056
3,038	
14,516	
257,959	320,192
62,158	
1,572,948	665,401
772,838	761,555
90,192	88,604
<u>3,442,373</u>	<u>2,320,808</u>
1,177,653	2,213,339
185,935	200,439
<u>1,154,004</u>	<u>974,028</u>
<u>2,517,592</u>	<u>3,387,806</u>
25,072,165	26,226,984
890,348	927,122
<u>25,962,513</u>	<u>27,154,106</u>
<u>31,922,478</u>	<u>32,862,720</u>
11,000	11,000
8,041,080	8,041,080
707,629	707,629
5,571,500	5,571,500
175,130	175,130
8,513,982	8,513,982
<u>23,020,321</u>	<u>23,020,321</u>
469,687	469,604
4,497,029	3,626,335
<u>4,966,716</u>	<u>4,095,939</u>
<u>27,987,037</u>	<u>27,116,260</u>
<u>\$ 59,909,515</u>	<u>\$ 59,978,980</u>

CITY OF WESLACO, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	Water and Sewer Fund	Sanitation Fund	Airport Fund
Operating Revenues			
Water sales	\$ 4,132,623	\$ -	\$ -
Sewer charges	3,434,957		
Sanitation charges		4,123,467	
Fuel sales			135,875
Hangar rental fees			43,531
Intergovernmental Revenues	-		-
Other Operating Revenues	278,787	92,115	6,778
Total Operating Revenues	<u>7,846,367</u>	<u>4,215,582</u>	<u>186,184</u>
Operating Expenses Before Depreciation			
Personal services	1,209,215	605,488	216,057
Other services and charges	1,113,135	760,942	87,189
Supplies	339,157	128,970	21,773
Contractual services	3,329,297	1,898,673	-
Total Operating Expenses	<u>5,990,804</u>	<u>3,394,073</u>	<u>325,019</u>
Operating Income Before Depreciation	1,855,563	821,509	(138,835)
Depreciation	(1,394,506)	(113,125)	(207,809)
Operating Income (Loss)	<u>461,057</u>	<u>708,384</u>	<u>(346,644)</u>
Non-operating Revenues (Expenses)			
Interest earned	618,299	39	12
Unrealized gain on investments	-		
Administrative fees	246,737		
Sewer backup issues	-		
Bond interest and fiscal charges	(1,301,303)	(9,802)	
Capital improvement fee	626,884		
Capital grants	80,875		8,098
Loss on sale of asset	-		
Total Non-operating Revenues (Expenses)	<u>271,492</u>	<u>(9,763)</u>	<u>8,110</u>
Income (Loss) Before Operating Transfers and Extraordinary Items	732,549	698,621	(338,534)
Operating Transfers and Extrordinary Items			
Operating Transfers In	-	-	4,339
Operating Transfers (Out)	(78,402)	(85,638)	-
Volunteer Separation Expense	(62,158)	-	-
Total Net Operating Transfers	<u>(140,560)</u>	<u>(85,638)</u>	<u>4,339</u>
Net Income (Loss)	591,989	612,983	(334,195)
Retained Earnings, October 1,	<u>9,797,666</u>	<u>(3,738,616)</u>	<u>(1,963,111)</u>
Retained Earnings, September 30,	<u>\$ 10,389,655</u>	<u>\$ (3,125,633)</u>	<u>\$ (2,297,306)</u>

Totals	
2010	2009
\$ 4,132,623	\$ 4,293,548
3,434,957	3,374,207
4,123,467	3,920,199
135,875	63,188
43,531	44,070
-	142,820
377,680	361,068
12,248,133	12,199,100
2,030,760	2,119,684
1,961,266	2,043,405
489,900	446,045
5,227,970	5,849,907
9,709,896	10,459,041
2,538,237	1,740,059
(1,715,440)	(1,784,827)
822,797	(44,768)
618,350	854,205
-	14,589
246,737	275,098
-	(275,296)
(1,311,105)	(1,365,515)
626,884	645,067
88,973	224,315
-	(19,061)
269,839	353,402
1,092,636	308,634
4,339	310,180
(164,040)	(525,775)
(62,158)	
(221,859)	(215,595)
870,777	93,039
4,095,939	4,002,900
\$ 4,966,716	\$ 4,095,939

CITY OF WESLACO, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009)

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>
Cash flows from operating activities:			
Cash received from customers	\$ 7,532,692	\$ 4,062,327	\$ 405,082
Cash received from others	11,283	-	
Cash received from operating grants	-	59,801	-
Cash received from other funds for services	517,956		
Cash payments to suppliers for goods and services	(4,739,353)	(2,359,288)	(357,158)
Cash payments to employees for services	(1,232,762)	(628,540)	(210,486)
Cash payments to other funds for services	(288,778)	-	
Net cash provided (used) by operating activities	<u>1,801,038</u>	<u>1,134,300</u>	<u>(162,562)</u>
Cash flows from non-capital financing activities			
Capital Grants			8,098
Transfers from other funds	-	-	4,339
Transfers to other funds	(78,402)	(85,638)	-
Volunteer separation plan	-		
Net cash provided (used) by non-capital financing activities	<u>(78,402)</u>	<u>(85,638)</u>	<u>12,437</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(11,444,744)	(107,559)	(10,496)
Casualty loss			
Proceeds from sales of capital assets			
Retirement of accounts payable			-
Capital improvements/administrative fees	873,621		
Interest paid on bonds	(1,315,807)	(9,802)	
Retirement of bonds	(924,843)	(50,000)	
Bond Proceeds (net)	-		
Landfill closure costs		(36,774)	
Sewer Backup Issues	-		
Contributed capital -Urban County	<u>80,875</u>		
Net cash provided (used) from capital and related financing activities	<u>(12,730,898)</u>	<u>(204,135)</u>	<u>(10,496)</u>
Cash flow from investing activities:			
Interest on cash and investments	618,299	39	12
Unrealized loss on investments	-		
Net increase (decrease) in cash and cash investments	(10,389,963)	844,566	(160,609)
Cash and cash investments, October 1	<u>17,574,848</u>	<u>405,029</u>	<u>157,571</u>
Cash and cash investments, September 30	<u>\$ 7,184,885</u>	<u>\$ 1,249,595</u>	<u>\$ (3,038)</u>

Totals	
2010	2009
\$ 12,000,101	\$ 12,131,193
11,283	87,084
59,801	21,677
517,956	1,220,899
(7,455,799)	(8,827,628)
(2,071,788)	(2,108,733)
(288,778)	(540,899)
<u>2,772,776</u>	<u>1,983,593</u>
8,098	99,586
4,339	310,180
(164,040)	(525,775)
<u>(151,603)</u>	<u>(116,009)</u>
(11,562,799)	(4,258,081)
-	
-	
-	
873,621	920,165
(1,325,609)	(1,365,515)
(974,843)	(780,357)
-	
(36,774)	(38,658)
<u>80,875</u>	<u>124,729</u>
<u>(12,945,529)</u>	<u>(5,397,717)</u>
618,350	854,205
-	(4,472)
-	(279,768)
(9,706,006)	(2,955,696)
<u>18,137,448</u>	<u>21,093,144</u>
<u>\$ 8,431,442</u>	<u>\$ 18,137,448</u>

CITY OF WESLACO, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>
Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:			
Income (Loss) from operations:	\$ 461,057	\$ 708,384	\$ (346,644)
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:			
Depreciation	1,394,506	113,125	207,809
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivables	(362,536)	(102,471)	(328)
(Increase) Decrease in Due from Other Funds	(288,778)	(48,863)	-
(Increase) Decrease in Due from Others	-		(164)
(Increase) Decrease in Inventories	-	-	(18,690)
Increase (Decrease) in Accounts Payable	40,648	153,136	(10,116)
Increase (Decrease) in Due to Other Funds	566,819	340,728	-
Increase (Decrease) in Deposits	11,283		-
Increase (Decrease) in other Liabilities	1,588	14,516	
Increase (Decrease) in Compensated Absences	(23,549)	(44,255)	5,571
Net cash provided (used) by operating activities	<u>\$ 1,801,038</u>	<u>\$ 1,134,300</u>	<u>\$ (162,562)</u>

Reconciliation of Total Cash and Cash Investments

Current Cash - Cash And Cash Investments	\$ 1,131,718	\$ 1,249,595	\$ -
Restricted Assets - Cash And Cash Investments	6,053,167	-	-
Current Liabilities - Bank Overdraft	-	-	(3,038)
Total Cash and Cash Investments	<u>\$ 7,184,885</u>	<u>\$ 1,249,595</u>	<u>\$ (3,038)</u>

Totals	
2010	2009
\$ 822,797	\$ (44,768)
1,715,440	1,784,827
(465,335)	(152,938)
(337,641)	1,220,899
(164)	(121,143)
(18,690)	43,342
183,668	(344,724)
907,547	(540,000)
11,283	87,217
16,104	39,932
(62,233)	10,949
<u>\$ 2,772,776</u>	<u>\$ 1,983,593</u>

\$ 2,381,313	\$ 448,866
6,053,167	20,644,278
(3,038)	-
<u>\$ 8,431,442</u>	<u>\$ 21,093,144</u>

WATER AND SEWER FUND

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009**

Assets	2010	2009
Current Assets		
Cash	\$ 1,131,718	\$ 1,130,465
Investments		
Accounts receivable (net of allowance)	1,255,415	892,880
Inventory	93,824	93,823
Due from other funds	594,179	305,401
Due from others	122,553	122,553
Total Current Assets	<u>3,197,689</u>	<u>2,545,122</u>
Restricted Assets		
Revenue bond debt service	12,703	10,497
Revenue bond reserve		
Cash	469,687	469,604
Investments:		
Revenue bond construction	4,020,855	14,571,571
Capital Fee for Construction	1,549,922	1,392,711
Total Restricted Assets	<u>6,053,167</u>	<u>16,444,383</u>
Property, Plant, and Equipment		
Water Plant in service	16,384,477	16,154,337
Sewer Plant in service	28,621,782	28,482,454
Total Plant in Service	<u>45,006,259</u>	<u>44,636,791</u>
Construction-in-Progress	20,152,867	10,113,277
Total Property, Plant and Equipment	65,159,126	54,750,068
Less: Accumulated depreciation	(21,650,711)	(20,256,205)
Total Net Property, Plant, and Equipment	<u>43,508,415</u>	<u>34,493,863</u>
Total Assets	<u>\$ 52,759,271</u>	<u>\$ 53,483,368</u>

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUNDS
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009**

Liabilities and Equity	<u>2010</u>	<u>2009</u>
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 284,750	\$ 244,102
Accrued salaries and payroll taxes		
Compensated absences	146,475	170,024
Volunteer separation payable	62,158	
Due to other funds	926,819	360,000
Customer deposits	770,204	758,921
Other liabilities	90,192	88,604
Total Current Liabilities	<u>2,280,598</u>	<u>1,621,651</u>
Payable from Restricted Assets		
Construction contracts and retainage	1,177,653	2,213,339
Accrued interest on bonds	185,935	200,439
Revenue bonds payable-current	1,154,004	974,028
Total Payable from Restricted Assets	<u>2,517,592</u>	<u>3,387,806</u>
Other Liabilities		
Revenue bonds payable (net of current and unamortized issuance costs)	<u>24,857,060</u>	<u>25,961,879</u>
Total Liabilities	<u>29,655,250</u>	<u>30,971,336</u>
Equity		
Contributed Capital		
Contributions from Individuals	11,000	11,000
Contributions from City	2,926,974	2,926,974
Contributions in Aid of Construction	707,629	707,629
Contributions from State Grants	3,954,105	3,954,105
Contributions from Federal Grants	5,114,658	5,114,658
Total Contributed Capital	<u>12,714,366</u>	<u>12,714,366</u>
Retained Earnings		
Reserve for bond debt service	469,687	469,604
Unreserved	9,919,968	9,328,062
Total Retained Earnings	<u>10,389,655</u>	<u>9,797,666</u>
Total Equity	<u>23,104,021</u>	<u>22,512,032</u>
Total Liabilities and Fund Equity	<u>\$ 52,759,271</u>	<u>\$ 53,483,368</u>

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUNDS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Water sales	\$ 4,132,623	\$ 4,293,548
Sewer charges	3,434,957	3,374,207
Other Operating Revenues:		
Tap fees	39,826	64,927
Penalties	151,917	153,243
Intergovernmental Revenues		122,553
Contributions		
Miscellaneous	87,044	64,816
Total Operating Revenues	<u>7,846,367</u>	<u>8,073,294</u>
Operating Expenses Before Depreciation		
Personal services	1,209,215	1,325,256
Other services and charges	1,113,135	1,134,186
Supplies	339,157	280,560
Contractual services-operations	2,308,907	2,224,814
Contractual services-administrative	1,020,390	1,859,304
Total Operating Expenses	<u>5,990,804</u>	<u>6,824,120</u>
Operating Income Before Depreciation	1,855,563	1,249,174
Depreciation	<u>(1,394,506)</u>	<u>(1,397,736)</u>
Operating Income (Loss)	<u>461,057</u>	<u>(148,562)</u>
Non-operating Revenues (Expenses)		
Interest earned	618,299	852,465
Unrealized gain on investments		14,589
Administrative fees	246,737	275,098
Sewer backup issues		(275,296)
Bond interest and fiscal charges	(1,301,303)	(1,353,814)
Capital Improvement fee	626,884	645,067
Capital Grants	80,875	124,729
Loss on Sale of Asset		(19,061)
Total Non-operating Revenues (Expenses)	<u>271,492</u>	<u>263,777</u>
Income (Loss) Before Operating Transfers and Extraordinary Items	732,549	115,215
Operating Transfers and Extraordinary Items		
Operating Transfers In		
Operating Transfers (Out)	(78,402)	(354,501)
Volunteer Separation Expense	(62,158)	
Total Net Operating Transfers	<u>(140,560)</u>	<u>(354,501)</u>
Net Income (Loss)	591,989	(239,286)
Retained Earnings, October 1	<u>9,797,666</u>	<u>10,036,952</u>
Retained Earnings, September 30,	<u><u>\$ 10,389,655</u></u>	<u><u>\$ 9,797,666</u></u>

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 7,532,692	\$ 7,853,063
Cash received from others	11,283	87,084
Cash received from operating grants		
Cash received from other funds for services	517,956	1,220,899
Cash payments to suppliers for good and services	(4,739,353)	(5,688,784)
Cash payments to employees for services	(1,232,762)	(1,317,116)
Cash payments to other funds for services	(288,778)	(240,000)
Net cash provided (used) by operating activities	<u>1,801,038</u>	<u>1,915,146</u>
Cash flow from non-capital financing activities		
Transfers from other funds		
Transfers to other funds	(78,402)	(354,501)
Volunteer separation plan	-	
Net cash provided (used) by non-capital financing activities	<u>(78,402)</u>	<u>(354,501)</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets:	(11,444,744)	(4,158,495)
Capital improvements/administrative fees	873,621	920,165
Interest paid on bonds	(1,315,807)	(1,353,814)
Bond proceeds		
Retirement of bonds	(924,843)	(735,357)
Sewer Backup Issues		(275,296)
Contributed capital - Urban County	80,875	124,729
Net cash provided (used) by capital and related financing activities	<u>(12,730,898)</u>	<u>(5,478,068)</u>
Cash flow from investing activities:		
Interest on cash and investments	618,299	852,465
Unrealized loss on investments		(4,472)
Net (decrease) in cash and cash investments	(10,389,963)	(3,069,430)
Cash and cash investments, October 1	<u>17,574,848</u>	<u>20,644,278</u>
Cash and cash investments, September 30	<u>\$ 7,184,885</u>	<u>\$ 17,574,848</u>

* Note: Cash includes cash, investments, restricted cash and its investments.

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations:	\$ 461,057	\$ (148,562)
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	1,394,506	1,397,736
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	(362,536)	(97,677)
(Increase) Decrease in Due from Other Funds	(288,778)	1,220,899
(Increase) Decrease in Due from Others	-	(122,553)
(Increase) Decrease in Inventories	-	5,496
Increase (Decrease) in Accounts Payable	40,648	(236,247)
Increase (Decrease) in Due to Other Funds	566,819	(240,000)
Increase (Decrease) in Deposits	11,283	87,084
Increase (Decrease) in other Liabilities	1,588	40,831
Increase (Decrease) in Compensated Absences	(23,549)	8,139
Net cash provided (used) by operating activities	<u><u>\$ 1,801,038</u></u>	<u><u>\$ 1,915,146</u></u>

Reconciliation of Total Cash and Cash Investments

Current Cash - Cash And Cash Investments	\$ 1,131,718	\$ 1,130,465
Restricted Assets - Cash And Cash Investments	6,053,167	16,444,383
Total Cash and Cash Investments	<u><u>\$ 7,184,885</u></u>	<u><u>\$ 17,574,848</u></u>

* Note: Cash includes cash, investments, restricted cash and its investments.

**CITY OF WESLACO, TEXAS
WATER AND SEWER FUND
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Revenue Bond Debt Service	Revenue Bond Reserve	Revenue Bond Construction	Capital Fee- Construction	Totals
Asset Balances,					
October 1, 2009	\$ 10,497	\$ 469,604	\$ 14,571,571	\$ 1,392,711	\$ 16,444,383
Cash Receipts:					-
Bond proceeds					-
Transfers in	2,302,501				2,302,501
Capital Fee				626,884	626,884
Interest earned	155	83	617,930		618,168
Unrealized loss					-
Total Revenues					
Available	<u>2,313,153</u>	<u>469,687</u>	<u>15,189,501</u>	<u>2,019,595</u>	<u>19,991,936</u>
Cash Disbursements:					
Construction contracts			11,168,646		11,168,646
Operating Costs					-
Transfer out				469,673	469,673
Bond issuance costs					-
Principal payments	1,024,028				1,024,028
Interest payments	1,274,472				1,274,472
Fiscal agent's fees	1,950				1,950
Rebatable liability					-
Total Disbursements	<u>2,300,450</u>	<u>-</u>	<u>11,168,646</u>	<u>469,673</u>	<u>13,938,769</u>
Asset Balances					
September 30, 2010	<u>\$ 12,703</u>	<u>\$ 469,687</u>	<u>\$ 4,020,855</u>	<u>\$ 1,549,922</u>	<u>\$ 6,053,167</u>

**CITY OF WESLACO, TEXAS
WATER AND SEWER OPERATIONS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
TO INDICATE NET REVENUE AVAILABLE FOR DEBT SERVICE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Water sales	\$ 4,132,623	\$ 4,293,548
Sewer charges	3,434,957	3,374,207
Other revenues	278,787	405,539
Total Operating Revenues	<u>7,846,367</u>	<u>8,073,294</u>
Operating Expenses		
Personal services	1,209,215	1,325,256
Other services and charges	1,113,135	1,134,186
Supplies	339,157	280,560
Contractual services	3,329,297	4,084,118
Total Operating Expenses	<u>5,990,804</u>	<u>6,824,120</u>
Income Before Non-operating Revenues (Expenses)	<u>1,855,563</u>	<u>1,249,174</u>
Non-operating Revenues (Expenses)		
Capital Improvement Fee	626,884	645,067
Interest earned	618,299	852,465
Unrealized gain on investments	-	14,589
Total Non-Operating Revenues (Expenses)	<u>1,245,183</u>	<u>1,512,121</u>
Net Revenue Available For Debt Service	<u>\$ 3,100,746</u>	<u>\$ 2,761,295</u>

CITY OF WESLACO, TEXAS
WATER OPERATIONS
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION
SEPTEMBER 30, 2010

	Fixed Assets			
	Balance	Current		Balance
	10/1/2009	Additions	Retirements	9/30/2010
Water System and Equipment				
Land	\$ 163,584	\$ -	\$ -	\$ 163,584
Buildings	236,047			236,047
Improvements than buildings	12,498,988	34,917		12,533,905
Equipment	3,255,718	195,223		3,450,941
Total Water System and Equipment	16,154,337	230,140	-	16,384,477
Construction-in-progress	2,704,405	57,257		2,761,662
Total Utility Plant-in- Service	\$ 18,858,742	\$ 287,397	\$ -	\$ 19,146,139

Allowance for Depreciation

Depreciation Rate	Balance 10/1/2009	Current		Balance 9/30/2010	Net Book Value
		Depreciation	Retirements		
	\$ -	\$ -	\$ -	\$ -	\$ 163,584
2 1/2-5%	134,176	8,295		142,471	93,576
2 1/2-20%	6,385,527	328,358		6,713,885	5,820,020
2 1/2-20%	2,584,839	126,654		2,711,493	739,448
	9,104,542	463,307	-	9,567,849	6,816,628
	-	-	-	-	2,761,662
	<u>\$ 9,104,542</u>	<u>\$ 463,307</u>	<u>\$ -</u>	<u>\$ 9,567,849</u>	<u>\$ 9,578,290</u>

**CITY OF WESLACO, TEXAS
SEWER OPERATIONS
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION
SEPTEMBER 30, 2010**

	Fixed Assets			
		Current		
Sewer Plant Systems and Equipment	Balance 10/1/2009	Additions Adjustment	Retirements Adjustment	Balance 9/30/2010
Land	\$ 408,221	\$ 93,370	\$ -	\$ 501,591
Buildings	126,276	-	-	126,276
Improvements other than buildings	26,663,011	45,958	-	26,708,969
Equipment	1,284,946	-	-	1,284,946
Total Sewer Plant Systems and Equipment	28,482,454	139,328	-	28,621,782
Construction-in-progress	7,408,872	9,982,333	-	17,391,205
Total Sewer Plant-in- Service	35,891,326	10,121,661	-	46,012,987
Total Water Plant-In-Service	18,858,742	287,397	-	19,146,139
Total Water and Sewer Plant-In-Service	\$ 54,750,068	\$ 10,409,058	\$ -	\$ 65,159,126

Allowance for Depreciation

Depreciation Rate	Balance 10/1/2009	Current		Balance 9/30/2010	Net Book Value
		Depreciation	Retirements		
	\$ 19,717	\$ - 10,117	\$ - -	\$ - 29,834	\$ 501,591 96,442
2 1/2-4%	9,967,669	894,906		10,862,575	15,846,394
2 1/2-20%	1,164,277	26,176		1,190,453	94,493
	11,151,663	931,199	-	12,082,862	16,538,920
					17,391,205
	11,151,663	931,199	-	12,082,862	33,930,125
	9,104,542	463,307	-	9,567,849	9,578,290
	<u>\$ 20,256,205</u>	<u>\$ 1,394,506</u>	<u>\$ -</u>	<u>\$ 21,650,711</u>	<u>\$ 43,508,415</u>

CITY OF WESLACO, TEXAS
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FROM WATER OPERATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Water sales	\$ 4,132,623	\$ 4,293,548
Intergovernmental Revenues	-	-
Other Operating Revenues		
Tap fees	39,826	64,927
Penalties	79,330	80,738
Miscellaneous	72,761	64,816
Total Operating Revenues	<u>4,324,540</u>	<u>4,504,029</u>
Operating Expenses Before Depreciation		
Personal services	954,874	1,046,415
Other services and charges	541,860	581,217
Supplies	329,758	270,184
Contractual services-water operations	1,247,478	1,184,710
Contractual services-administrative services	600,000	1,181,064
Total Operating Expenses	<u>3,673,970</u>	<u>4,263,590</u>
Operating Income Before Depreciation	650,570	240,439
Depreciation	<u>(463,307)</u>	<u>(457,430)</u>
Operating Income (Loss)	<u>187,263</u>	<u>(216,991)</u>
Non-operating Revenue (Expenses)		
Interest earned	185,526	256,649
Unrealized gain on investments	-	14,589
Administrative fees	246,737	275,098
Rebatable arbitrage	-	-
Capital Grants	34,917	11,246
Bond interest and fiscal charges	(390,391)	(406,144)
Total Non-operating Revenues (Expenses)	<u>76,789</u>	<u>151,438</u>
Income(Loss) Before Operating Transfers and Extraordinary Items	264,052	(65,553)
Operating Transfers In	-	-
Operating Transfers Out	-	(197,701)
Volunteer Separation Expense	<u>(35,653)</u>	<u>-</u>
Total Net Operating Transfers and Extraordinary Items	<u>(35,653)</u>	<u>(197,701)</u>
Net Income (Loss)	<u>\$ 228,399</u>	<u>\$ (263,254)</u>

CITY OF WESLACO, TEXAS
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FROM SEWER OPERATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Sewer charges	\$ 3,434,957	\$ 3,374,207
Intergovernmental Revenue	-	122,553
Other Operating Revenues		
Penalties	72,587	72,505
Miscellaneous	14,283	-
Total Operating Revenues	<u>3,521,827</u>	<u>3,569,265</u>
Operating Expenses Before Depreciation		
Personal services	254,341	278,841
Other services and charges	571,275	552,969
Supplies	9,399	10,376
Contractual services-sewer operations	1,061,429	1,040,104
Contractual services-administrative services	420,390	678,240
Total Operating Expenses	<u>2,316,834</u>	<u>2,560,530</u>
Operating Income Before Depreciation	1,204,993	1,008,735
Depreciation	<u>(931,199)</u>	<u>(940,306)</u>
Operating Income (Loss)	<u>273,794</u>	<u>68,429</u>
Non-operating Revenues (Expenses)		
Capital Improvement Fee	626,884	645,067
Interest earned	432,773	595,816
Sewer backup issues	-	(275,296)
Loss on Sale of Asset	-	(19,061)
Capital Grants	45,958	113,483
Bond interest and fiscal charges	(910,912)	(947,670)
Total Non-operating Revenues (Expenses)	<u>194,703</u>	<u>112,339</u>
Income (Loss) Before Operating Transfers and Extraordinary Items	468,497	180,768
Operating Transfers In		
Operating Transfers (Out)	(78,402)	(156,800)
Volunteer Separation Expense	(26,505)	
Total Net Operating Transfers and Extraordinary Extraordinary Expense	<u>(104,907)</u>	<u>(156,800)</u>
Net Income (Loss)	<u>\$ 363,590</u>	<u>\$ 23,968</u>

CITY OF WESLACO, TEXAS
WATER OPERATIONS
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DEPARTMENT			
Water Supply, Pumping and Purification			
Personal services	\$ 181,817	\$ 184,988	\$ (3,171)
Other services & charges	246,412	237,033	9,379
Supplies	468,224	280,321	187,903
Contractual services	1,295,239	1,247,478	47,761
Total Water Supply, Pumping and Purification	<u>2,191,692</u>	<u>1,949,820</u>	<u>241,872</u>
Water Transmission and Distribution			
Personal services	393,710	419,760	(26,050)
Other services & charges	142,305	125,237	17,068
Supplies	40,314	31,874	8,440
Contractual services	-	-	-
Total Water Transmission and Distribution	<u>576,329</u>	<u>576,871</u>	<u>(542)</u>
Maintenance Shop			
Personal services	170,517	144,837	25,680
Other services & charges	56,683	73,498	(16,815)
Supplies	16,811	9,914	6,897
Contractual	-	-	-
Total Maintenance Shop	<u>244,011</u>	<u>228,249</u>	<u>15,762</u>
Administration and Finance			
Personal services	216,878	205,289	11,589
Other services & charges	73,355	74,282	(927)
Supplies	7,745	7,649	96
Contractual/General government	600,000	600,000	-
Bad debt expense	-	31,810	(31,810)
Total Administration and Finance	<u>897,978</u>	<u>919,030</u>	<u>(21,052)</u>
Total Operating Expenses	<u>\$ 3,910,010</u>	<u>\$ 3,673,970</u>	<u>\$ 236,040</u>

**CITY OF WESLACO, TEXAS
SEWER OPERATIONS
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DEPARTMENT			
Sewage Pumping and Collection			
Personal services	\$ 280,697	\$ 254,341	\$ 26,356
Other services & charges	462,246	400,570	61,676
Supplies	12,380	9,399	2,981
Contractual services	242,735	237,334	5,401
Total Sewage Pumping and Collections	<u>998,058</u>	<u>901,644</u>	<u>96,414</u>
 Sewage Treatment			
Other services & charges	153,900	147,015	6,885
Supplies	-	-	-
Contractual services	823,759	824,095	(336)
Total Sewage Treatment	<u>977,659</u>	<u>971,110</u>	<u>6,549</u>
 Administration and Finance			
Bad debt expense		23,690	(23,690)
Contractual/General government	420,390	420,390	-
Total Administration and Finance	<u>420,390</u>	<u>444,080</u>	<u>(23,690)</u>
 Total Operating Expense	<u><u>\$ 2,396,107</u></u>	<u><u>\$ 2,316,834</u></u>	<u><u>\$ 79,273</u></u>

SANITATION FUND

**CITY OF WESLACO, TEXAS
SANITATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash	\$ 1,249,595	\$ 405,029
Accounts receivable (net of allowance)	557,717	455,246
Due from other funds	48,863	-
Due from others	-	-
Total Current Assets	<u>1,856,175</u>	<u>860,275</u>
Property, Plant and Equipment		
Equipment in service	3,045,447	2,937,888
Less: Accumulated depreciation	<u>(2,132,722)</u>	<u>(2,019,597)</u>
Total Property, Plant and Equipment	<u>912,725</u>	<u>918,291</u>
Total Assets	<u><u>\$ 2,768,900</u></u>	<u><u>\$ 1,778,566</u></u>
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 376,121	\$ 222,985
Accrued salaries and payroll tax	14,516	-
Compensated absences	28,171	72,426
Due to other funds	646,129	305,401
Total Current Liabilities	<u>1,064,937</u>	<u>600,812</u>
Long-Term Liabilities		
Revenue bonds payable (net of current and unamortized issuance costs)	215,105	265,105
Long-term closure and post-closure liabilities	<u>890,348</u>	<u>927,122</u>
Total Liabilities	<u>2,170,390</u>	<u>1,793,039</u>
Equity		
Contributions from city	3,715,956	3,715,956
Contributions from federal government	8,187	8,187
Total Contributed Capital	<u>3,724,143</u>	<u>3,724,143</u>
Retained Earnings		
Unreserved (Deficit)	<u>(3,125,633)</u>	<u>(3,738,616)</u>
Total Equity	<u>598,510</u>	<u>(14,473)</u>
Total Liabilities and Equity	<u><u>\$ 2,768,900</u></u>	<u><u>\$ 1,778,566</u></u>

**CITY OF WESLACO, TEXAS
SANITATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Garbage fees	\$ 3,235,260	\$ 3,026,584
Brush fees	888,207	893,615
Other operating revenues/insurance proceeds	66,090	65,025
Recycling fees	26,025	7,398
Total Operating Revenues	<u>4,215,582</u>	<u>3,992,622</u>
Operating Expenses Before Depreciation		
Personal services	605,488	592,154
Other services and charges	760,942	781,025
Supplies	128,970	144,612
Contractual	1,898,673	1,765,789
Total Operating Expenses	<u>3,394,073</u>	<u>3,283,580</u>
Operating Income (Loss) Before Depreciation	821,509	709,042
Depreciation	<u>(113,125)</u>	<u>(173,474)</u>
Operating Income (Loss)	708,384	535,568
Non-operating Revenues (Expenses)		
Interest earned	39	1,493
Capital Grants		
Bond Interest and Fiscal Changes	(9,802)	(11,701)
Total Non-operating Revenues (Expenses)	<u>(9,763)</u>	<u>(10,208)</u>
Income (Loss) Before Operating Transfers And Extraordinary Items	698,621	525,360
Operating Transfers and Extraordinary Items		
Operating Transfers In		23,180
Operating Transfers (Out)	(85,638)	(171,274)
Volunteer Separation Expense		
Total Net Operating Transfers and Extraordinary Items	<u>(85,638)</u>	<u>(148,094)</u>
Net Income (Loss)	612,983	377,266
Retained Earnings, October 1	<u>(3,738,616)</u>	<u>(4,115,882)</u>
Retained Earnings, September 30	<u>\$ (3,125,633)</u>	<u>\$ (3,738,616)</u>

**CITY OF WESLACO, TEXAS
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,062,327	\$ 3,940,507
Cash received from others	-	-
Cash received from other funds	59,801	-
Cash payments to suppliers for goods and services	(2,359,288)	(2,768,090)
Cash payments to employees for services	(628,540)	(590,286)
Cash payments to other funds	-	(300,899)
Net cash provided (used) by operating activities	<u>1,134,300</u>	<u>281,232</u>
Cash flows from non-capital financing activities		
Transfers from other funds	-	23,180
Transfers to other funds	(85,638)	(171,274)
Net cash provided (used) by non-capital financing activities	<u>(85,638)</u>	<u>(148,094)</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(107,559)	-
Interest Paid on Bonds	(9,802)	(11,701)
Bond revenue proceeds (net)	(50,000)	(45,000)
Landfill closure costs	(36,774)	(38,658)
Capital Contribution	-	-
Net cash provided (used) by capital and related financing activities	<u>(204,135)</u>	<u>(95,359)</u>
Cash flow from investing activities:		
Interest on cash and investments	<u>39</u>	<u>1,493</u>
Net increase (decrease) in cash and cash investments	844,566	39,272
Cash and cash investments, October 1	<u>405,029</u>	<u>365,757</u>
Cash and cash investments, September 30	<u><u>\$ 1,249,595</u></u>	<u><u>\$ 405,029</u></u>

**CITY OF WESLACO, TEXAS
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations:	\$ 708,384	\$ 535,568
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	113,125	173,474
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	(102,471)	(52,115)
(Increase) Decrease in Due from Other Funds	(48,863)	-
(Increase) Decrease in Inventories	-	-
Increase (Decrease) in Accounts Payable	153,136	(76,664)
Increase (Decrease) in Due to Other Funds	340,728	(300,000)
Increase (Decrease) in Accrued Liabilities	14,516	(899)
Increase (Decrease) in Compensated Absences	(44,255)	1,868
Net cash provided (used) by operating activities	<u><u>\$ 1,134,300</u></u>	<u><u>\$ 281,232</u></u>

Reconciliation of Total Cash and Cash Investments

Current Cash - Cash And Cash Investments	\$ 1,249,595	\$ 405,029
Restricted Assets - Cash And Cash Investments	-	-
Total Cash and Cash Investments	<u><u>\$ 1,249,595</u></u>	<u><u>\$ 405,029</u></u>

CITY OF WESLACO, TEXAS
SANITATION FUND
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DEPARTMENT			
Waste Collection			
Personal services	\$ 399,655	\$ 410,358	\$ (10,703)
Other services & charges	250,100	167,852	82,248
Supplies	314,983	115,989	198,994
Casualty loss			-
Contractual	<u>667,000</u>	<u>552,503</u>	<u>114,497</u>
Total Waste Collection	<u>1,631,738</u>	<u>1,246,702</u>	<u>385,036</u>
Waste Disposal			
Personal services	234,721	195,130	39,591
Other services & charges	50,105	24,847	25,258
Supplies	25,415	12,981	12,434
Landfill-Tipping fees	<u>400,000</u>	<u>408,275</u>	<u>(8,275)</u>
Total Waste Disposal	<u>710,241</u>	<u>641,233</u>	<u>69,008</u>
Brush Collection			
Personal services			
Contractual	<u>844,584</u>	<u>937,895</u>	<u>(93,311)</u>
Total Brush Collection	<u>844,584</u>	<u>937,895</u>	<u>(93,311)</u>
Landfill			
Other services & charges	66,000	2,700	63,300
Supplies	1,000	-	1,000
Contractual		-	-
Total Landfill	<u>67,000</u>	<u>2,700</u>	<u>64,300</u>
Administration and Financing			
Personal services	-	-	-
Other services & charges	541,855	541,855	-
Bad debt expense		<u>23,688</u>	<u>(23,688)</u>
Total Administration and Financing	<u>541,855</u>	<u>565,543</u>	<u>(23,688)</u>
Total Operating Expenses	<u>\$ 3,795,418</u>	<u>\$ 3,394,073</u>	<u>\$ 401,345</u>

CITY OF WESLACO, TEXAS
SANITATION FUND
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION
SEPTEMBER 30, 2010

SANITATION FIXED ASSETS	Fixed Assets			
	Balance 10/1/09	Current		Balance 9/30/10
		Additions	Retirements	
Land	\$ 421,247	\$ -	\$ -	\$ 421,247
Improvements other than buildings	64,461			64,461
Equipment	1,783,399	107,559		1,890,958
Total Sanitation Fixed Assets	2,269,107	107,559	-	2,376,666
Recycling Center	668,781			668,781
Total Fixed Assets	\$ 2,937,888	\$ 107,559	\$ -	\$ 3,045,447

Depreciation Rate	Allowance for Depreciation			Balance 9/30/10	Net Book Value
	Balance 10/1/09	Current Depreciation	Retirements		
	\$ -	\$ -	\$ -	\$ -	\$ 421,247
20%	24,104	1,940		26,044	38,417
10-33%	1,326,712	111,185		1,437,897	453,061
	<u>1,350,816</u>	<u>113,125</u>	<u>-</u>	<u>1,463,941</u>	<u>912,725</u>
	668,781	-		668,781	-
	<u>\$ 2,019,597</u>	<u>\$ 113,125</u>	<u>\$ -</u>	<u>\$ 2,132,722</u>	<u>\$ 912,725</u>

1. The Board of Directors of the Airport Authority has approved the proposed budget for the year 2010. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

2. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

3. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

AIRPORT FUND

4. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

5. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

6. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport. The budget is based on the assumption that the airport will be operating at a normal level of activity. The budget is subject to the approval of the Board of Directors and the Ministry of Transport.

**CITY OF WESLACO, TEXAS
AIRPORT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010**

Assets	2010	2009
Current Assets		
Cash	\$ -	\$ 157,571
Accounts receivable (Net of Allowance)	10,689	10,361
Inventory	43,255	24,565
Due from other governments	250	86
Total Current Assets	<u>54,194</u>	<u>192,583</u>
Restricted Assets		
Cash Escrow (TXDOT)	<u>-</u>	<u>-</u>
Property, Plant, and Equipment		
Airport fixed assets	7,318,298	7,307,802
Less: allowance for depreciation	(2,991,148)	(2,783,339)
Total Property, Plant, and Equipment	<u>4,327,150</u>	<u>4,524,463</u>
Total Assets	<u><u>\$ 4,381,344</u></u>	<u><u>\$ 4,717,046</u></u>
Liabilities and Equity		
Current Liabilities		
Accounts Payable	\$ 7,853	\$ 17,969
Bank Overdraft	3,038	
Compensated absences	83,313	77,742
Deposits	2,634	2,634
Total Current Liabilities	<u>96,838</u>	<u>98,345</u>
Equity		
Contributed Capital		
Contributions from City	1,398,150	1,398,150
Contributions from State grants	1,617,395	1,617,395
Contributions from Revenue Sharing Fund	175,130	175,130
Contributions from Federal grants	3,391,137	3,391,137
Total Contributed Capital	<u>6,581,812</u>	<u>6,581,812</u>
Retained Earnings		
Unreserved (Deficit)	(2,297,306)	(1,963,111)
Total Equity	<u>4,284,506</u>	<u>4,618,701</u>
Total Liabilities and Equity	<u><u>\$ 4,381,344</u></u>	<u><u>\$ 4,717,046</u></u>

**CITY OF WESLACO, TEXAS
AIRPORT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Fuel sales (net of cost)	\$ 135,875	\$ 63,188
Hangar/Bldg. Rentals	43,531	44,070
Operating Grants	-	20,267
Other operating revenues	6,778	5,659
Total Operating Revenues	<u>186,184</u>	<u>133,184</u>
Operating Expenses Before Depreciation		
Personal services	216,057	202,274
Other services and charges	87,189	128,194
Supplies	21,773	20,873
Total Operating Expenses	<u>325,019</u>	<u>351,341</u>
Operating Income (Loss) Before Depreciation	(138,835)	(218,157)
Depreciation	<u>(207,809)</u>	<u>(213,617)</u>
Net Operating Income(Loss)	<u>(346,644)</u>	<u>(431,774)</u>
Non-Operating Revenues (Expenses)		
Interest earned	12	247
Capital Grants	8,098	99,586
Total Non-operating Revenues (Expenses)	<u>8,110</u>	<u>99,833</u>
Income (Loss) Before Operating Transfers	<u>(338,534)</u>	<u>(331,941)</u>
Operating Transfers		
Operating transfers in	4,339	287,000
Operating transfers out		
Total Operating Transfers	<u>4,339</u>	<u>287,000</u>
Net Income (Loss)	(334,195)	(44,941)
Retained earnings (Deficit), October 1	<u>(1,963,111)</u>	<u>(1,918,170)</u>
Retained earnings (Deficit), September 30,	<u><u>\$ (2,297,306)</u></u>	<u><u>\$ (1,963,111)</u></u>

CITY OF WESLACO, TEXAS
AIRPORT FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 405,082	\$ 337,623
Cash received from operating grants	-	21,677
Cash payments to suppliers for goods and services	(357,158)	(370,754)
Cash payments to employees for services	(210,486)	(201,331)
Net cash provided (used) for by operating activities	<u>(162,562)</u>	<u>(212,785)</u>
 Cash flows from non-capital financing activities:		
Capital Grants	8,098	99,586
Transfers from other funds	4,339	287,000
Payment of due to other fund	-	-
	<u>12,437</u>	<u>386,586</u>
 Cash flow from capital and related financing activities:		
Acquisition and construction of capital assets	(10,496)	(99,586)
Interest paid on loans	-	-
Retirements on accounts payable	-	-
Net cash provided (used) for capital activities	<u>(10,496)</u>	<u>(99,586)</u>
 Cash flows from investing activities:		
Interest on investments	12	247
Net cash from investing activities	<u>12</u>	<u>247</u>
 Net increase (decrease) in cash	(160,609)	74,462
 Cash at beginning of year	<u>157,571</u>	<u>83,109</u>
 * Cash at end of year	<u><u>\$ (3,038)</u></u>	<u><u>\$ 157,571</u></u>

* Note: Cash includes operating cash and cash escrow balances.

**CITY OF WESLACO, TEXAS
AIRPORT FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations:	\$ (346,644)	\$ (431,774)
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	207,809	213,617
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	(328)	(3,146)
(Increase) Decrease in Due from Other Funds	-	-
(Increase) Decrease in Due from Others	(164)	1,410
(Increase) Decrease in Inventories	(18,690)	37,846
Increase (Decrease) in Accounts Payable	(10,116)	(31,813)
Increase (Decrease) in Due to Other Funds	-	
Increase (Decrease) in Deposits		133
Increase (Decrease) in Compensated Absences	5,571	942
Net cash provided (used) by operating activities	<u><u>\$ (162,562)</u></u>	<u><u>\$ (212,785)</u></u>

Reconciliation of Total Cash and Cash Investments

Current Cash - Cash And Cash Investments	\$ -	\$ 157,571
Curren Liabilities - Bank Overdraft	<u>(3,038)</u>	
Total Cash and Cash Investments	<u><u>\$ (3,038)</u></u>	<u><u>\$ 157,571</u></u>

CITY OF WESLACO, TEXAS
AIRPORT FUND
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION
SEPTEMBER 30, 2010

Fixed Assets	Fixed Assets			
	Balance	Current		Balance
	10/1/2009	Additions	Retirements	9/30/2010
Land-airport site	\$ 98,439	\$ -	\$ -	\$ 98,439
Land-Airpark	1,327,009			1,327,009
Land-Industrial Park	40,000			40,000
Custom Permit Costs	30,000			30,000
Landscaping	69,333			69,333
Paving-runway and taxi strip	819,811			819,811
Helo Pad	9,265			9,265
Paving-runway	726,012			726,012
Buildings	648,540			648,540
Equipment	514,688	10,496		525,184
Improvements-runway lights	55,576			55,576
Improvements-parking	61,055			61,055
Improvements-runway paving	813,391			813,391
Improvements-fence	121,593			121,593
Terminal apron expansion	1,758,370			1,758,370
Sub Total	7,093,082	10,496	-	7,103,578
Construction-In-Progress	214,720	-	-	214,720
Total Fixed Assets	<u>\$ 7,307,802</u>	<u>\$ 10,496</u>	<u>\$ -</u>	<u>\$ 7,318,298</u>

Allowance for Depreciation					
Depreciation	Balance	Current		Balance	Net Book
Rate	10/1/2009	Depreciation	Retirements	9/30/2010	Value
	\$ -	\$ -	\$ -	\$ -	\$ 98,439
					1,327,009
					40,000
					30,000
	42,448	2,507		44,955	24,378
3%	200,450	37,584		238,034	581,777
	2,358	698		3,056	6,209
	413,827	29,040		442,867	283,145
4-20%	305,567	15,250		320,817	327,723
	477,118	12,022		489,140	36,044
10%	55,576	-		55,576	-
3-10%	61,055	-		61,055	-
3-4%	557,368	22,089		579,457	233,934
10%	96,945	3,373		100,318	21,275
	570,627	85,246		655,873	1,102,497
	2,783,339	207,809	-	2,991,148	4,112,430
	-	-	-	-	214,720
	<u>\$ 2,783,339</u>	<u>\$ 207,809</u>	<u>\$ -</u>	<u>\$ 2,991,148</u>	<u>\$ 4,327,150</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for services performed by one government organization for others on a cost recovery basis. The City of Weslaco operates the medical group self-insurance program as an internal service fund.

Equipment Replacement Fund-This fund accounts for the City's equipment replacement program. The purpose of this fund is to accumulate funds to replace equipment by purchasing and leasing equipment to the various departments involved, or merely purchase equipment and transfer to their respective funds, either the General Fixed Assets Account Group or the individual enterprise funds.

**CITY OF WESLACO, TEXAS
EQUIPMENT REPLACEMENT FUND
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)**

Assets	2010	2009
Current Assets		
Cash	\$ -	\$ -
Investments	2,095	2,095
Accrued Interest		
Due from other funds		
Total Current Assets	<u>2,095</u>	<u>2,095</u>
Fixed Assets		
Equipment	2,406,778	2,406,778
Allowance on Depreciation	(2,406,778)	(2,406,778)
Total Fixed Assets	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 2,095</u></u>	<u><u>\$ 2,095</u></u>
Liabilities and Equity		
Current Liabilities		
Accounts Payable	\$ -	\$ -
Due to Interest & Sinking Fund		
Current portion -long term debt		
Total Current Liabilities	<u>-</u>	<u>-</u>
Long Term Debt		
Note Payable (net of Current Portion)		-
Total Long Term Debt	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Equity		
Contributed Capital		-
Retained Earnings	2,095	2,095
Total Equity	<u>2,095</u>	<u>2,095</u>
Total Liabilities and Equity	<u><u>\$ 2,095</u></u>	<u><u>\$ 2,095</u></u>

**CITY OF WESLACO, TEXAS
EQUIPMENT REPLACEMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Charges for Service		
City Contribution-Health	\$ -	\$ -
City Contribution-Life		
Employee Contribution-Health		
Equipment Leases		
Total Operating Revenues	<u>-</u>	<u>-</u>
Operating Expenses		
Other services and charges		
Health insurance premium		
Total Operating Expenses	<u>-</u>	<u>-</u>
Operating Income Before Depreciation	-	-
Depreciation	-	-
Operating Income (Loss)	<u>-</u>	<u>-</u>
Non-Operating Revenues (Expenses)		
Interest earned	-	12
Interest expense		
Realized gain or loss in investments		
Operating transfers in		
Operating transfers out		
Total Non-operating Revenues	<u>-</u>	<u>12</u>
Net Income (Loss)	-	12
Retained Earnings (Deficit), October 1,	<u>2,095</u>	<u>2,083</u>
Retained Earnings, September 30,	<u>\$ 2,095</u>	<u>\$ 2,095</u>

**CITY OF WESLACO, TEXAS
EQUIPMENT REPLACEMENT FUND
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Other operating cash receipts	\$ -	\$ -
Cash payments to suppliers for goods and services		
Net cash used provided by operating activities	<u>-</u>	<u>-</u>
Cash flow from non-capital financing activities:		
Acquisition of notes	-	-
Retirement of notes		
Interest paid on notes		
Transfers to other funds		
Transfers from other funds		
Acquisition and construction of capital assets		
Total Cash Flow From Non-Capital Financing	<u>-</u>	<u>12</u>
Cash flow from investing activities:		
Interest on investments		
Net increase (decrease) in cash	-	12
*Cash at beginning of year	<u>2,095</u>	<u>2,083</u>
Cash at end of year	<u><u>\$ 2,095</u></u>	<u><u>\$ 2,095</u></u>

* Note: Cash includes cash in bank and investments.

TRUST AND AGENCY FUNDS

TRUST AND AGENCY FUNDS

Trust Funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Pension Trust Fund

The Weslaco's Firemen's Relief and Retirement Fund – This fund administers a retirement plan for the employees of the Weslaco Fire Department. The fund is administered by a board elected by the firemen and the Mayor of the City serving as an appointed position designated by the trust instrument.

**PENSION TRUST
FUND**

**CITY OF WESLACO, TEXAS
FIREMEN'S RETIREMENT FUND
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)**

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash	\$ 1,052,696	\$ 314,616
Investments	4,433,286	4,208,965
Accounts receivable (pension contributions)	1,192	1,194
Due from other funds	-	-
Due from individuals	-	-
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 5,487,174</u></u>	<u><u>\$ 4,524,775</u></u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 16,642	\$ -
Due to other governments	-	-
Due to other funds	-	-
	<u> </u>	<u> </u>
Total Liabilities	<u>16,642</u>	<u>-</u>
 Fund Balance		
Reserved	5,470,532	4,524,775
Unreserved		
Undesignated		
Total Fund Balance	<u><u>5,470,532</u></u>	<u><u>4,524,775</u></u>
 Total Liabilities and Fund Balance	<u><u>\$ 5,487,174</u></u>	<u><u>\$ 4,524,775</u></u>

**CITY OF WESLACO, TEXAS
FIREMEN'S RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)**

	<u>2010</u>	<u>2009</u>
Operating revenues		
Charges for services	\$ 850,127	\$ 779,141
Operating expenses		
Other charges and services	<u>179,825</u>	<u>314,471</u>
Operating income (loss) before Non-operating Revenues	<u>670,302</u>	<u>464,670</u>
Non-operating Revenues		
Interest Earned	64,551	110,603
Miscellaneous income	-	-
Dividends	47,078	-
(Loss) or Gain on Realized Appreciation	<u>163,826</u>	<u>(34,230)</u>
Total Non-Operating Revenues	<u>275,455</u>	<u>76,373</u>
Net Income (loss) Before Transfers	945,757	541,043
Transfers		
Transfers In (Out)	<u>-</u>	<u>-</u>
Net Income (loss)	945,757	541,043
Fund Balance, October 1,	<u>4,524,775</u>	<u>3,983,732</u>
Fund Balance, September 30,	<u><u>\$ 5,470,532</u></u>	<u><u>\$ 4,524,775</u></u>

**CITY OF WESLACO, TEXAS
FIREMEN'S RETIREMENT FUND
COMPARATIVE STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 670,302	\$ 464,670
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net Change in investments (increase) decrease:	(224,321)	(277,945)
Decrease (increase) in due to pension receivable	2	699
Increase (decrease) in due from other funds	-	-
Increase (decrease) in accounts payable	16,642	-
(Increase) decrease in due to others	-	(8,726)
Net cash provided by operating activities	<u>462,625</u>	<u>178,698</u>
Cash flows from investing activities:		
Purchase of mutual fund securities	-	-
Interest on investments	64,551	110,603
Dividends	47,078	-
Miscellaneous income	-	-
Gain (Loss) on Realized Appreciation	163,826	(34,230)
Net cash (used) provided by investing activities	<u>275,455</u>	<u>76,373</u>
Net increase (decrease) in cash	738,080	255,071
Cash, beginning of year	<u>314,616</u>	<u>59,545</u>
*Cash, end of year	<u><u>\$ 1,052,696</u></u>	<u><u>\$ 314,616</u></u>

* Cash - This reflects cash in the operating account.

GENERAL FIXED ASSETS ACCOUNT GROUP

This account group is established to account for the fixed assets owned by the City exclusive of those relating to Enterprise Fund operations. Expenditure transactions to acquire general fixed assets occur in the General, Special Revenue, and Capital Projects Funds.

CITY OF WESLACO, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
General Fixed Assets		
Land	\$ 4,490,570	\$ 4,711,085
Buildings	18,441,623	17,714,197
Improvements other than buildings	44,364,345	35,978,406
Machinery & equipment	<u>8,784,392</u>	<u>8,538,913</u>
Total General Fixed Assets	<u><u>\$ 76,080,930</u></u>	<u><u>\$ 66,942,601</u></u>
 Investment in General Fixed Assets From		
Capital Projects Funds		
Miscellaneous	\$ 1,696,720	\$ 1,696,720
General obligation bonds	17,525,771	17,525,771
Certification of obligation	21,971,154	20,882,269
Federal grants	3,414,497	3,414,497
State grants	1,021,897	1,021,897
General Fund	11,073,455	10,830,134
Special Revenue Fund	11,681,540	11,281,834
Special Assessments	289,479	
380 Agreements	<u>7,406,417</u>	<u>289,479</u>
Total Investment in General Fixed Assets	<u><u>\$ 76,080,930</u></u>	<u><u>\$ 66,942,601</u></u>

CITY OF WESLACO, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2010

Function & Activity	Total	Land	Buildings	Improv. Other than Buildings	Machinery and Equipment
General Government					
Control:					
Legislative	\$ 4,341,311	\$ -	\$ 4,310,782	\$ -	\$ 30,529
Executive	9,891			1,090	8,801
City secretary	36,084				36,084
Judicial	85,091			1,530	83,561
Total Control	<u>4,472,377</u>	<u>-</u>	<u>4,310,782</u>	<u>2,620</u>	<u>158,975</u>
Staff Agencies:					
Finance	216,199		156,675	15,515	44,009
Data Processing	526,343		259,292		267,051
Data Planning	19,113				19,113
Purchasing	23,014				23,014
Building maintenance	7,426,414	1,387,150	5,007,264	867,114	164,886
Total Agencies	<u>8,211,083</u>	<u>1,387,150</u>	<u>5,423,231</u>	<u>882,629</u>	<u>518,073</u>
Total General Government	<u>12,683,460</u>	<u>1,387,150</u>	<u>9,734,013</u>	<u>885,249</u>	<u>677,048</u>
Public Safety					
Police protection	1,948,127		629,757	189,094	1,129,276
Fire protection	3,973,710		1,328,732	5,575	2,639,403
Civil defense	-				
Risk management	544,990			16,828	528,162
Parking control	292				292
Protective inspection	55,722				55,722
Traffic safety	62,664	19,108		9,846	33,710
Emergency medical Services	1,065,608				1,065,608
Building maintenance	-				
Total Public Safety	<u>7,651,113</u>	<u>19,108</u>	<u>1,958,489</u>	<u>221,343</u>	<u>5,452,173</u>
Public Works					
Administration	735,251		573,641	120,752	40,858
Streets, drainage & sidewalks	30,505,261	361,566	419,421	29,056,697	667,577
380 Agreement investment	7,406,417			7,406,417	
Total Public Works	<u>38,646,929</u>	<u>361,566</u>	<u>993,062</u>	<u>36,583,866</u>	<u>708,435</u>
Other					
Health	65,772		58,934		6,838
Library	3,434,421	3,900	1,748,951	410,801	1,270,769
Community recreations	8,470,595	1,520,730	959,260	5,442,425	548,180
Cemetery	356,954	18,796		338,158	
Economic development	4,462,414	1,167,925	2,988,914	184,626	120,949
Capital lease equipment	-				
Miscellaneous	128,959	11,395		117,564	
Construction-in-progress	180,313			180,313	
Total Other	<u>17,099,428</u>	<u>2,722,746</u>	<u>5,756,059</u>	<u>6,673,887</u>	<u>1,946,736</u>
Total General Fixed Assets	<u>\$ 76,080,930</u>	<u>\$ 4,490,570</u>	<u>\$ 18,441,623</u>	<u>\$ 44,364,345</u>	<u>\$ 8,784,392</u>

CITY OF WESLACO, TEXAS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Function & Activity	General Fixed Assets 10/1/09	Additions	Deductions	General Fixed Assets 9/30/10
General Government				
Control:				
Legislative	\$ 4,341,311	\$ -	\$ -	\$ 4,341,311
Executive	9,891			9,891
City secretary	36,084			36,084
Judicial	85,091			85,091
Total Control	<u>4,472,377</u>	<u>-</u>	<u>-</u>	<u>4,472,377</u>
Staff Agencies:				
Finance	215,184	1,015		216,199
Data processing	519,787	6,556		526,343
Planning	19,113			19,113
Purchasing	23,014			23,014
Building maintenance	7,412,640	13,774		7,426,414
Total Agencies	<u>8,189,738</u>	<u>21,345</u>	<u>-</u>	<u>8,211,083</u>
Total General Government	<u>12,662,115</u>	<u>21,345</u>	<u>-</u>	<u>12,683,460</u>
Public Safety				
Police protection	1,856,699	91,428		1,948,127
Fire protection	3,946,209	27,501		3,973,710
Risk management	518,713	26,277		544,990
Parking control	292			292
Protective inspection	55,722			55,722
Traffic safety	62,664	-		62,664
Emergency medical services	1,065,608	-		1,065,608
Total Public Safety	<u>7,505,907</u>	<u>145,206</u>	<u>-</u>	<u>7,651,113</u>
Public Works				
Administration	581,537	153,714		735,251
Streets, drainage & sidewalks	29,570,090	935,171		30,505,261
380 Agreement infrastructure		7,406,417		7,406,417
Total Public Works	<u>30,151,627</u>	<u>8,495,302</u>	<u>-</u>	<u>38,646,929</u>
Other				
Health	65,772			65,772
Library	3,375,869	58,552		3,434,421
Community recreation	8,452,377	18,218		8,470,595
Cemetery	356,954			356,954
Economic development	4,062,708	647,471	247,765	4,462,414
Capital lease equipment	-			-
Miscellaneous	128,959			128,959
Construction-in-progress	180,313	-		180,313
Total Other	<u>16,622,952</u>	<u>724,241</u>	<u>247,765</u>	<u>17,099,428</u>
Total General Fixed Assets	<u>\$ 66,942,601</u>	<u>\$ 9,386,094</u>	<u>\$ 247,765</u>	<u>\$ 76,080,930</u>

SUPPLEMENTAL STATEMENTS AND SCHEDULES

CITY OF WESLACO, TEXAS
SCHEDULE OF TAXES RECEIVABLE -BY FUNDS
AT SEPTEMBER 30, 2010

Year	Total	General Fund		I & S Fund	
		%	Amount	%	Amount
2000 & Prior	\$ 234,077	Various	\$ 125,157	Various	\$ 108,920
2001	68,147	62.89%	42,858	37.11%	25,289
2002	94,125	68.62%	64,589	31.38%	29,536
2003	68,441	68.42%	46,827	31.38%	21,614
2004	87,977	72.78%	64,030	27.22%	23,947
2005	159,881	70.95%	113,436	29.05%	46,445
2006	161,867	72.41%	117,208	27.59%	44,659
2007	227,605	73.96%	168,337	26.04%	59,268
2008	381,478	74.78%	285,269	25.22%	96,209
2009	637,219	73.95%	471,223	26.05%	165,996
	2,120,817		1,498,933		621,884
Less					
Allowances for uncollectible	(359,533)		(243,462)		(116,071)
Net Amount	\$ 1,761,284		\$ 1,255,471		\$ 505,813

CITY OF WESLACO, TEXAS
ANALYSIS OF TAX COLLECTIONS, ADJUSTMENTS,
AND ALLOCATION TO FUNDS
OCTOBER 1, 2009 TO SEPTEMBER 30, 2010

TAX COLLECTIONS AND ADJUSTMENTS

Year	Uncollected 10/1/09	Current Assessments & Correction	Collections	Adjustments	Uncollected 9/30/10
2000 & Prior	\$ 264,679		\$ 19,110	\$ (11,493)	\$ 234,076
2001	77,713		6,600	(2,966)	68,147
2002	106,698		10,452	(2,122)	94,124
2003	83,264		11,321	(3,502)	68,441
2004	110,795		50,652	27,835	87,978
2005	196,227		54,673	18,327	159,881
2006	196,684		31,167	(3,649)	161,868
2007	332,876		97,131	(8,140)	227,605
2008	713,644		312,148	(20,018)	381,478
2009	-	9,249,698	8,628,830	16,351	637,219
Total	<u>\$ 2,082,580</u>	<u>\$ 9,249,698</u>	<u>\$ 9,222,084</u>	<u>\$ 10,623</u>	<u>\$ 2,120,817</u>

ALLOCATION TO FUNDS

Year	Collections	General Fund		I & S Fund	
		%	\$	%	\$
2000 & Prior	\$ 19,110	Various	\$ 10,148	Various	\$ 8,854
2001	6,600	62.89%	4,151	37.11%	2,449
2002	10,452	68.62%	7,172	31.38%	3,280
2003	11,321	68.42%	7,746	31.38%	3,575
2004	50,652	72.78%	36,865	27.22%	13,787
2005	54,673	70.95%	38,790	29.05%	15,883
2006	31,167	72.41%	22,568	27.59%	8,599
2007	97,131	73.96%	71,838	26.04%	25,293
2008	312,148	74.78%	233,424	25.22%	78,724
2009	8,628,830	73.95%	6,381,020	26.05%	2,247,810
Total	<u>\$ 9,222,084</u>		<u>\$ 6,813,722</u>		<u>\$ 2,408,254</u>

BONDED DEBT REQUIREMENTS

CITY OF WESLACO, TEXAS
SCHEDULE OF CHANGES IN BONDED DEBT
OCTOBER 1, 2009 TO SEPTEMBER 30, 2010

Description	Date Issued	Original Amount Issued	Bonds Outstanding 10/1/2009
<u>GENERAL BONDS PAYABLE SERIALY</u>			
Tax & Waterworks & Sewer Systems (Limited Pledge) Revenue Certificate of Obligations	2/11/1999	\$ 6,559,048	\$ 4,264,568
General Obligation Refunding Bonds Series 2002	10/10/2002	5,030,400	1,913,600
Tax System Surplus Revenue Certificates of Obligation Series 2003	9/24/2003	14,080,000	13,865,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	6,105,000	<u>6,100,000</u>
Total General Bonds Payable Serially			<u>26,143,168</u>
<u>REVENUE BONDS PAYABLE SERIALY</u>			
1998 Waterworks and Sewer Systems Reserve Bonds	9/23/1998	5,930,000	3,460,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificate of Obligation	2/11/1999	1,730,952	1,125,432
General Obligation Refunding Bonds Series 2002	10/10/2002	2,829,600	1,076,400
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	21,710,000	21,670,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	360,000	<u>270,000</u>
Total Revenue Bonds Payable Serially			<u>27,601,832</u>
<u>ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS</u>			
Series 2000	11/21/2000	1,270,000	170,000
Series 2003	3/27/2003	2,000,000	1,565,000
Series 2003A	3/27/2003	4,060,000	<u>3,280,000</u>
Total Economic Development Sales Tax			<u>5,015,000</u>
<u>TOTAL ALL BONDS PAYABLE SERIALY</u>			<u><u>\$ 58,760,000</u></u>

(1) Wachovia Bank, Houston, Texas
(2) Compass Bank, McAllen, Texas

CITY OF WESLACO, TEXAS
SCHEDULE OF CHANGES IN BONDED DEBT
OCTOBER 1, 2009 TO SEPTEMBER 30, 2010

<u>Issued/ Adjusted</u>	<u>Retired</u>	<u>Bonds Outstanding 9/30/2010</u>	<u>Interest Rates</u>	<u>Optional Date</u>	<u>Principal Date</u>	<u>Agent</u>
	\$ 344,172	\$ 3,920,396	Various	None	2-Feb	(2)
	636,800	1,276,800	Various	None	15-Feb	(2)
	75,000	13,790,000	Various	None	15-Feb	(2)
	55,000	6,045,000	Various	None	15-Feb	(2)
<u>-</u>	<u>1,110,972</u>	<u>25,032,196</u>				
	325,000	3,135,000	Various	None	1-Jun	(2)
	90,828	1,034,604	Various	None	2-Feb	(2)
	358,200	718,200	Various	None	15-Feb	(2)
	200,000	21,470,000	Various	None	15-Feb	(2)
	50,000	220,000	Various	None	15-Feb	(2)
<u>-</u>	<u>1,024,028</u>	<u>26,577,804</u>				
	170,000	-	Various	None	15-Feb	(1)
	85,000	1,480,000	Various	None	15-Feb	(1)
	165,000	3,115,000	Various	None	15-Feb	(1)
<u>-</u>	<u>420,000</u>	<u>4,595,000</u>				
<u>\$ -</u>	<u>\$ 2,555,000</u>	<u>\$ 56,205,000</u>				

CITY OF WESLACO, TEXAS
SUMMARY OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY
AT SEPTEMBER 30, 2010

Fiscal Year Ending 30-Sep	Governmental-Activities			
	General Obligation Bonds and Certificates of Obligation		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 1,230,996	\$ 1,126,216	\$ 260,000	\$ 231,195
2012	1,657,420	1,069,240	270,000	219,619
2013	1,801,800	998,383	285,000	206,769
2014	1,859,424	921,664	300,000	192,632
2015	1,726,204	844,404	315,000	177,704
2016	1,805,984	766,397	325,000	162,085
2017	1,884,720	683,784	345,000	145,569
2018	1,983,456	594,062	360,000	128,047
2019	2,077,192	496,601	380,000	108,600
2020	1,635,000	406,855	405,000	86,925
2021	1,710,000	325,165	425,000	63,844
2022	1,800,000	238,000	450,000	39,313
2023	1,890,000	145,750	475,000	13,344
2024	455,000	87,125		
2025	480,000	63,750		
2026	505,000	39,125		
2027	530,000	13,250		
Total	<u>\$ 25,032,196</u>	<u>\$ 8,819,771</u>	<u>\$ 4,595,000</u>	<u>\$ 1,775,646</u>

Business-Type Activities		Total Requirements		
Revenue, General Obligation, and Certificates of Obligation				
Principal	Interest	Principal	Interest	Debt Service
\$ 1,204,004	\$ 1,231,395	\$ 2,695,000	2,588,806	5,283,806
977,580	1,187,662	2,905,000	2,476,521	5,381,521
1,013,200	1,146,576	3,100,000	2,351,728	5,451,728
1,070,576	1,103,164	3,230,000	2,217,460	5,447,460
1,273,796	1,053,574	3,315,000	2,075,682	5,390,682
1,329,016	997,985	3,460,000	1,926,467	5,386,467
1,385,280	939,331	3,615,000	1,768,684	5,383,684
1,451,544	872,988	3,795,000	1,595,097	5,390,097
1,527,808	797,141	3,985,000	1,402,342	5,387,342
1,605,000	719,663	3,645,000	1,213,443	4,858,443
1,685,000	642,348	3,820,000	1,031,357	4,851,357
1,765,000	558,625	4,015,000	835,938	4,850,938
1,855,000	468,125	4,220,000	627,219	4,847,219
1,950,000	373,000	2,405,000	460,125	2,865,125
2,055,000	272,875	2,535,000	336,625	2,871,625
2,160,000	167,500	2,665,000	206,625	2,871,625
2,270,000	56,750	2,800,000	70,000	2,870,000
<u>\$ 26,577,804</u>	<u>\$ 12,588,702</u>	<u>\$ 56,205,000</u>	<u>\$ 23,184,119</u>	<u>\$ 79,389,119</u>

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 1999
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2010		\$ -	\$ -	\$ -	\$ 3,920,396
2011	4.25%	90,158	82,328	359,996	3,560,400
2012	4.35%	82,328	74,060	375,820	3,184,580
2013	4.40%	74,060	65,159	395,600	2,788,980
2014	4.50%	65,159	55,799	411,424	2,377,556
2015	4.55%	55,799	45,882	431,204	1,946,352
2016	4.50%	45,882	35,396	450,984	1,495,368
2017	4.65%	35,396	24,240	474,720	1,020,648
2018	4.70%	24,240	12,402	498,456	522,192
2019	4.75%	12,402	-	522,192	-
Total		<u>\$ 485,424</u>	<u>\$ 395,266</u>	<u>\$ 3,920,396</u>	

CITY OF WESLACO, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2002
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2010		\$ -	\$ -	\$ -	\$ 1,276,800
2011	3.500%	23,124	11,644	656,000	620,800
2012	3.625%	11,644	7,990	201,600	419,200
2013	3.750%	7,990	4,030	211,200	208,000
2014	3.875%	4,030	-	208,000	-
Total		<u>\$ 46,788</u>	<u>\$ 23,664</u>	<u>\$ 1,276,800</u>	

CITY OF WESLACO, TEXAS
TAX AND WATERWORKS & SEWER SYSTEM-SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2003
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2010		\$ -	\$ -	\$ -	\$ 13,790,000
2011	3.750%	318,804	316,460	125,000	13,665,000
2012	4.000%	316,460	298,860	880,000	12,785,000
2013	4.125%	298,860	279,886	920,000	11,865,000
2014	4.250%	279,886	259,592	955,000	10,910,000
2015	4.375%	259,592	237,717	1,000,000	9,910,000
2016	4.450%	237,717	214,466	1,045,000	8,865,000
2017	4.500%	214,466	189,940	1,090,000	7,775,000
2018	4.625%	189,940	163,463	1,145,000	6,630,000
2019	4.750%	163,463	134,963	1,200,000	5,430,000
2020	4.875%	134,963	104,250	1,260,000	4,170,000
2021	5.000%	104,250	71,250	1,320,000	2,850,000
2022	5.000%	71,250	36,500	1,390,000	1,460,000
2023	5.000%	36,500		1,460,000	-
Total		<u>\$ 2,626,151</u>	<u>\$ 2,307,347</u>	<u>\$ 13,790,000</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2007
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding 30-Sep
		15-Feb	15-Aug	15-Feb	
2010		\$ -	\$ -	\$ -	\$ 6,045,000
2011	4.00%	142,749	140,949	90,000	5,955,000
2012	4.00%	140,949	136,949	200,000	5,755,000
2013	4.00%	136,949	131,449	275,000	5,480,000
2014	4.00%	131,449	125,749	285,000	5,195,000
2015	4.13%	125,749	119,665	295,000	4,900,000
2016	4.13%	119,665	113,271	310,000	4,590,000
2017	4.25%	113,271	106,471	320,000	4,270,000
2018	5.25%	106,471	97,546	340,000	3,930,000
2019	5.25%	97,546	88,227	355,000	3,575,000
2020	4.70%	88,227	79,415	375,000	3,200,000
2021	4.70%	79,415	70,250	390,000	2,810,000
2022	5.00%	70,250	60,000	410,000	2,400,000
2023	5.00%	60,000	49,250	430,000	1,970,000
2024	5.00%	49,250	37,875	455,000	1,515,000
2025	5.00%	37,875	25,875	480,000	1,035,000
2026	5.00%	25,875	13,250	505,000	530,000
2027	5.00%	13,250	-	530,000	-
Total		<u>\$ 1,538,940</u>	<u>\$ 1,396,191</u>	<u>\$ 6,045,000</u>	

CITY OF WESLACO, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1998
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payment		Principal Due	Outstanding
		1-Dec	1-Jun	1-Dec	30-Sep
2010		\$ -	\$ -	\$ -	\$ 3,135,000
2011	4.20%	69,005	61,865	340,000	2,795,000
2012	4.30%	61,865	54,233	355,000	2,440,000
2013	4.35%	54,232	46,294	365,000	2,075,000
2014	4.40%	46,293	37,934	380,000	1,695,000
2015	4.45%	37,933	29,034	400,000	1,295,000
2016	4.45%	29,034	19,800	415,000	880,000
2017	4.50%	19,800	10,125	430,000	450,000
2018	4.50%	10,125		450,000	-
Total		<u>\$ 328,287</u>	<u>\$ 259,285</u>	<u>\$ 3,135,000</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 1999
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2010		\$ -	\$ -	\$ -	\$ 1,034,604
2011	4.35%	23,793	21,727	95,004	939,600
2012	4.40%	21,727	19,545	99,180	840,420
2013	4.50%	19,545	17,196	104,400	736,020
2014	4.55%	17,196	14,726	108,576	627,444
2015	4.50%	14,726	12,108	113,796	513,648
2016	4.65%	12,108	9,341	119,016	394,632
2017	4.70%	9,341	6,397	125,280	269,352
2018	4.75%	6,397	3,273	131,544	137,808
2019	4.75%	3,273		137,808	-
Total		<u>\$ 128,106</u>	<u>\$ 104,313</u>	<u>\$ 1,034,604</u>	

**CITY OF WESLACO, TEXAS
GENERAL OBLIGATION REFUNDING BONDS-SERIES 2002
WATER AND SEWER FUND
AS OF SEPTEMBER 30, 2010**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2010		\$ -	\$ -	\$ -	\$ 718,200
2011	3.500%	13,007	6,550	369,000	349,200
2012	3.625%	6,550	4,494	113,400	235,800
2013	3.750%	4,494	2,267	118,800	117,000
2014	3.875%	<u>2,267</u>	<u></u>	<u>117,000</u>	-
Total		<u>\$ 26,318</u>	<u>\$ 13,311</u>	<u>\$ 718,200</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2007
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2010		\$ -	\$ -	\$ -	\$ 21,470,000
2011	4.00%	517,324	510,324	350,000	21,120,000
2012	4.00%	510,324	503,224	355,000	20,765,000
2013	4.00%	503,224	495,824	370,000	20,395,000
2014	4.00%	495,824	487,724	405,000	19,990,000
2015	4.13%	487,724	472,049	760,000	19,230,000
2016	4.13%	472,049	455,653	795,000	18,435,000
2017	4.25%	455,653	438,015	830,000	17,605,000
2018	5.25%	438,015	415,178	870,000	16,735,000
2019	5.25%	415,178	378,690	1,390,000	15,345,000
2020	4.70%	378,690	340,973	1,605,000	13,740,000
2021	4.70%	340,973	301,375	1,685,000	12,055,000
2022	5.00%	301,375	257,250	1,765,000	10,290,000
2023	5.00%	257,250	210,875	1,855,000	8,435,000
2024	5.00%	210,875	162,125	1,950,000	6,485,000
2025	5.00%	162,125	110,750	2,055,000	4,430,000
2026	5.00%	110,750	56,750	2,160,000	2,270,000
2027	5.00%	56,750	-	2,270,000	
Total		<u>\$ 6,114,103</u>	<u>\$ 5,596,779</u>	<u>\$ 21,470,000</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2007
AS OF SEPTEMBER 30, 2010

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2010		\$ -	\$ -	\$ -	\$ 220,000
2011	4.00%	4,400	3,400	50,000	170,000
2012	4.00%	3,400	2,300	55,000	115,000
2013	4.00%	2,300	1,200	55,000	60,000
2014	4.00%	1,200		60,000	-
Total		<u>\$ 11,300</u>	<u>\$ 6,900</u>	<u>\$ 220,000</u>	

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS
SERIES 2003
AS OF SEPTEMBER 30, 2010

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
			15-Feb	15-Aug		
2010			\$ -	\$ -	\$ -	\$ 1,480,000
2011		3.50%	32,016	30,441	90,000	1,390,000
2012		3.75%	30,441	28,753	90,000	1,300,000
2013		4.00%	28,753	26,853	95,000	1,205,000
2014		4.00%	26,853	24,853	100,000	1,105,000
2015		4.13%	24,853	22,688	105,000	1,000,000
2016		4.13%	22,688	20,522	105,000	895,000
2017		4.38%	20,522	18,116	110,000	785,000
2018		4.38%	18,116	15,600	115,000	670,000
2019		4.50%	15,600	12,900	120,000	550,000
2020		4.50%	12,900	9,975	130,000	420,000
2021		4.75%	9,975	6,769	135,000	285,000
2022		4.75%	6,769	3,444	140,000	145,000
2023		4.75%	3,444		145,000	-
			<u>\$ 252,930</u>	<u>\$ 220,914</u>	<u>\$ 1,480,000</u>	

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS
SERIES 2003A
AS OF SEPTEMBER 30, 2010

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due	Principal Outstanding
			15-Feb	15-Aug	15-Feb	30-Sep
2010			\$ -	\$ -	\$ -	\$ 3,115,000
2011		4.75%	86,388	82,350	170,000	2,945,000
2012		5.25%	82,350	78,075	180,000	2,765,000
2013		5.25%	78,075	73,088	190,000	2,575,000
2014		5.25%	73,088	67,838	200,000	2,375,000
2015		5.25%	67,838	62,325	210,000	2,165,000
2016		5.25%	62,325	56,550	220,000	1,945,000
2017		5.25%	56,550	50,381	235,000	1,710,000
2018		5.25%	50,381	43,950	245,000	1,465,000
2019		6.00%	43,950	36,150	260,000	1,205,000
2020		6.00%	36,150	27,900	275,000	930,000
2021		6.00%	27,900	19,200	290,000	640,000
2022		6.00%	19,200	9,900	310,000	330,000
2023		6.00%	9,900		330,000	-
			<u>\$ 694,095</u>	<u>\$ 607,707</u>	<u>\$ 3,115,000</u>	

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PART III

STATISTICAL SECTION

CITY OF WESLACO, TEXAS
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

Table I

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Invested in capital assets, net of related debt	\$ (994,005)	\$ (5,007,449)	\$ 438,179	\$ 9,749,470	\$ 12,006,633
Restricted	5,782,184	11,810,520	6,474,762	8,335,324	4,242,611
Unrestricted	3,476,327	2,123,912	535,440	1,568,080	1,591,672
Total governmental activities net assets	\$ 8,264,506	\$ 8,926,983	\$ 7,448,381	\$ 19,652,874	\$ 17,840,916
Business-type activities					
Invested in capital assets, net of related debt	\$ 24,896,795	\$ 2,905,484	\$ 6,190,908	\$ 11,808,483	\$ 21,631,773
Restricted	1,923,598	23,249,701	20,642,296	14,231,044	4,875,514
Unrestricted	613,375	463,253	(971,432)	1,076,733	1,479,750
Total business-type activities net assets	\$ 27,433,768	\$ 26,618,438	\$ 25,861,772	\$ 27,116,260	\$ 27,987,037
Primary Government					
Invested in capital assets, net of related debt	\$ 23,902,790	\$ (2,101,965)	\$ 6,629,087	\$ 21,557,953	\$ 33,638,406
Restricted	7,705,782	35,060,221	27,117,058	22,566,368	9,118,125
Unrestricted	4,089,702	2,587,165	(435,992)	2,644,813	3,071,422
Total primary government net assets	\$ 35,698,274	\$ 35,545,421	\$ 33,310,153	\$ 46,769,134	\$ 45,827,953

Note: The City of Weslaco began to report accrual information when it implemented GASB 34 in fiscal year 2003.

CITY OF WESLACO, TEXAS
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

Table II

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	\$ 3,407,051	\$ 4,773,130	\$ 2,618,476	\$ 3,710,070	\$ 4,307,902
Public safety	9,403,983	10,602,820	13,173,159	12,486,600	12,676,095
Emergency medical service	416,618	443,243	-	-	343,818
Public works	2,151,773	2,147,216	1,567,815	1,843,346	1,870,276
Health	117,798	130,130	135,502	127,044	132,612
Culture and recreation	1,895,790	1,650,424	1,815,439	2,484,004	2,486,171
Development services	3,601,649	3,249,338	1,847,396	4,994,533	4,657,676
Interest on long-term debt	1,496,672	1,425,639	5,735,318	1,488,868	1,478,830
Total governmental activities expenses	22,491,334	24,421,940	26,893,105	27,134,465	27,953,380
Business-type activities:					
Water and sewer	5,725,442	6,392,983	10,726,658	7,662,631	7,433,263
Sanitation	2,472,505	3,083,417	3,480,521	3,468,755	3,517,000
Airport	516,765	565,703	1,092,428	564,958	532,828
Total business-type activities expenses	8,714,712	10,042,103	15,299,607	11,696,344	11,483,091
Total primary government expenses	\$ 31,206,046	\$ 34,464,043	\$ 42,192,712	\$ 38,830,809	\$ 39,436,471
Program Revenues					
Governmental activities:					
Fees, fines, and charges for services:					
General government	\$ 977,678	\$ 1,311,453	\$ 3,471,856	\$ 406,099	\$ 370,890
Public Safety	144,613	116,703	1,217,389	1,912,015	933,006
Emergency medical services	749,585	581,732	-	-	976,166
Development services	554,960	468,712	187,056	404,985	372,935
Operating grants and contributions	951,782	979,980	1,186,137	81,000	-
Capital grants and contributions	2,290	154	-	917,556	702,133
Total governmental activities program revenues	3,380,908	3,458,734	6,062,438	3,721,655	3,355,130
Business-type activities:					
Charges for services:					
Water and sewer	7,510,128	7,090,033	8,630,895	8,993,459	8,719,988
Sanitation	2,850,669	3,525,482	3,579,091	3,992,622	4,215,582
Airport	65,820	135,742	518,288	112,917	186,184
Operating grants and contributions	646,487	603,306	121,040	20,267	8,098
Capital grants and contributions	-	183,820	-	224,315	80,875
Total business-type activities program revenues	11,073,104	11,538,383	12,849,314	13,343,580	13,210,727
Total primary government program revenues	\$ 14,454,012	\$ 14,997,117	\$ 18,911,752	\$ 17,065,235	\$ 16,565,857
Net (Expense)/Revenue					
Governmental activities	\$ (19,110,426)	\$ (20,963,206)	\$ (20,830,667)	\$ (23,412,810)	\$ (24,598,250)
Business-type activities	2,358,392	1,496,280	(2,450,293)	1,647,236	1,727,636
Total primary government net expense	\$ (16,752,034)	\$ (19,466,926)	\$ (23,280,960)	\$ (21,765,574)	\$ (22,870,614)

CITY OF WESLACO, TEXAS
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

Table III

GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities:					
Taxes:					
Ad valorem	\$ 6,932,312	\$ 7,443,962	\$ 16,449,025	\$ 9,752,261	\$ 9,729,729
Sales	7,823,243	8,599,413	2,656,019	9,175,453	9,218,352
Occupancy	401,599	433,603	-	403,467	359,421
Other	42,150	32,908	-	57,047	71,255
Franchise fees	1,316,235	1,314,100	-	1,418,405	1,414,910
Intergovernmental	492,681	105,411	-	143,800	144,499
Investment earnings	463,425	479,206	447,930	226,519	139,903
Gain (loss) on sale/retirement of capital assets	62,293	348,144	(398,361)	482,859	(115,940)
Miscellaneous	429,987	388,842	415,452	433,260	348,954
Transfers	2,322,145	2,480,094	(218,000)	2,403,930	1,475,209
Total governmental activities	<u>20,286,070</u>	<u>21,625,683</u>	<u>19,352,065</u>	<u>24,497,001</u>	<u>22,786,292</u>
Business-type activities					
Investment earnings	102,930	168,484	916,833	849,733	618,350
Transfers	(2,322,145)	(2,480,094)	218,000	(2,403,930)	(1,475,209)
Total business-type activities	<u>(2,219,215)</u>	<u>(2,311,610)</u>	<u>1,134,833</u>	<u>(1,554,197)</u>	<u>(856,859)</u>
Total primary government	<u>\$ 18,066,855</u>	<u>\$ 19,314,073</u>	<u>\$ 20,486,898</u>	<u>\$ 22,942,804</u>	<u>\$ 21,929,433</u>
Change in Net Assets					
Governmental activities	\$ 1,175,644	\$ 662,477	\$ (1,478,602)	\$ 1,084,191	\$ (1,811,958)
Business-type activities	139,177	(815,330)	(1,315,370)	93,039	870,777
Total primary government	<u>\$ 1,314,821</u>	<u>\$ (152,853)</u>	<u>\$ (2,793,972)</u>	<u>\$ 1,177,230</u>	<u>\$ (941,181)</u>

FUND BALANCE, GOVERNMENTAL FUNDS

	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 51,251	\$ 49,087	\$ -	\$ 61,244	\$ 69,467
Unreserved	1,683,882	529,424	(213,081)	900,326	(104,146)
Total general fund	<u>\$ 1,735,133</u>	<u>\$ 578,511</u>	<u>\$ (213,081)</u>	<u>\$ 961,570</u>	<u>\$ (34,679)</u>
All Other Governmental Funds					
Reserved	\$ 745,612	\$ 1,195,145	\$ 5,642,293	\$ 1,286,791	\$ 1,505,458
Unreserved, reported in:					
Special revenue funds	1,997,984	3,042,247	2,792,788	3,824,971	1,535,306
Capital projects funds	3,506,156	7,753,339	-	2,261,992	1,236,526
Unrestricted					
Total all other governmental funds	<u>\$ 6,249,752</u>	<u>\$ 11,990,731</u>	<u>\$ 8,435,081</u>	<u>\$ 7,373,754</u>	<u>\$ 4,277,290</u>

Note: The City began to report accrual information when it implemented GASB statement 34 in fiscal year 2003.

CITY OF WESLACO, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table IV
(Page 1 of 2)

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Taxes:					
Ad valorem	\$ 6,623,099	\$ 7,102,727	\$ 16,339,978	\$ 9,302,285	\$ 9,369,933
Penalty and interest	325,629	293,589	109,047	402,066	347,496
Sales	7,823,243	8,599,413	2,656,019	9,175,453	9,218,352
Occupancy	401,599	433,603	-	403,467	359,421
Other	42,150	32,908	-	57,047	71,255
Franchise fees	1,316,235	1,314,100	-	1,418,405	1,414,910
Charges for services	2,701,643	2,857,551	3,471,856	3,752,129	2,905,104
Program income	554,960	468,712	-	62,604	109,445
Intergovernmental	1,293,030	588,535	1,373,193	1,142,356	846,632
Licenses and permits	391,624	490,788	489,883	406,099	370,890
Investment income	457,963	478,815	447,930	226,507	139,903
Fines and forfeitures	504,840	757,695	727,506	690,602	583,066
Contributions	2,290	154	-	1,954	8,500
Miscellaneous	440,684	716,842	415,452	431,306	340,454
Proceeds from sales	272,860	2,354,819	-	905,434	131,825
Total revenues	23,151,849	26,490,251	26,030,864	28,377,714	26,217,186
Expenditures					
General government	2,937,547	3,276,336	5,131,719	3,484,006	3,637,628
Public Safety	9,528,930	10,752,116	13,173,159	12,486,212	12,725,966
Public Works	1,601,099	1,748,968	1,567,815	1,468,756	1,390,192
Health	114,363	126,393	135,502	123,307	128,875
Culture and recreation	1,639,680	1,405,479	1,815,439	2,291,653	2,410,330
Economic development	2,716,178	2,708,077	7,218,808	4,376,933	3,633,445
Nondepartmental	602,784	544,839	-	541,759	779,286
Capital outlay	5,809,407	4,073,761	307,097	1,879,830	9,386,094
Debt service					
Principal	1,655,296	1,837,290	4,177,910	1,590,747	1,682,179
Interest and fiscal charges	1,503,325	1,435,439	1,568,706	1,500,160	1,490,122
Contingency expense	-	550,000	-	-	-
Total expenditures	28,108,609	28,458,698	35,096,155	29,743,363	37,264,117
Excess of revenues over (under) expenditures	(4,956,760)	(1,968,447)	(9,065,291)	(1,365,649)	(11,046,931)

CITY OF WESLACO, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table IV
(Page 2 of 2)

	Fiscal Year				
	2006	2007	2008	2009	2010
Other Financing Sources (Uses)					
Debt proceeds	\$ 176,969	\$ 6,105,000	\$ 1,220,131	\$ 1,300,000	\$ -
Debt issuance costs		(105,000)	-	(120,076)	
Bond interest		-	3,715,918	-	
Volunteer separation expense					(611,900)
Proceeds from 380 Agreements					7,406,417
Transfers in	1,320,555	1,036,129	-	525,775	164,040
Transfers out	(583,905)	(483,325)	(218,000)	(310,180)	(4,339)
Total other financing sources (uses)	913,619	6,552,804	4,718,049	1,395,519	6,954,218
Net change in fund balances	\$ (4,043,141)	\$ 4,584,357	\$ (4,347,242)	\$ 29,870	\$ (4,092,713)
Debt service as a percentage of noncapital expenditures	14.2%	13.4%	16.5%	11.1%	11.4%

Note: The City began to report accrual information when it implemented GASB statement 34 in fiscal year 2003.

**CITY OF WESLACO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table V

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 5,163,455	\$ 4,718,274	91.38%	\$ 369,253	\$ 5,087,527	98.53%
2002	5,614,216	5,045,013	89.86%	439,484	5,484,497	97.69%
2003	5,749,544	5,315,241	92.45%	323,182	5,638,423	98.07%
2004	5,734,805	5,303,677	92.48%	311,038	5,614,715	97.91%
2005	6,139,744	5,659,936	92.19%	270,432	5,930,368	96.59%
2006	6,451,289	6,021,477	93.34%	184,509	6,205,986	96.20%
2007	6,982,074	6,555,427	93.89%	214,183	6,769,610	96.96%
2008	7,667,715	7,171,489	93.53%	387,236	7,558,725	98.58%
2009	8,920,936	8,518,972	95.49%	647,906	9,166,878	102.76%
2010	9,249,698	8,628,830	93.29%	593,254	9,222,084	99.70%

**CITY OF WESLACO, TEXAS
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Table VI

Fiscal Year	Residential Property	Commercial Property	Tax-Exempt	Total Taxable Assessed Value	Total Direct Overlapping Tax Rate
2001	\$ 340,258,187	\$ 351,440,829	\$ 187,452,986	\$ 691,699,016	2.8827
2002	384,247,929	365,218,113	199,174,144	749,466,042	2.9031
2003	404,568,844	401,083,324	199,196,476	805,652,168	2.5638
2004	426,892,896	417,210,584	212,997,074	844,103,480	2.9760
2005	441,511,544	468,256,630	226,814,960	909,768,174	2.9669
2006	506,062,673	447,666,328	243,504,504	953,729,001	2.9611
2007	559,681,854	478,189,081	295,278,641	1,037,870,935	2.8666
2008	641,361,248	512,587,048	313,753,593	1,153,948,296	2.6438
2009	756,407,311	588,374,568	345,797,678	1,344,781,879	2.6954
2010	777,550,051	623,626,057	351,568,233	1,401,176,108	2.6978

Source: Hidalgo County Appraisal District

CITY OF WESLACO, TEXAS
PROPERTY TAX RATES AND TAX LEVIES-ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

		City Direct Rates			
Fiscal Year	Tax Year	Maintenance and Operation	Interest and Sinking	(Per \$100) City	
PROPERTY TAX RATES					
2001	2000	\$ 0.4465	\$ 0.3385	\$	0.7850
2002	2001	0.4900	0.2891		0.7791
2003	2002	0.5050	0.2309		0.7359
2004	2003	0.4786	0.2209		0.6995
2005	2004	0.5091	0.1904		0.6995
2006	2005	0.4963	0.2032		0.6995
2007	2006	0.5065	0.1930		0.6995
2008	2007	0.5153	0.1814		0.6997
2009	2008	0.5210	0.1757		0.6997
2010	2009	0.5152	0.1815		0.6967
TAX LEVIES					
2001	2000			\$	5,163,455
2002	2001				5,614,216
2003	2002				5,749,544
2004	2003				5,734,805
2005	2004				6,139,744
2006	2005				6,451,289
2007	2006				6,982,074
2008	2007				7,667,715
2009	2008				8,881,533
2010	2009				9,276,796

Tax rate is limited by charter to \$2.50 per \$100.

Taxes are due October 1, and become delinquent February 1.

Discounts are not allowed.

Penalty for delinquency is 6% of amount of tax during first month, plus 1% for each additional month delinquent, to a maximum of 12% beginning July 1. Interest is 1% for each month or portion of month the tax remains delinquent.

On July 1, 1982, pursuant to Section 33.07 of the Property Tax Code, an additional penalty of 15% of the taxes, penalty, and interest is added on all taxes delinquent for the 1981 year and subsequent years.

Uncollected taxes are placed in hands of attorney for legal action on February 1, following year of assessment.

Table VII
(Page 2 of 2)

Overlapping Rates					
(Per \$100) Weslaco School District	South Texas Community College	(Per \$100) Hidalgo County	(Per \$100) Drainage District #1	(Per \$100) South Texas School District	(Per \$100) Total
\$ 1.4300	\$ 0.0922	\$ 0.5007	\$ 0.0376	\$ 0.0372	\$ 2.8827
1.4300	0.0897	0.5195	0.0456	0.0392	2.9031
1.4300	0.1776	0.5900	0.0456	0.0392	3.0183
1.4300	0.1738	0.5900	0.0435	0.0392	2.9760
1.4300	0.1647	0.5900	0.0435	0.0392	2.9669
1.4300	0.1589	0.5900	0.0435	0.0392	2.9611
1.3418	0.1548	0.5900	0.0413	0.0392	2.8666
1.1047	0.1540	0.5900	0.0492	0.0492	2.6438
1.1397	0.1498	0.5900	0.0700	0.0492	2.6954
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
\$ 11,708,504	\$ 11,694,086	\$ 61,125,933	\$ 4,415,868	\$ 4,737,868	\$ 98,845,714
12,867,115	12,749,702	70,959,997	5,946,384	5,589,657	113,727,071
14,067,955	26,927,038	86,128,712	6,388,052	6,004,776	145,266,077
14,663,742	28,045,487	91,965,820	6,538,099	6,512,984	153,460,937
15,870,637	29,796,163	103,605,172	7,305,724	7,221,751	169,939,191
17,168,408	31,182,415	112,523,012	7,944,984	7,816,538	183,086,646
17,881,783	33,514,193	125,028,182	8,251,877	8,624,663	200,282,772
16,140,097	37,903,742	142,503,382	11,181,038	12,290,736	227,686,710
19,808,237	40,130,123	155,425,414	16,982,072	13,321,253	254,548,632
20,312,260	41,833,109	162,197,402	18,748,048	13,910,184	266,277,799

**CITY OF WESLACO, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Table VIII

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
H E Butt Grocery Company	\$ 41,774,373	1	2.98%	\$ 8,120,358	5	1.17%
Wal-Mart Stores LP #452	17,368,861	2	1.24%			0.00%
H E Butt Weslaco Transportation	13,894,053	3	0.99%			0.00%
Clearview Weslaco LLP	10,886,445	4	0.78%			0.00%
John Knox Villages	10,715,472	5	0.76%	8,807,400	2	1.27%
Reyna, Ezequiel Jr. & Livia	8,661,014	6				0.00%
AEP Texas Central	6,534,270	7	0.47%			0.00%
Weslaco Palm Plaza, LTD	6,017,236	8	0.43%			0.00%
2300 Sugar Sweet Realty, LLC	5,722,531	9	0.41%			0.00%
Home Depot	5,468,670	10	0.39%			0.00%
Pioneer Hi-Bred Int'l. Inc.				10,806,799	1	1.56%
GTE Southwest, Inc.				8,138,470	4	1.18%
Folmer & Associates				7,977,015	6	1.15%
Reyna, Ezequiel Jr.				8,384,601	3	1.21%
Weslaco Distribution Center				5,795,616	8	0.84%
Central Power & Light				7,039,460	7	1.02%
Super K-Mart				5,564,644	9	0.80%
Ithaca Investment, LTD				5,130,733	10	0.74%
	<u>\$ 127,042,925</u>		<u>8.45%</u>	<u>\$ 75,765,096</u>		<u>10.94%</u>

**CITY OF WESLACO, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AT SEPTEMBER 30, 2010**

Table IX

	Gross Debt Less Sinking Fund	Estimated Percentage Debt Applicable to City of Weslaco	City of Weslaco Share of Debt
City of Weslaco, Texas	\$ 56,205,000	100.00%	\$ 56,205,000
Weslaco Independent School District	81,743,999	73.40%	60,000,095
Hidalgo County	197,250,000	4.88%	9,625,800
Hidalgo County Drainage District #1	96,675,000	4.88%	4,717,740
South Texas Community College District	60,659,208	4.16%	<u>2,523,423</u>
			<u>\$ 133,072,058</u>
Percentage of Assessed Valuation			<u>9.99%</u>
Direct and Overlapping Debt Per Capita			<u>\$ 3,835</u>
Population:	<u>34,701</u>		
Assessed Valuation:	<u>1,331,533,783</u>		

**CITY OF WESLACO, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table X
(Page 1 of 2)

Legal Debt Margin Calculation fo Fiscal Year 2010

Assessed value	\$ 1,331,533,783
Debt limit (10% of assessed value)	133,153,378
Debt applicable to limit:	
General obligation bonds	25,032,196
Less: Amount set aside for repayment of general obligation debt	(426,551)
Total net debt applicable to limit	<u>24,605,645</u>
Legal debt margin	<u><u>\$ 108,547,733</u></u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Debt limit	\$ 65,776,472	\$ 72,060,258	\$ 78,129,405
Total net debt applicable to limit	<u>13,969,147</u>	<u>12,452,847</u>	<u>25,194,127</u>
Legal debt margin	<u><u>\$ 51,807,325</u></u>	<u><u>\$ 59,607,411</u></u>	<u><u>\$ 52,935,278</u></u>
Total net debt applicable to the limit as a percentage of debt limit	21.24%	17.28%	32.25%

Note: In 1955, the State Legislature enacted the 10% debt limit rate for school districts in Texas and has subsequently been used by municipalities as a general rule in computing debt margin.

**CITY OF WESLACO, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table X
(Page 2 of 2)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 81,983,807	\$ 87,773,309	\$ 92,227,149	\$ 99,815,209	\$ 110,057,628	\$ 127,480,023	\$ 133,153,378
<u>24,662,550</u>	<u>23,847,724</u>	<u>22,852,031</u>	<u>27,872,725</u>	<u>27,092,739</u>	<u>25,851,763</u>	<u>24,605,645</u>
<u>\$ 57,321,257</u>	<u>\$ 63,925,585</u>	<u>\$ 69,375,118</u>	<u>\$ 71,942,484</u>	<u>\$ 82,964,889</u>	<u>\$ 101,628,260</u>	<u>\$ 108,547,733</u>
30.08%	27.17%	24.78%	27.92%	24.62%	20.28%	18.48%

**CITY OF WESLACO, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Table XI

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Plus: CIP Fee (1) Non-Operating	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2000	\$ 5,574,326	\$ 3,259,122	\$ 420,102	\$ 2,735,306	\$ 645,000	\$ 353,958	2.74
2001	5,494,570	3,698,875	485,820	2,281,515	670,000	327,667	2.29
2002	5,645,074	4,127,486	481,681	1,999,269	700,000	299,797	2.00
2003	5,170,164	4,318,724	524,705	1,376,145	725,000	270,366	1.38
2004	5,300,765	5,262,723	551,517	589,559	545,000	244,308	0.75
2005	7,005,742	5,116,708	562,677	2,451,711	565,000	222,245	3.11
2006	7,647,543	5,490,379	591,140	2,748,304	585,000	199,335	3.50
2007	7,244,451	6,051,989	603,306	1,795,768	310,000	181,603	3.65
2008	7,724,198	6,696,352	631,599	1,659,445	300,000	169,785	3.53
2009	8,073,294	6,824,120	1,512,121	2,761,295	315,000	157,635	5.84
2010	7,846,367	5,990,804	1,245,183	3,100,746	325,000	144,673	6.60

- (1) The Waterworks and Sewer System Revenue Bonds, Series 1998 were issued on September 23, 1998 in the amount of \$5,930,000. These bonds will be paid from a CIP fee that has been charged to customers since June 1, 1996. This fee is to remain in place until the debt related to the new sewer plant on the south side of town has been paid for. The CIP fee is recognized as non-operating revenue.
This table has been modified to reflect this source of funds.

* The Revenue Coverage computation does not include the 2007 Certificate of Obligation issue of \$21,710,000. This issue is a surplus Revenue Certificate of Obligation and does not meet the requirement to be included in the computation for pledged revenue coverage. If considered in the computation, the coverage would be 2.85.

**CITY OF WESLACO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS**

Table XII
(Page 1 of 2)

Fiscal Year	General Bonded Debt			Percentage of Actual Taxable Value of Property
	General Obligation Bonds	Certificates of Obligation	Water District Debt Assumed	
2006	\$ 3,699,200	\$ 19,287,964	\$ 15,422	2.49%
2007	3,126,400	25,018,352	-	2.81%
2008	2,531,200	24,566,872	-	2.71%
2009	1,913,600	24,229,568	-	1.94%
2010	1,276,800	23,755,396	-	1.79%

Fiscal Year	Business-Type Activities			
	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Notes Payable
2006	\$ 2,080,800	\$ 1,377,036	\$ 4,385,000	\$ -
2007	1,758,600	4,075,000	23,366,648	-
2008	1,423,800	3,775,000	23,238,128	-
2009	1,076,400	3,460,000	23,065,432	-
2010	718,200	3,135,000	22,724,604	-

Note: The City began to report accrual information when it implemented GASB statement 34 in fiscal year 2003.

**CITY OF WESLACO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS**

Table XII
(Page 2 of 2)

<u>Per Capita</u>	<u>Other Governmental Activities Debt</u>	
	<u>Arbitrage Payable</u>	<u>Compensated Absences</u>
731.59	\$ -	\$ 1,910,089
877.00	-	2,141,726
844.39	-	2,274,848
783.81	-	2,725,440
721.37		2,319,506

<u>Economic Development Sales Tax</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
<u>Revenue Bonds</u>	<u>Notes Payable</u>			
\$ 6,885,000	\$ 1,500,555	\$ 41,141,066	7.63%	1,308
6,260,000	1,251,099	66,997,825	11.73%	2,088
5,600,000	-	63,409,848	13.96%	1,976
5,015,000	-	61,485,440	12.27%	1,868
4,595,000		58,524,506	6.51%	965

**CITY OF WESLACO, TEXAS
TAXABLE SALES BY INDUSTRY
LAST FIVE CALENDAR YEARS**

Table XIII

	Calendar Year				
	2005	2006	2007	2008	2009
Accommodation and food services	\$ 48,551,878	\$ 54,973,601	\$ 60,676,571	\$ 65,881,204	\$ 65,833,001
Administration, support, waste management, and remediation	7,999,003	8,607,798	7,496,343	6,010,391	3,460,186
Arts, entertainment, and recreation	1,233,549	1,267,988	771,049	649,832	610,900
Construction	1,690,806	1,132,716	1,413,238	1,281,277	835,222
Finance and insurance	1,429,610	1,480,900	1,770,635	1,928,421	1,966,880
Health care and social assistance	387,060	349,339	294,675	365,439	305,582
Information	18,480,970	12,253,568	6,747,785	6,441,066	7,063,176
Manufacturing	3,824,972	3,830,005	5,211,076	4,667,887	1,092,826
Other	63,937	47,047	14,532	19,758	24,032
Other services	8,362,080	8,645,560	9,830,952	6,913,697	8,371,356
Professional, scientific and technical	1,500,573	1,297,799	892,992	997,224	799,762
Real estate, rental and leasing	27,299,222	26,148,015	31,158,281	26,369,258	11,561,735
Retail trade	179,317,839	202,744,888	217,604,417	236,247,401	251,826,290
Transportation and warehousing	1,045,346	1,368,621	1,357,532	1,557,971	205,606
Wholesale trade	10,215,320	11,048,557	10,575,494	16,215,102	10,495,917
Total	\$ 311,402,165	\$ 335,196,402	\$ 355,815,572	\$ 375,545,928	\$ 364,452,471
City direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Texas State Comptroller

Note: Prior years are not available due to changes in classifications implemented by the Comptroller's office.

CITY OF WESLACO, TEXAS
SALES TAX REVENUE PAYERS BY INDUSTRY
CALENDAR YEARS 2009 AND 2005

Table XIV
(Page 1 of 2)

	2009			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Accommodation and food services	109	14.77%	\$ 1,316,660	18.1%
Administration, support, waste management, and remediation	39	5.28%	68,664	0.9%
Arts, entertainment, and recreation	11	1.49%	12,218	0.2%
Construction	34	4.61%	16,704	0.2%
Finance and insurance	17	2.30%	39,338	0.5%
Health care and social assistance	9	1.22%	6,112	0.1%
Information	21	2.85%	141,264	1.9%
Manufacturing	22	2.98%	21,857	0.3%
Other	11	1.49%	1,020	0.0%
Other services	73	9.89%	167,427	2.3%
Professional, scientific and technical	37	5.01%	15,995	0.2%
Real estate, rental and leasing	16	2.17%	231,235	3.2%
Retail trade	307	41.60%	5,036,526	69.1%
Transportation and warehousing	4	0.54%	4,112	0.1%
Wholesale trade	28	3.79%	209,918	2.9%
Total	<u>738</u>	<u>100.00%</u>	<u>\$ 7,289,050</u>	<u>100.00%</u>

Source: Texas State Comptroller

Note: The tax liability was calculated from amounts reported by the Comptroller's Office as sales subject to sales tax. Because of amounts retained by the state for administration and timing differences due to accounts under audit, the totals will not necessarily compare with actual sales tax rebates received by the City.

CITY OF WESLACO, TEXAS
SALES TAX REVENUE PAYERS BY INDUSTRY
CALENDAR YEARS 2009 AND 2005

Table XIV
(Page 2 of 2)

2005			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
120	17.05%	\$ 969,678	15.36%
47	6.68%	163,395	2.59%
10	1.42%	24,671	0.39%
31	4.40%	33,816	0.54%
19	2.70%	28,592	0.45%
6	0.85%	7,773	0.12%
16	2.27%	452,264	7.17%
17	2.41%	75,704	1.20%
14	1.99%	541	0.01%
72	10.23%	168,959	2.68%
27	3.84%	29,951	0.47%
14	1.99%	546,045	8.65%
281	39.91%	3,583,655	56.78%
5	0.71%	20,907	0.33%
25	3.55%	205,184	3.25%
<u>704</u>	<u>100.00%</u>	<u>\$ 6,311,135</u>	<u>100.00%</u>

**CITY OF WESLACO, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

Table XV

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State Rate</u>	<u>Total Tax Rate</u>
2001	2.00%	6.25%	8.25%
2002	2.00%	6.25%	8.25%
2003	2.00%	6.25%	8.25%
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%

**CITY OF WESLACO, TEXAS
MISCELLANEOUS STATISTICAL FACTS
SEPTEMBER 30, 2010**

Table XVI

Date of Incorporation : 1919
Date of Adoption of City Charter: December 14, 1927
Form of Government: Commissioner-Manager
Area: 14.12 Square Miles

Miles of Street:
 Graded 1.65
 Paved 97.54

Miles of Sewers:
 Storm 50.94
 Sanitary 118.01

Building Permits:
 Permits Issued 2,088
 Estimated Cost \$ 55,276,421

Fire Protection:
 Number of Stations 3
 Number of Employees 76
 Number of Volunteers 10

Police Protection:
 Number of Sub-stations 1
 Number of Stations 1
 Number of Employees 105

Recreation:
 Parks-Numbers of Acres 153.53
 Skateboard Parks 1
 Tennis Courts 6
 Golf Courses 2
 Swimming Pools 2
 Parks 6

Mid Valley Christian School PK-6th Grade
 Established 1974
 San Martin Catholic School PK-6th Grade
 Established 1998
 Valley Grande Adventist Academy Grades 9-12
 Established 1937
 Valley Grande Elementary PK-8th Grade

Education:

City:
 Number of City Employees 395
 Number of Street Lights 1,600

Municipal Water Plant:
 Number of Connections 11,468
 Miles of Water Mains 126.0

Average Daily : Gallons
 Consumption 5,406,000
 Daily Plant Capacity 7,900,000
 Water Sold for Year 1,667,381,800

Population :
 1940(census) 6,883
 1950(census) 7,487
 1960(census) 15,649
 1970(census) 15,313
 1980(census) 19,331
 1990(census) 25,608
 2000(census) 26,935
 2010 Estimate 34,701

Number of Hospitals: 1
 233 Beds

Airports: 1

First Christian Academy PK-6th Grade
 Established 2006
 Horizon Montessori II
 Technology Education Charter High School
 Valley Grande Institute
 South Texas Community College
 South Texas Vo-Tech

Weslaco I.S.D. (Student Population 16,188)

High School 3
 Alternative Schools 2
 Middle Schools 4
 Elementary Schools 10

Other Independent School Districts:
 IDEA Public Schools, Grades Pre-K-12
 South Texas ISD, Grades 9-12

Source:
 City of Weslaco
 Finance Department

**CITY OF WESLACO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Table XVII

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	28,282	\$ 389,527,986	\$ 13,773	15.3%
2002	27,967	411,198,801	14,703	15.6%
2003	30,231	434,449,701	14,371	16.6%
2004	30,416	468,528,064	15,404	13.3%
2005	30,416	508,525,104	16,719	7.2%
2006	31,442	539,041,648	17,144	6.5%
2007	32,092	571,365,968	17,804	7.3%
2008	32,092	571,365,968	17,804	7.3%
2009	33,354	507,814,650	15,225	8.3%
2010	34,701	514,199,418	14,818	5.5%

Source: Weslaco Economic Development Corporation and the Bureau
of Economic Analysis

CITY OF WESLACO, TEXAS
OPERATING INDICATORS AND CAPITAL ASSETS STATISTICS
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table XVIII

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Building permits issued	2,681	4,203	2,791	2,744	2,764	2,984	2,848	2,361	2,499	2,088
Building inspections - conducted	3,791	5,959	1,439	5,149	4,678	5,391	5,536	5,055	5,264	4,054
Police										
Physical Arrests-Adults	2,569	2,429	2,275	2,263	2,159	2,225	2,585	2,266	2,646	1,733
Physical Arrests-Juveniles	629	512	567	537	599	703	651	366	464	674
Fire										
Emergency responses	3,368	3,368	4,651	5,027	5,488	5,499	6,664	7,235	7,387	6,994
Library										
Volumes in collection	72,779	75,344	77,899	80,239	82,504	75,444	65,569	51,968	63,006	58,246
Total volumes borrowed	98,910	102,322	77,264	78,622	56,251	60,542	56,901	76,057	57,412	57,252
Water										
New connections	361	479	380	328	309	290	267	267	221	140
Average daily consumption (thousands of gallons)	4,854	5,111	4,660	4,550	5,210	5,406	4,385	5,666	5,667	5,765
Peak daily consumption (thousands of gallons)	7,048	8,930	7,330	7,022	7,770	7,741	7,799	8,086	8,307	7,685
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,215	2,978	3,568	3,794	3,590	3,377	3,431	2,080	3,835	4,669
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substation	4	4	4	4	3	3	3	3	2	1
Patrol Units								77	79	75
Fire stations	3	3	3	3	3	3	3	3	3	3
Other public works										
Street (miles)	91.85	91.85	91.85	91.85	91.85	91.85	97.54	97.54	97.54	97.54
Streetlights	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Parks & recreation										
Acreage	89.80	154.80	154.80	154.80	153.53	153.53	153.53	153.53	153.53	153.53
Playgrounds	11	11	11	11	11	11	11	11	11	11
Golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water main (miles)	121.40	121.40	121.40	121.40	126.00	126.00	126.00	126.00	126.00	126.00
Fire hydrants										
Storage capacity (thousands of gallons)	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	2,385
Wastewater										
Sanitary sewer (miles)	107.17	107.17	107.17	107.17	111.67	111.67	118.01	118.01	118.01	118.01
Storm sewer (miles)	48.24	48.24	48.24	48.24	50.94	50.94	50.94	50.94	50.94	50.94
Treatment capacity (thousands of gallons)	3,000	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	7,250

**CITY OF WESLACO, TEXAS
PRINCIPAL EMPLOYERS
2010 AND 2003**

Table XIX

Employer	2010			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Weslaco Independent School District	2,817	1	44.30%	2,100	1	35.00%
Knapp Medical Center	1,000	2	15.73%	1,200	2	20.00%
Woodcrafters	592	3	9.31%	260	9	4.33%
Payne Auto Group	389	4	6.12%	-		0.00%
City of Weslaco	351	5	5.51%	266	7	4.44%
Wal-Mart	260	6	4.09%	-		0.00%
South Texas College	214	7	3.37%	-		0.00%
H.E.Butt Grocery Company	407	8	6.40%	230	10	3.83%
Foremost Paving	168	9	2.64%	-		0.00%
Valley Grande Manor	161	10	2.53%	-		0.00%
Williamson-Dickie	-		-	734	3	12.23%
McManus, JS Produce	-		-	400	4	6.67%
K-Mart Super Center	-		-	275	5	4.58%
Haggar Clothing Co.	-		-	270	6	4.50%
Caldwell VSR	-		-	265	8	4.42%
Total	<u>6,359</u>		<u>100.00%</u>	<u>6,000</u>		<u>100.00%</u>

Source: Weslaco Economic Development Corporation

CITY OF WESLACO, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Table XX

Function	Full-time-Equivalent Employees as of September 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	47	50	54	51	50	50	51	54	54	52
Legislative	5	5	5	5	5	5	5	7	7	7
Other	42	45	49	46	45	45	46	47	47	47
Public Safety	142	155	166	175	177	174	175	197	181	181
Public Works	19	20	23	23	27	28	29	29	29	29
Health & Welfare	2	3	3	3	3	3	3	3	3	3
Culture & Recreation	36	37	39	38	38	38	38	39	39	39
Refuse collection	23	23	23	23	15	17	17	17	17	17
Library	18	19	19	20	19	19	19	19	20	20
Water	21	21	21	23	23	23	23	24	19	19
Wastewater	9	9	9	9	9	9	9	8	10	10
Airport	4	4	4	4	4	4	4	4	4	4
Museum	1	1	2	2	2	2	2	2	2	4
Total	<u>322</u>	<u>342</u>	<u>363</u>	<u>371</u>	<u>367</u>	<u>367</u>	<u>370</u>	<u>396</u>	<u>378</u>	<u>378</u>

**CITY OF WESLACO, TEXAS
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2010**

<u>Insurer</u>	<u>Type of Coverage</u>
CHUBB	Real and Personal Property All risk coverage. \$10,000 deductible \$46,419,429 blanket limit. Replacement cost loss valuation

Table XXI
(Page 2 of 6)

Policy Number & Period Covered	Property	Total	Building	Contents
PE-4618832-00				
10/1/09-10/01/10	Airplane Hangar/Maint/Office	\$ 264,265	\$ 264,265	\$ -
	Airport Hangar/Terminal	484,638	434,638	50,000
	Old Terminal Office	35,846	35,846	
	Hanger	653,385	653,385	
	Swimming Pool Bath House	158,729	146,729	12,000
	City Hall/Aux Fire Station	955,085	955,085	
	City Shop	1,168,992	1,043,992	125,000
	General Shop	118,213	86,963	31,250
	Health & Day Center	369,957	369,957	
	Lawn Mower Storage	6,750	6,750	
	Library	3,029,569	2,460,819	568,750
	Meeting Hall	241,511	211,511	30,000
	Museum	779,219	779,219	
	Office Building-Tower	117,482	112,482	5,000
	Office	100,214	87,714	12,500
	Office/Testing Lab	51,836	45,586	6,250
	Police/Fire Station	1,585,319	1,518,624	66,695
	Recreation Building	319,352	314,352	5,000
	Water Tower	580,500	580,500	
	Tower Theatre	118,045	96,170	21,875
	Vehicle Storage	53,091	35,591	17,500
	Elev. Water Tower	769,500	769,500	
	Elev. Water Tower	769,500	769,500	
	Water Plant/Entire Complex	6,831,000	6,831,000	
	Weslaco Recycling Center	498,462	298,462	200,000
	North Wastewater Plant	5,700,000	5,700,000	
	Cemetary Storage Building	115,634	95,634	20,000
	Cemetary Fence	38,000	38,000	
	New PFA Building	5,697,759	5,697,759	
	Isaac D. Rodriguez Skate Park	67,200	67,200	
	Office Complex	780,739	736,389	44,350
	Public Parking Garage	595,578	595,578	
	South Wastewater Plant	3,800,000	3,800,000	
	Fire Station	620,474	580,474	40,000
	Cavazos Park (Entire Park)	60,750	60,750	
	City Park (Entire Park)	943,668	943,668	
	Gibson Park (Entire Park)	285,768	285,768	
	Nature Center	308,502	278,502	30,000
	Plazita Park	140,000	140,000	
	Old Harlon Block Park (Entire Park)	753,558	753,558	
	Municipal Court	350,149	350,149	
	Harlon Block Sports Complex	1,755,000	1,755,000	
	City Office Building	6,194,360	5,631,360	563,000
	Airport Infrastructure	651,500	651,500	
	Total	\$ 48,919,099	\$ 47,069,929	\$ 1,849,170

**CITY OF WESLACO, TEXAS
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2010**

Insurer	Type of Coverage
Alliance of Texas Public Entity	General Liability Policy General Aggregate Limit Product-Completed Aggregate Limit Each/Occurrence Limit Fire Damage Personal and Advertising Injury
Nationwide Insurance Company	Accident Fire Department Death & Dismemberment Medical Expense Benefit Maximum Disability
Illinois National Insurance Company	General Liability Each Occurrence Property Damage Each Occurrence Hangar Keeping Liability
PEAT	Automobile Liability: Body Injury and Property Damage Combined Liability (per occurrence) Physical Damage Comprehensive & Collision (aggregate limit)

Policy Number & Period Covered	Property	Coverage		
		Total	Building	Contents
PE4618832-00 10/1/09-10/01/10	City Operations	\$ 2,000,000		
		2,000,000		
		1,000,000		
		100,000		
		1,000,000		
LE4618832 10/1/09-10/01/10	Law Enforcement	1,000,000		
		3,000,000		
PO4618832 10/1/09-10/01/10	Public Officials	2,000,000		
		4,000,000		
AAPN05622645 10/1/09-10/01/10	Airport Liability	1,000,000		
		1,000,000		
		1,000,000		

**CITY OF WESLACO, TEXAS
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2010**

<u>Insurer</u>	<u>Type of Coverage</u>
PEAT	Police Professional Liability Policy Personal Injury Liability Each Person Each Occurance Annual Aggregate
TAPS	Mobile Equipment Blanket Basis
PEAT	Public Officials Liability Policy Each Loss Deductible Annual Aggregate
Texas Association of Political Subdivision	Public Employee Dishonesty Occurance Limit Deductible

Policy Number & Period Covered	Property	Coverage		
		Total	Building	Contents
PE4618832-00 10/1/09-10/01/10	Police Liability	\$ 1,000,000		
		3,000,000		
	Deductible	10,000		
PE4601359-03 10/1/09-10/01/10	Schedule of Equipment			
	Policy File	569,420		
PO4618832 10/1/09-10/01/10	Public Officials and			
	Employees	2,000,000		
		10,000		
		6,000,000		
PE4618832-00 10/1/09-10/01/10	Public Employees			
		20,000		
		1,000		

Continuing Disclosure Requirements

of

SEC Rule 15 (c) 2-12

Annual Report

Continuing Disclosure Requirements of SEC Rule 15 (c) 2-12

This information is being provided by City of Weslaco, Texas (the "Issuer") in compliance with its contractual undertaking (the "Undertaking") to provide an annual report of financial and operating information, as required by Rule 15 (c) 2-12 (the "Rule") of the Securities and Exchange Commission, regarding the following municipal debt issues:

Issuer CUSIP Number	Issue Description
950868	\$3,550,000 City of Weslaco, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1995
951002	\$3,025,000 City of Weslaco, Texas Waterworks and Sewer System Refunding Bonds, Series 1997
951002	\$5,930,000 City of Weslaco, Texas Waterworks and Sewer System Revenue Bonds, Series 1998

The report is based on information compiled and provided by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertaking, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents. The Undertaking requires that the Issuer provide information annually, while the debt identified above is outstanding, and that such information will be provided by a date not more than six months following the close of the Issuer's fiscal year. The required information includes financial statements of the Issuer, which may be provided separately. If it becomes available within the aforesaid period for providing information, the audited annual financial report of the Issuer will be provided, otherwise unaudited financial information will be provided within the prescribed time and audited financial information will be provided when and if it becomes available.

Approved for submission:

May 4, 2010

Alex Acosta
Interim Finance Director

Waterworks System

The City of Weslaco has one water treatment plant, constructed in four different phases. Section No 1 was built in 1945, Section No 2 in 1960, Section No 3 in 1970, and Section No 4 in 1983. The total capacity is 8.1 MGD (Per TCEQ) and is presently meeting all EPA and TCEQ safe drinking water standards. The total above ground storage is 1.3 MG and 1,085,000 underground storage at the plant site. The distribution system maintains adequate pressure in 126 miles of water mains in the system.

Table 1 - Historical Water Consumption (Gallons) - Unaudited

Fiscal Year						Water
Ended	Daily Average	Peak Day	Peak Month	Total Usage		Revenue
2000	4,816,000	7,200,000	191,100,000	1,642,400,000	\$	2,813,148
2001	4,854,000	7,048,000	185,800,000	1,771,700,000	\$	2,915,645
2002	5,110,916	8,930,000	192,970,000	1,866,730,000	\$	2,973,709
2003	4,659,507	7,330,000	174,643,000	1,700,720,000	\$	2,781,636
2004	4,550,318	7,022,000	180,273,000	1,660,866,000	\$	2,864,106
2005	5,210,000	7,770,000	196,700,000	1,903,120,000	\$	3,778,748
2006	5,406,000	7,741,000	204,215,000	1,973,214,000	\$	4,071,305
2007	4,384,980	7,799,000	154,903,000	1,600,518,000	\$	3,733,413
2008	5,666,000	8,076,000	217,313,000	2,072,698,000	\$	4,159,964
2009	5,665,373	9,077,000	235,767,000	2,067,861,000	\$	4,293,548

Table 2 - Ten Largest Water Customers (Based on Gallons Consumed) - Unaudited

Customer	Type of Industry	Water Usage	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Weslaco Ind. School Dist.	Educational Facility	72,807,700	3.52%	\$ 152,763	3.56%
City of Weslaco	Municipality	69,697,600	3.37%	141,569	3.30%
Military Highway Water Supply	Water Company	59,037,100	2.85%	104,738	2.44%
North Side Apartments	Government Housing	23,264,000	1.13%	46,924	1.09%
John Knox Village	Retirement Center	23,132,000	1.12%	45,501	1.06%
La Estancia	Government Housing	17,672,000	0.85%	35,973	0.84%
Knapp Medical Center	Hospital	14,618,500	0.71%	32,040	0.75%
Maverick Industrial Service	Industrial	13,290,400	0.64%	29,949	0.70%
Country Sunshine Park	Mobile Home Park	11,359,700	0.55%	22,193	0.52%
Pine to Palm Trailer Park	Mobile Home Park	10,519,000	0.51%	28,534	0.66%
		<u>315,398,000</u>	<u>15.25%</u>	<u>\$ 640,184</u>	<u>14.91%</u>

Table 3 - Monthly Water Rates (Effective 11/19/2009)

New Rates

Inside City	Outside City
\$10.99 (Base Fee)	\$15.95 (Base Fee)
+ \$1.90 / 1,000 Gallons	+ \$1.90 / 1,000 Gallons

Old Rate (10/4/2007)

Inside City	Outside City
\$10.36 (Base Fee)	\$15.04 (Base Fee)
+ \$1.79 / 1,000 Gallons	+ \$1.79 / 1,000 Gallons

Waste Water System

The City of Weslaco wastewater treatment plants have an existing 5.5 MGD capacity to treat domestic sewage from within its corporate city limits. At the present time the system has approximately 111.67 miles of sanitary sewer lines including pressure mains feeding from 50 existing lift stations. All sludge is disposed of at a permitted landfill.

Table 4 - Wastewater Usage (Gallons) - Unaudited

<u>Fiscal Year</u> <u>Ended</u> <u>September 30,</u>	<u>Daily</u> <u>Average</u>	<u>Monthly</u> <u>Average</u>	<u>Peak Daily</u> <u>Usage</u>	<u>Peak Monthly</u> <u>Usage</u>	<u>Total Usage</u>	<u>Total</u> <u>Revenues</u>
2000	3,405,900	103,597,000	3,900,000	123,300,000	1,243,170,000	\$ 1,634,422
2001	2,214,900	67,370,000	3,800,000	88,600,000	808,450,000	\$ 1,873,565
2002	2,978,482	90,595,500	3,500,000	105,836,000	1,087,146,000	\$ 1,844,504
2003	3,568,222	108,533,417	9,456,000	138,876,000	1,302,401,000	\$ 1,892,832
2004	3,794,051	115,401,750	7,269,000	136,279,000	1,384,829,000	\$ 2,029,333
2005	3,590,000	109,140,000	8,350,000	122,590,000	1,309,740,000	\$ 2,862,655
2006	3,376,663	102,706,833	3,227,000	110,887,000	1,232,482,000	\$ 3,171,673
2007	3,431,364	104,374,000	6,409,000	125,794,000	1,252,448,000	\$ 3,112,706
2008	2,079,800	109,303,000	6,238,200	128,231,000	1,309,560,000	\$ 3,375,730
2009	3,805,668	115,755,800	6,556,000	125,815,000	1,389,069,000	\$ 3,569,265

Table 5 - Ten Largest Wastewater Customers

<u>Customer</u>	<u>Type of Industry</u>	<u>Wastewater</u> <u>Revenue</u>	<u>% of</u> <u>Total</u> <u>Wastewater</u> <u>Revenue</u>
Weslaco Ind. School Dist.	Educational Facility	\$ 102,982	2.89%
City of Weslaco	Municipality	75,188	2.11%
North Side Apartments	Government Housing	37,539	1.05%
La Estancia	Government Housing	34,260	0.96%
John Knox Village	Retirement Center	27,763	0.78%
Pine to Palm	Mobile Home Park	27,107	0.76%
Maverick Industrial Service	Industrial	26,486	0.74%
Knapp Medical Center	Hospital	19,990	0.56%
Country Sunshine	Mobile Home Park	17,754	0.50%
Palm Aire Motel	Motel	14,725	0.41%
		<u>\$ 383,794</u>	<u>10.75%</u>

Table 6 - Monthly Sewer Rates (Effective 11/19/09)

Residential			
New Rates			
<u>Inside City</u>			<u>Outside City</u>
Base Fee	\$	11.79	N/A
Per Thousand	\$	1.35	
Old Rate (10/5/2007)			
<u>Inside City</u>			<u>Outside City</u>
Base Fee	\$	11.12	N/A
Per Thousand	\$	1.27	
Commercial			
Rate (No recent changes)			
<u>Inside City</u>			<u>Outside City</u>
80% to 95 % of water charge			N/A

Table 7 - Waterworks and Sewer System Revenue Debt Service Requirements

Fiscal Year Ended 30-Sep	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2010	325,000	144,673	469,673	9.39%
2011	340,000	130,870	470,870	19.22%
2012	355,000	116,098	471,098	33.67%
2013	365,000	100,526	465,526	40.03%
2014	380,000	84,228	464,228	51.01%
2015	400,000	66,968	466,968	66.99%
2016	415,000	48,834	463,834	74.57%
2017	430,000	29,925	459,925	86.99%
2018	450,000	10,125	460,125	100.00%
	<u>\$ 3,460,000</u>	<u>\$ 732,247</u>	<u>\$ 4,192,247</u>	

Table 8 - Condensed Statement of Operations

Fiscal Year Ended September 30,

<u>Revenues</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Water Service	\$ 4,293,548	\$ 4,159,964	\$ 3,733,413	\$ 4,071,305	\$ 3,778,748
Sewer Service	3,374,207	3,302,985	3,112,706	3,171,673	2,862,655
Interest Earnings	852,465	907,118	169,007	93,408	67,556
Miscellaneous	420,128	263,223	243,914	311,157	296,783
Total Revenues	\$ 8,940,348	\$ 8,633,290	\$ 7,259,040	\$ 7,647,543	\$ 7,005,742
<u>Expenses</u>					
Personal Services	\$ 1,325,256	\$ 1,289,818	\$ 1,078,515	\$ 999,869	\$ 1,014,761
Other Services and Charges	1,134,186	1,020,693	989,099	1,094,427	901,704
Supplies	280,560	373,062	297,729	234,763	245,296
Contractual Services	4,084,118	4,012,779	3,686,646	3,161,320	2,954,947
Total Expenses	\$ 6,824,120	\$ 6,696,352	\$ 6,051,989	\$ 5,490,379	\$ 5,116,708
Net Available for Debt Service	<u>2,116,228</u>	<u>1,936,938</u>	<u>1,207,051</u>	<u>2,157,164</u>	<u>1,889,034</u>
CIP Fees (1)	<u>645,067</u>	<u>631,599</u>	<u>603,306</u>	<u>591,140</u>	<u>562,677</u>
Net Available for Debt Service Adjusted by CIP Fees	<u>\$ 2,761,295</u>	<u>\$ 2,568,537</u>	<u>\$ 1,810,357</u>	<u>\$ 2,748,304</u>	<u>\$ 2,451,711</u>
Water Customers	11,306	11,034	10,721	10,370	9,802
Sewer Customers	10,432	10,212	9,939	9,532	9,008

(1) The Waterworks and Sewer System Revenue Bonds, Series 1998 were issued on September 23, 1998 in the amount of \$5,930,000. These bonds will be paid from a CIP fee that has been charged to customers since June 1, 1996. This fee is to remain in place until the debt related to the new sewer plant on the south side of town has been paid for. The CIP fee is recognized as non-operating revenue. Table 8 has been modified to reflect this source of funds.

Table 9 - Coverage and Fund Balances

Average Annual Principal and Interest Requirements, 2010-2018	\$ 465,805
Coverage of Average Annual Requirements by 9/30/09 Net Income	5.93
Maximum Principal and Interest Requirements, 2012	\$ 471,098
Coverage of Maximum Requirements by 9/30/09 Net Income	5.86
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/09	\$ 3,460,000
Interest and Sinking Fund, 9/30/09	\$ 10,497
Reserve Fund, 9/30/09	\$ 469,604

Table 10 - Value of the System

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
<u>Waterworks System</u>					
Land	\$ 163,584	\$ 163,584	\$ 163,584	\$ 163,584	\$ 163,584
Buildings	236,047	236,047	236,047	134,721	134,721
Other Improvements	12,498,988	12,487,742	10,781,276	10,873,233	10,854,745
Machinery and Equipment	3,255,718	3,000,436	2,953,930	2,699,120	2,666,169
Construction in Progress	2,704,405	2,436,375	725,888	725,888	723,225
Total Value	\$18,858,742	\$ 18,324,184	\$ 14,860,725	\$ 14,596,546	\$ 14,542,444
Less: Depreciation	9,104,542	8,647,112	8,212,549	7,778,755	7,348,688
Net System Value	9,754,200	9,677,072	6,648,176	6,817,791	7,193,756
<u>Sewer System</u>					
Land	\$ 408,221	\$ 408,221	\$ 408,221	\$ 408,221	\$ 408,221
Buildings	126,276	188,276	188,276	1,950	1,950
Other Improvements	26,663,011	26,549,528	25,056,005	24,514,551	24,489,195
Machinery and Equipment	1,284,946	1,284,946	1,297,691	1,248,326	1,248,326
Construction in Progress	7,408,872	1,633,738	3,344,225	3,367,285	3,034,985
Total Value	\$35,891,326	\$ 30,064,709	\$ 30,294,418	\$ 29,540,333	\$ 29,182,677
Less: Depreciation	11,151,663	8,647,112	9,302,145	8,379,796	7,544,169
Net System Value	24,739,663	21,417,597	20,992,273	21,160,537	21,638,508
Total Net System Value	\$34,493,863	\$ 31,094,669	\$ 27,640,449	\$ 27,978,328	\$ 28,832,264

Table 11 - City's Equity in System

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
<u>Resources</u>					
Total Net System Value	\$34,493,863	\$ 31,094,669	\$ 27,640,449	\$ 27,978,328	\$ 28,832,264
Cash and Investments	-		123,743	236,561	393,265
Other Resources	18,989,505	21,490,196	24,766,988	3,611,952	3,291,861
Total Resources	\$53,483,368	\$ 52,584,865	\$ 52,531,180	\$ 31,826,841	\$ 32,517,390
<u>Obligations</u>					
Revenue Bonds Payable	\$ 3,460,000	\$ 3,775,000	\$ 4,075,000	\$ 1,059,667	\$ 4,962,515
GO / CO Debt	23,676,346	24,096,703	24,765,248	3,457,836	3,844,692
Other Obligations	3,834,990	1,961,844	1,117,513	4,055,786	619,426
Total Obligations	\$30,971,336	\$ 29,833,547	\$ 29,957,761	\$ 8,573,289	\$ 9,426,633
City's Equity in System	22,512,032	22,751,318	22,573,419	23,253,552	23,090,757
Percentage City's Equity in System	42.09%	43.27%	42.97%	73.06%	71.01%

Continuing Disclosure Requirements

of

SEC Rule 15 (c) 2-12

Annual Report

Continuing Disclosure Requirements of SEC Rule 15 (c) 2-12

This information is being provided by City of Weslaco, Texas (the "Issuer") in compliance with its contractual undertaking (the "Undertaking") to provide an annual report of financial and operating information, as required by Rule 15 (c) 2-12 (the "Rule") of the Securities and Exchange Commission, regarding the following municipal debt issues:

Issuer CUSIP Number	Issue Description
950868	\$8,290,000 City of Weslaco, Texas Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1999
950868	\$7,860,000 City of Weslaco, Texas General Obligation Refunding Bonds, Series 2002
950868	\$14,080,000 City of Weslaco, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003
950868	\$28,175,000 City of Weslaco, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007

The report is based on information compiled and provided by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertaking, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents. The Undertaking requires that the Issuer provide information annually, while the debt identified above is outstanding, and that such information will be provided by a date not more than six months following the close of the Issuer's fiscal year. The required information includes financial statements of the Issuer, which may be provided separately. If it becomes available within the aforesaid period for providing information, the audited annual financial report of the Issuer will be provided, otherwise unaudited financial information will be provided within the prescribed time and audited financial information will be provided when and if it becomes available.

Approved for submission:

May 4, 2010

Alex Acosta
Interim Finance Director

TABLE 1- VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2008 Market Valuation Established by Hidalgo County Appraisal District (excluding totally exempt property)		\$ 1,344,781,879
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 20,300,149	
Disabled Veterans	2,507,710	
Other Exemptions	4,212,183	
Agricultural Use and Timberland Use Reductions	24,883,140	51,903,182
2008 Taxable Assessed Valuation		\$ 1,292,878,697
General Obligation Debt Payable from Ad Valorem Taxes(1)		
General Obligation Debt	\$ 2,990,000	
Tax and Waterworks and Sewer System Revenue Certificates of Obligation	47,295,000	
General Obligation Debt Payable from Ad Valorem Taxes		\$ 50,285,000
Less: Self Supporting Debt (2)		
General Obligation Debt	\$ 1,076,400	
Tax and Water and Sewer System Surplus Revenue Certificates of Obligation	23,065,432	\$ 24,141,832
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 26,143,168
General Obligation Interest and Sinking Fund as of 09-30-09		\$ 291,405
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.02%

2009 Estimated Population - 33,354

Per Capita Taxable Assessed Valuation - \$38,762

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,508

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$784

- (1) The above statement of indebtedness does not include currently outstanding \$3,460,000 waterworks and sewer system revenue bonds, as these bonds are payable solely from the net revenues of the Waterworks and Sewer System (the "System"), as defined in the ordinances authorizing the bonds.
- (2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 611,739,534	45.49%	\$ 535,298,293	39.81%	\$ 453,223,684	33.70%
Real, Residential, Multi-Family	48,333,071	3.59%	31,459,106	2.34%	37,885,867	2.82%
Real, Vacant Lots/Tracts	96,334,706	7.16%	74,603,849	5.55%	68,572,303	5.10%
Real, Acreage (Land Only)	37,323,926	2.78%	27,249,673	2.03%	24,259,230	1.80%
Real, Farm and Ranch Improvements	3,462,777	0.26%	3,633,670	0.27%	3,163,913	0.24%
Real, Commercial	319,621,131	23.77%	261,797,492	19.47%	225,828,359	16.79%
Real, Industrial	18,013,221	1.34%	17,575,795	1.31%	18,273,400	1.36%
Real, Oil, Gas and Other Mineral Reserves	111,030	0.01%	58,110	0.00%	83,530	0.01%
Tangible Personal, Business	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	20,355,940	1.51%	20,102,072	1.49%	22,622,457	1.68%
Tangible Personal, Commercial	125,094,371	9.30%	121,691,353	9.05%	125,016,518	9.30%
Tangible Personal, Industrial	3,623,813	0.27%	4,020,978	0.30%	3,527,121	0.26%
Tangible Personal, Mobile Homes	30,351,214	2.26%	33,028,978	2.46%	33,646,693	2.50%
Tangible Personal, Other	-	0.00%	-	0.00%	-	0.00%
Full Exemptions	119,399	0.01%	-	0.00%	-	0.00%
Real Property, Inventory	30,297,746	2.25%	23,428,927	2.03%	21,767,860	2.10%
Total Appraised Value before Exemptions	\$ 1,344,781,879	100.00%	\$ 1,153,948,296	86.10%	\$ 1,037,870,935	77.66%
Less: Total Exemptions/Reductions	51,903,182		40,788,274		37,409,614	
Taxable Assessed Value	\$ 1,292,878,697		\$ 1,113,160,022		\$ 1,000,461,321	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2006		2005	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 418,877,292	31.15%	\$ 390,307,406	29.02%
Real, Residential, Multi-Family	33,476,995	2.49%	28,794,007	2.14%
Real, Vacant Lots/Tracts	53,708,386	3.99%	49,155,217	3.66%
Real, Acreage (Land Only)	17,748,365	1.32%	20,596,301	1.53%
Real, Farm and Ranch Improvements	2,883,704	0.21%	2,845,889	0.21%
Real, Commercial	207,994,470	15.47%	196,116,746	14.58%
Real, Industrial	19,226,261	1.43%	18,667,746	1.39%
Real, Oil, Gas and Other Mineral Reserves	48,840	0.00%	60,110	0.00%
Tangible Personal, Business	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	23,607,708	1.76%	23,282,018	1.73%
Tangible Personal, Commercial	119,442,500	8.88%	125,045,581	9.30%
Tangible Personal, Industrial	3,589,801	0.27%	3,994,089	0.30%
Tangible Personal, Mobile Homes	34,532,540	2.57%	35,777,055	2.66%
Tangible Personal, Other	-	0.00%	-	0.00%
Full Exemptions	-	0.00%	-	0.00%
Real Property, Inventory	18,592,139	1.95%	15,126,009	1.66%
Total Appraised Value before Exemptions	\$ 953,729,001	71.49%	\$ 909,768,174	68.19%
Less: Total Exemptions/Reductions	29,927,235		33,336,151	
Taxable Assessed Value	\$ 923,801,766		\$ 876,432,023	

NOTE: Valuations shown are certified taxable assessed values reported by the Hidalgo County 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.

TABLE 3 - VALUATIONS AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year (3)	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita
2005	30,602	\$ 876,432,023	\$ 28,640	\$ 23,871,152	2.72%	\$ 780
2006	30,789	\$ 923,801,766	\$ 30,004	\$ 23,002,586	2.49%	\$ 747
2007	32,092	\$ 1,000,461,321	\$ 31,175	\$ 28,144,752	2.81%	\$ 877
2008	32,288	\$ 1,113,160,022	\$ 34,476	\$ 27,098,072	2.43%	\$ 839
2009	33,354	\$ 1,292,878,697	\$ 38,762	\$ 26,143,168	2.02%	\$ 784

(1) Source: City of Weslaco, Texas.

(2) As reported by the Hidalgo County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Does not include self-supporting debt.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collection
2005	0.6995	0.5091	0.1904	6,139,744	92.19%	98.99%
2006	0.6995	0.4963	0.2032	6,484,463	92.86%	100.26%
2007	0.6995	0.5065	0.1930	6,982,093	93.89%	99.93%
2008	0.6967	0.5153	0.1814	7,667,949	93.53%	98.58%
2009	0.6967	0.5210	0.1757	8,920,936	95.49%	102.76%

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2008 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
H.E. Butt Grocery Company	Grocery Store	\$ 42,171,599	3.26%
Wal-Mart	Retail	18,600,854	1.44%
HEB Weslaco Transportation	Warehouse/Distribution	13,567,182	1.05%
Clearview Weslaco LLP	Development	10,864,607	0.84%
John Knox Villages	Retirement Housing	10,828,823	0.84%
Weslaco Palm Plaza LTD	Retail Property	8,705,924	0.67%
Verizon Southwest Inc.	Telephone Company	6,782,050	0.52%
AEP Texas Central Co	Electric Utility	6,600,420	0.51%
Foremost Paving, Inc.	Construction Company	6,518,765	0.50%
Sweetwater Gama Limited Partnership	Hotel Properties	6,129,079	0.47%
		<u>\$ 130,769,303</u>	<u>10.11%</u>

TABLE 6 - TAX ADEQUACY

2010 Principal and Interest Requirements.....	\$ 2,280,719
\$0.1838 Tax Rate at 96% Collection Produces.....	2,281,259
Maximum Principal and Interest Requirements, 2013.....	2,800,184
\$0.2257 Tax Rate at 96% Collection Produces.....	2,801,306

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt (1)(2)			Less Self- Supporting Debt Service	Net General Purpose Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total			
2010	1,810,000	2,299,547	4,109,547	1,828,828	2,280,719	
2011	2,095,000	2,226,744	4,321,744	1,964,530	2,357,214	
2012	2,280,000	2,140,807	4,420,807	1,694,145	2,726,662	
2013	2,450,000	2,044,435	4,494,435	1,694,251	2,800,184	17.17%
2014	2,550,000	1,940,603	4,490,603	1,709,514	2,781,089	
2015	2,600,000	1,831,012	4,431,012	1,860,404	2,570,608	
2016	2,720,000	1,715,549	4,435,549	1,863,167	2,572,382	
2017	2,840,000	1,593,191	4,433,191	1,864,686	2,568,505	38.47%
2018	2,985,000	1,456,926	4,441,926	1,864,407	2,577,519	
2019	3,605,000	1,293,741	4,898,741	2,324,949	2,573,792	
2020	3,240,000	1,126,518	4,366,518	2,324,663	2,041,855	
2021	3,395,000	967,513	4,362,513	2,327,348	2,035,165	
2022	3,565,000	796,625	4,361,625	2,323,625	2,038,000	71.86%
2023	3,745,000	613,875	4,358,875	2,323,125	2,035,750	
2024	2,405,000	460,125	2,865,125	2,323,000	542,125	
2025	2,535,000	336,625	2,871,625	2,327,875	543,750	
2026	2,665,000	206,625	2,871,625	2,327,500	544,125	
2027	2,800,000	70,000	2,870,000	2,326,750	543,250	100.00%
	<u>\$ 50,285,000</u>	<u>\$ 23,120,459</u>	<u>\$ 73,405,459</u>	<u>\$ 37,272,767</u>	<u>\$ 36,132,692</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations

(2) Includes self-supporting debt.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 09-30-10		\$ 2,280,719
Interest and Sinking Fund, 09-30-09	291,405	
Interest and Sinking Fund Tax Levy @ 92% Collection	2,042,207	
Estimated Interest Income/Delinquent Taxes/Penalties	248,510	2,582,122
Estimated Balance, 9-30-10		<u>\$ 301,403</u>

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

	2009	2008
Net System Revenue Available	\$ 2,761,295	\$ 2,568,537
Less: Requirements for Revenue Bonds	472,635	469,785
Balance Available for Other Purposes	\$ 2,288,660	\$ 2,098,752
Requirements for System Tax Bonds	\$ 1,671,661	\$ 1,631,554
Percentage of System General Obligation Bonds Self-Supporting	100.00%	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT...

The City does not anticipate the issuance of additional debt within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City currently has no other tax supported debt obligations.

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
Revenues:	2009	2008	2007	2006	2005
Taxes	\$ 15,623,980	\$ 14,375,274	\$ 12,318,874	\$ 11,396,512	\$ 10,490,518
Licenses and Permits	406,099	489,883	490,788	391,624	367,205
Intergovernmental	705,035	1,312,507	403,434	1,062,403	592,290
Charges for Services	3,752,129	3,464,456	2,857,551	2,701,643	2,424,354
Fines and Forfeitures	690,602	738,663	757,695	504,840	355,437
Interest	12,912	56,397	133,796	75,290	42,489
Miscellaneous	390,965	353,310	665,428	245,051	268,715
Total Revenue	\$ 21,581,722	\$ 20,790,490	\$ 17,627,566	\$ 16,377,363	\$ 14,541,008
Expenditures:					
General Government	3,481,440	3,608,717	3,276,336	2,937,547	2,556,380
Public Safety	12,486,212	13,034,947	10,752,116	9,528,930	9,056,062
Public Works	1,468,756	1,567,815	1,748,968	1,601,099	1,420,839
Health	123,307	136,025	126,393	114,363	100,650
Culture and Recreation	2,231,748	2,270,879	1,286,936	1,231,995	1,308,604
Economic Development	-	-	-	-	-
Miscellaneous	541,759	559,441	544,839	602,784	509,717
Capital Outlay	308,217	349,595	1,834,637	520,048	143,739
Debt Service	-	-	-	-	-
Total Expenditures	20,641,439	21,527,419	19,570,225	16,536,766	15,095,991
Other Financing Sources (Uses)					
Loan Proceeds	-	-	-	-	-
Other Financial Resources	-	158,930	-	-	-
Operating Transfers-In	525,775	-	1,036,037	1,015,555	313,175
Operating Transfers-Out	(287,000)	(218,000)	(250,000)	(217,000)	(204,000)
Total Other Sources (Uses)	238,775	(59,070)	786,037	798,555	109,175
Excess (Deficiency) of					
Revenues Over					
Expenditures and					
Other Sources (Uses)	1,179,058	(795,999)	(1,156,622)	639,152	(445,808)
Beginning Fund Balance	(217,488)	578,511	1,735,133	1,095,981	1,541,789
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance	\$ 961,570	\$ (217,488)	\$ 578,511	\$ 1,735,133	\$ 1,095,981

Note: The Other Financial Resources in 2008 represents the inclusion in the General Fund of the Library Fund.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

Fiscal Year Ended 9-30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2005	5,200,346	84.70%	0.5934	169.93
2006	5,867,431	90.48%	0.6351	190.57
2007	6,449,560	92.37%	0.6447	200.97
2008	6,556,949	85.51%	0.5890	203.08
2009	6,881,590	77.14%	0.5323	206.32

(1) Includes the sales tax for reduction of property taxes; does not include the sales tax for economic development.

(2) Based on population estimates of the City of Weslaco.

Table 15 - Current Investments

As of September 30, 2009, the City's investable funds were invested in the following categories:

Type of Investment

	Texpool	Agencies	Repurchase Agreement	Total
Bal 10/01/08	\$ 3,702,529	\$ -	\$ 21,568,514	\$ 25,271,043
Deposits	15,444,916	-	-	15,444,916
Withdrawals	16,049,782	-	2,926,338	18,976,121
Interest Earned	<u>30,301</u>	<u>-</u>	<u>932,786</u>	<u>963,087</u>
Bal 9/30/09	<u>\$ 3,127,963</u>	<u>\$ -</u>	<u>\$ 19,574,961</u>	<u>\$ 22,702,925</u>
% of Portfolio	13.78%	0.00%	86.22%	100.00%
Avg Annual Yield	0.81%	0.00%	4.54%	4.35%

PART IV
SINGLE AUDIT SECTION

**SCHEDULE OF FEDERAL
AND
STATE FINANCIAL ASSISTANCE**

CITY OF WESLACO, TEXAS
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>
<u>FEDERAL ASSISTANCE</u>			
<u>U.S. Department of Justice</u>			
Direct Program:			
Drug Enforcement Administration	16.810		\$ 16,903
U.S. Marshals Service-Joint Task Force	16.813	D79-10-0444	16,000
Edward Byrne Memorial (Non-Recovery)	16.738	2009-DJ-BX-1174	17,135
Edward Byrne Memorial (Recovery)	16.804	2009-SB-B9-1377	70,443
Community Oriented Policing Service	16.710	2009-RK-WX-0825	451,206
Criminal Justice Division	16.803	2009-SE-B9-0057	91,129
			* <u>662,816</u>
Total U.S. Department of Justice			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Commerce:			
Revolving Fund Program	14.218		(1) <u>-</u>
<u>Federal Communications Commission</u>			
Passed through the Universal Service Administrative Company:			
* USAC Schools and Libraries E-Rate	2006-10-08	141687	* <u>561,559</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Texas Engineering Extension Service			
2007 SHSP/2007 LETPP	97.073/97.074	2007-GE-T7-0024	65,500
2008 SHSP	97.073	2008-GE-T8-0034	34,399
2009 SHSP	97.073	2009-SS-T9-0064	25,925
Safer Grant	97.044	EMW-2006-FF-03766	<u>1,035,000</u>
			* <u>1,160,824</u>

(1) Loans are made to businesses from payments received from previous loans to businesses and from interest income on the loans.

* Denotes Major Programs

<u>Accrued (Deferred) Revenue at October 1, 2009</u>	<u>Grant Revenues Received</u>	<u>Matching & Miscellaneous Revenues</u>	<u>Grant Expendi- tures/Adj.</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2010</u>
\$ -	\$ - 12,056	\$ 23,528 2,530	\$ 40,431 18,530	\$ -	\$ 16,903 3,944
			27,306		27,306
	66,129		66,129		-
-	78,185	26,058	152,396	-	48,153
-	-	-	-	-	-
	115,921	12,880	128,801		-
	6,133	73	6,206		-
	1,800		21,644		19,844
	16,105		16,105		-
78,098	243,834	220,309	435,522		49,477
78,098	267,872	220,382	479,477	-	69,321

CITY OF WESLACO, TEXAS
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Federal Aviation Administrative (FAA)</u>			
Passed Through Texas Department of Transportation-Aviation Division			
Ramp Grant	20.106	M021WESLA	\$ 50,000
Total Federal Aviation Administration			<u>50,000</u>
<u>Federal Emergency Management Agency</u>			
Passed Through Texas Department of Public Safety Division			
Emergency Management Disaster Relief (Hurricane Dolly)	97.036	FEMA-1780	681,793
Emergency Management Disaster Relief (Hurricane Alex)	97.036	FEMA-1931	51,038
Total Emergency Management			<u>732,831</u>
<u>Urban and Rural Economic Development (HBCU Set-Aside)</u>	93.570	N/A	<u>384,861</u>
Total Federal Assistance			<u>\$ 3,552,891</u>
<u>STATE ASSISTANCE</u>			
<u>Texas Commission on Environmental Quality</u>			
Compost Utilization Project		582-6-80481	<u>126,600</u>
<u>Texas Department of Public Safety</u>			
Division of Emergency Management			
Border Star V (2008)		LBSP-08-050	119,102
Border Star V (2009)		LBSP-08-050	80,000
Total Texas Department of Public Safety			<u>199,102</u>

<u>Accrued (Deferred) Revenue at October 1, 2009</u>	<u>Grant Revenues Received</u>	<u>Matching & Miscellaneous Revenues</u>	<u>Grant Expendi- tures</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2010</u>
\$ -	\$ 6,749	\$ 6,749	\$ 13,498	\$ -	\$ -
-	6,749	6,749	13,498	-	-
56,741	34,106	22,635			-
		12,760	51,039	-	38,279
56,741	34,106	35,395	51,039	-	38,279
					-
\$ 134,839	\$ 502,833	\$ 301,464	\$ 825,211	\$ -	\$ 155,753
	-	-	-	-	-
(7,252)	-	-	-	-	(7,252)
(7,252)	-	-	-	-	(7,252)

CITY OF WESLACO, TEXAS
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>
<u>Texas State Comptroller</u> LEOSE (Travel & Training)			\$ <u>5,676</u>
<u>Texas Department of Information Resources</u> Texas State Library & Archives Commission		442-10341	15,824
			<u>15,824</u>
Total State Assistance			<u>347,202</u>
Total Federal and State Assistance			<u>\$ 3,900,093</u>

** Due to Grant @ 9/30/2010

<u>Accrued (Deferred) Revenue at October 1, 2009</u>	<u>Grant Revenues Received</u>	<u>Matching & Miscellaneous Revenues</u>	<u>Grant Expendi- tures</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2010</u>
<u>\$ -</u>	<u>\$ 5,676</u>	<u>\$ -</u>	<u>\$ 5,194</u>	<u>\$ -</u>	<u>\$ (482)</u>
	15,824		15,527		(297) **
<u>-</u>	<u>15,824</u>	<u>-</u>	<u>15,527</u>	<u>-</u>	<u>(297)</u>
<u>(7,252)</u>	<u>21,500</u>	<u>-</u>	<u>20,721</u>	<u>-</u>	<u>(8,031)</u>
<u>\$ 127,587</u>	<u>\$ 524,333</u>	<u>\$ 301,464</u>	<u>\$ 845,932</u>	<u>\$ -</u>	<u>\$ 147,722</u>

**NOTES TO SCHEDULE OF FEDERAL AND STATE
FINANCIAL ASSISTANCE**

CITY OF WESLACO
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2010

1 General

The accompanying Schedule of Federal Financial Assistance Programs presents the activity of all the Federal Financial Assistance Programs of the City of Weslaco, Texas. The City reporting entity is defined in Note A (1) to the City's general purpose financial statements.

2 Basis of Accounting

The accompanying Schedule of Federal Financial Assistance Programs is presented using the modified accrual basis of accounting, which is described in Note A (4) to the City's general purpose financial statements.

RECONCILIATION TO FINANCIAL STATEMENTS

<u>GRANT/PROGRAM TITLE</u>	<u>CFDA</u>	<u>GRANTOR NUMBER</u>	<u>CITY MATCH</u>	<u>REVENUE AMOUNT</u>
<u>Federal Assistance</u>				
U.S. Department of Justice				
Drug Enforcement Administration	16.710		\$ 23,528	\$ 40,431
U.S. Marshals Joint Task Force		D79-10-0444	2,530	18,530
Community Oriented Policing Service	16.710	2009-RK-WX-0325		27,306
Criminal Justice Division	16.803	2009-SU-139-0057		66,129
Total U.S. Department of Justice			<u>26,058</u>	<u>152,396</u>
Federal Communications Commission				
USAC Schools and Libraries E-Rate	2006-10-8	141687	<u>12,880</u>	<u>128,801</u>
U.S. Department of Homeland Security				
2007 SHSP/2007 LETPP	97.003/4	2007-GE-T7-0024	73	6,206
2008 SHSP	97.073	2008-GE-T8-0034		21,644
2009 SHSP	97.004	2009-SS-T9-0064		16,105
Safer Grant	97.044	EMW-2006-FF-03766	220,309	435,522
Total U.S. Department of Homeland Security			<u>220,382</u>	<u>479,477</u>
Federal Emergency Management Agency				
Emergency Management Disaster Relief			<u>12,760</u>	<u>51,039</u>
Total Federal Assistance			<u>272,080</u>	<u>811,713</u>
<u>State Assistance</u>				
LEOSE (Travel & Training)			\$ -	\$ 5,194
Texas State Library & Archive Commission			-	15,527
Total State Assistance			<u>\$ -</u>	<u>\$ 20,721</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 272,080</u>	<u>\$ 832,434</u>
TOTAL GRANT REVENUE (GRANT REVENUE LESS CITY MATCH)				<u>\$ 560,354</u>

CITY OF WESLACO
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2010

GRANT/PROGRAM TITLE	CFDA	GRANTOR NUMBER	CITY MATCH	REVENUE AMOUNT
GENERAL FUND REVENUE	(PAGE 77)			
STATE GRANTS			\$ 539,632	
FEDERAL GRANTS			69,136	
SUBTOTAL			608,768	
LESS: OTHER REIMBURSABLE GRANTS			(48,414)	
TOTAL			<u>\$ 560,354</u>	<u>\$ 560,354</u>
OTHER REIMBURSABLE GRANTS:				
E-RATE VENDORS			\$ 10,360	
READING IS FUNDAMENTAL			4,352	
BORDER STAR (PRIOR YEARS)			8,316	
LRGV REGIONAL COUNCIL			3,961	
COUNTY OF HIDALGO			19,943	
OTHER GRANTS			1,482	
TOTAL OTHER REIMBURSABLE GRANTS			<u>48,414</u>	<u>\$ 48,414</u>
<u>Federal Assistance</u>				
U.S. Department of Federal Aviation				
RAMP GRANT		M021 WESLA	<u>6,749</u>	<u>13,498</u>
Total Federal Assistance			<u>\$ 6,749</u>	<u>\$ 13,498</u>
TOTAL GRANT REVENUE (GRANT REVENUE LESS CITY MATCH)				<u>\$ 6,749</u>
Airport Fund Revenue	(PAGE 133)			
OPERATING GRANTS			\$ 8,098	
CAPITAL GRANTS			-	
SUBTOTAL			8,098	
LESS: OTHER REIMBURSABLE GRANTS			(1,349)	
TOTAL			<u>\$ 6,749</u>	<u>\$ 6,749</u>

CITY OF WESLACO, TEXAS
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
SEPTEMBER 30, 2010

FEDERAL ASSISTANCE

	U.S. Department of Justice Drug Enforcement Administration			U.S. Department of Justice U.S. Marshals Service-Joint Task Force		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 16,903	\$ -	\$ -	\$ 16,000	\$ -	\$ 12,056
State						
City *			23,528			2,530
Total revenue	16,903	-	23,528	16,000	-	14,586
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services	16,903		40,431	16,000		18,530
Other Services & Charges						
Supplies						
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets						
Total expenditures	16,903	-	40,431	16,000	-	18,530
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ 16,903	\$ -	\$ -	\$ 3,944

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	U.S. Department of Justice Edward Byrne Memorial (Non-Recovery)			U.S. Department of Justice Edward Byrne Memorial (Recovery)		
	Budget	Prior Years	Current Year	Budget	Prior Year	Current Year
Revenue						
Federal	\$ 17,135	\$ -	\$ -	\$ 70,443	\$ -	\$ -
State						
City *						
Total revenue	17,135	-	-	70,443	-	-
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services	17,135			70,443		
Other Services & Charges						
Supplies						
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets						
Total expenditures	17,135	-	-	70,443	-	-
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	U.S. Department of Justice Community Oriented Policing Services			U.S. Department of Justice Criminal Justice Division		
	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>
Revenue						
Federal	\$ 451,206	\$ -	\$ -	\$ 91,129	\$ -	\$ 66,129
State						
City *						
Total revenue	451,206	-	-	91,129	-	66,129
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services	451,206		27,306			
Other Services & Charges						
Supplies						
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay				91,129		66,129
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets						
Total expenditures	451,206	-	27,306	91,129	-	66,129
Accrued (Deferred) Revenue at September 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	Federal Communication Commission USAC Schools and Libraries E- Rate			U.S. Department of Homeland Security 2007 SHSP/2007 LETPP		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 561,559	\$ 356,321	\$ 115,921	\$ 65,500	\$ 59,152	\$ 6,133
State						
City *		38,067	12,880			73
Total revenue	561,559	394,388	128,801	65,500	59,152	6,206
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services						
Other Services & Charges						
Supplies						398
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges	561,559	394,388	128,801			
<u>General Fund</u>						
Capital Outlay				65,500	59,152	5,808
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets						
Total expenditures	561,559	394,388	128,801	65,500	59,152	6,206
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	U.S. Department of Homeland Security 2008 SHSP			U.S. Department of homeland Security 2009 SHSP		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 237,431	\$ -	\$ 1,800	\$ 25,925	\$ -	\$ 16,105
State						
City *						
Total revenue	237,431	-	1,800	25,925	-	16,105
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services						
Other Services & Charges						
Supplies			350			
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay	237,431		21,294	25,925		16,105
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets					-	-
Total expenditures	237,431	-	21,644	25,925	-	16,105
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ 19,844	\$ -	\$ -	\$ -

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	U.S. Department of Homeland Security Safer Grant			U.S. Department of Federal Aviation Administrative (FAA) RAMP Grant M021WESLA		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 1,035,000	\$ 537,957	\$ 243,834	\$ 50,000	\$ -	\$ 6,749
State						
City *	1,474,656	128,119	220,309	50,000		6,749
Total revenue	2,509,656	666,076	464,143	100,000	-	13,498
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services	2,509,656	744,174	435,522			
Other Services & Charges						
Supplies						
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges				100,000		13,498
Capital Assets						
Total expenditures	2,509,656	744,174	435,522	100,000	-	13,498
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ 78,098	\$ 49,477	\$ -	\$ -	\$ -

* Matching Revenue

** Categorized per Contract

FEDERAL ASSISTANCE

	Federal Emergency Management Agency Hurricane Dolly			Federal Emergency Management Agency Hurricane Alex		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 681,793	\$ 418,750	\$ 34,106	\$ 51,039	\$ -	\$ -
State						
City *	170,448	222,676	22,635	12,760		12,760
Total revenue	852,241	641,426	56,741	63,799	-	12,760
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services						
Other Services & Charges						
Supplies						
Public Works						
Engineering						
Other Service Charges	852,241	698,167		63,799		51,039
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets						
Total expenditures	852,241	698,167	-	63,799	-	51,039
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ 56,741	\$ -	\$ -	\$ -	\$ 38,279

* Matching Revenue

** Categorized per Contract

	TOTAL FEDERAL ASSISTANCE		
	Total Budget	Total Prior Years	Total Current Years
Revenue			
Federal	\$ 3,371,063	\$ 1,372,180	\$ 502,833
State			
City *	1,707,864	388,862	301,464
Total revenue	5,078,927	1,761,042	804,297
Expenditures **			
<u>General Fund</u>			
Public Safety			
Police Department			
Personal Services	3,081,343	744,174	521,789
Other Services & Charges			
Supplies	-	-	748
Public Works			
Engineering	-	-	-
Other Service Charges	916,040	698,167	51,039
Library Fund			
Other Services & Charges	561,559	394,388	128,801
<u>General Fund</u>			
Capital Outlay	419,985	59,152	109,336
<u>Capital Projects Fund</u>			
Capital Outlay	-	-	-
<u>Airport Fund</u>			
Other Services and Charges	100,000	-	13,498
Capital Assets	-	-	-
Total expenditures	5,078,927	1,895,881	825,211
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ 134,839	\$ 155,753

* Matching Revenue

** Categorized per Contract

STATE ASSISTANCE

	Texas Department of Environmental Quality Compost Utilization Project			Texas Department of Public Safety Border Star V (2008)		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 126,600	\$ 58,875	\$ -	\$ 119,102	\$ 95,282	\$ -
State						
City *						
Total revenue	126,600	58,875	-	119,102	95,282	-
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services				114,012	83,013	
Other Services & Charges				5,090	5,017	
Supplies						
Public Works						
Engineering						
Other Service Charges	126,600	58,875				
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets	-	-	-	-	-	-
Total expenditures	126,600	58,875	-	119,102	88,030	-
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ (7,252)	\$ (7,252)

* Matching Revenue

** Categorized per Contract

STATE ASSISTANCE

	Texas Department of Public Safety Border Star V (2009)			Texas State Comptroller LEOSE		
	Budget	Prior Years	Current Year	Budget	Prior Years	Current Year
Revenue						
Federal	\$ 80,000	\$ 64,000	\$ -	\$ 5,676	\$ -	\$ 5,676
State						
City *		15,693				
Total revenue	80,000	79,693	-	5,676	-	5,676
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services	76,600	75,189		5,676		5,194
Other Services & Charges	3,400	4,504				
Supplies						
Public Works						
Engineering						
Other Service Charges						
Library Fund						
Other Services & Charges						
<u>General Fund</u>						
Capital Outlay						
<u>Capital Projects Fund</u>						
Capital Outlay						
<u>Airport Fund</u>						
Other Services and Charges						
Capital Assets	-	-	-	-	-	-
Total expenditures	80,000	79,693	-	5,676	-	5,194
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (482)

* Matching Revenue

** Categorized per Contract

STATE ASSISTANCE

Texas Department of Information Resources
Texas State Library & Archives Commission

TOTAL STATE ASSISTANCE

	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Budget</u>	<u>Total Prior Years</u>	<u>Total Current Years</u>
Revenue						
Federal	\$ 15,824	\$ -	\$ 15,824	\$ 347,202	\$ 218,157	\$ 21,500
State						
City *				-	15,693	-
Total revenue	15,824	-	15,824	347,202	233,850	21,500
Expenditures **						
<u>General Fund</u>						
Public Safety						
Police Department						
Personal Services				196,288	158,202	5,194
Other Services & Charges				8,490	9,521	-
Supplies				-	-	-
Public Works						
Engineering				-	-	-
Other Service Charges				126,600	58,875	-
Library Fund						
Other Services & Charges	15,824		15,527	15,824	-	15,527
<u>General Fund</u>						
Capital Outlay				-	-	-
<u>Capital Projects Fund</u>						
Capital Outlay				-	-	-
<u>Airport Fund</u>						
Other Services and Charges				-	-	-
Capital Assets	-	-	-	-	-	-
Total expenditures	15,824	-	15,527	347,202	226,598	20,721
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ -	\$ (297)	\$ -	\$ (7,252)	\$ (8,031)

* Matching Revenue

** Categorized per Contract

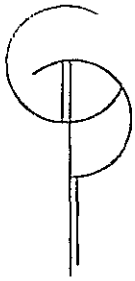
TOTAL FEDERAL
AND STATE ASSISTANCE

	Total Budget	Total Prior Years	Total Current Years
Revenue			
Federal	\$ 3,718,265	\$ 1,590,337	\$ 524,333
State			
City *	1,707,864	404,555	301,464
Total revenue	5,426,129	1,994,892	825,797
Expenditures **			
<u>General Fund</u>			
Public Safety			
Police Department			
Personal Services	3,277,631	902,376	526,983
Other Services & Charges	8,490	9,521	-
Supplies	-	-	748
Public Works			
Engineering	-	-	-
Other Service Charges	1,042,640	757,042	51,039
Library Fund			
Other Services & Charges	577,383	394,388	144,328
<u>General Fund</u>			
Capital Outlay	419,985	59,152	109,336
<u>Capital Projects Fund</u>			
Capital Outlay	-	-	-
<u>Airport Fund</u>			
Other Services and Charges		-	13,498
Capital Assets	-	-	-
Total expenditures	5,426,129	2,122,479	845,932
Accrued (Deferred) Revenue at September 30, 2010	\$ -	\$ 127,587	\$ 147,722

* Matching Revenue

** Categorized per Contract

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**



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301 West 4th

Weslaco, Texas 78599

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Manuel B. Garcia, CPA
Jaime X. Pena, CPA

Honorable Mayor and
Members of the City Commission
City of Weslaco
Weslaco, Texas 78596

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Weslaco, Texas as of and for the year ended September 30, 2010 which collectively comprise the City of Weslaco, Texas basic financial statements and have issued our report thereon dated June 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Weslaco, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Weslaco, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Weslaco, Texas' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Weslaco, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Weslaco, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of Weslaco, Texas' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as item 10-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be detected by the City of Weslaco, Texas' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness; 10-1.

Compliance and Other Matters

As part of obtaining reasonable assurance whether the City of Weslaco, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

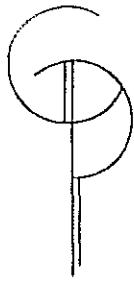
The City of Weslaco, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Weslaco, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of audit committee, management and federal and state awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Garcia & Pena, CPAs
Certified Public Accountants

June 22, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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Manuel B. Garcia, CPA
Jaime X. Pena, CPA

Honorable Mayor and
Members of the City Commission
City of Weslaco
Weslaco, Texas 78596

Compliance

We have audited the compliance of the City of Weslaco, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Weslaco, Texas' major federal programs are identified in the summary of auditors' result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Weslaco, Texas' management. Our responsibility is to express an opinion on the City of Weslaco, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Weslaco, Texas' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Weslaco, Texas' compliance with those requirements.

In our opinion, the City of Weslaco, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City of Weslaco, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Weslaco, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Weslaco, Texas' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and that we consider to be material weakness.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 10-1 to be material weakness.

The City of Weslaco, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Weslaco, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Mayor, City Commissioners, management, federal awarding agencies and, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garcia & Pena, CPAs
Certified Public Accountants

June 22, 2011

CITY OF WESLACO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

Section II-Financial Statement Findings

PROGRAM

DESCRIPTION

Findings for the fiscal year ended September 30, 2010:

Reference Number 09-1

Internal Control Over Purchases

Criteria:	All assets, equipment, and service acquisitions are processed through the City's Purchasing Department, in accordance with the City's policies.
Condition Found:	While conducting our audit, we observed that department heads are not following the proper protocol in purchasing assets, equipment, or services by overriding the Purchasing Department.
Context:	The City did not properly enforce its own internal control policies.
Effect:	By overriding the Purchasing Department, the City is not taking advantage of any efficiencies that the Purchasing Department can accomplish and the City is also violating its own local procedures, and may also violate state bidding procedures.
Cause:	The City has not established formal policies and procedures in correcting situations where department heads become non-compliant.
Recommendation:	<p>We recommend the City restructure its operations to follow its own internal policies in accordance with its purchasing manual – for all departments. This would set a pattern in allowing all affected departments to perform their duties more efficiently, beginning with the City Manager. He will have one source of information for all purchases.</p> <p>The Purchasing Department will seek the best pricing and costs and assure the City stays in compliance with State and Federal regulations. The Records Department will have access to the contracts generated and will allow it to properly document the contracts in accordance with State records retention requirements. The Accounting Department will have a clear trail of the transactions, with properly executed documents to process payments of invoices.</p>
Response:	During the current year, the City has gone through substantial changes and has been restructured. The City is determined to reestablish the purchasing function to the Purchasing Department.

**CITY OF WESLACO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

SECTION 1- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

* Significant deficiency (ies) identified X Yes No

*Significant deficiency (ies) identified that are considered to be material weaknesses? X Yes No

Noncompliance material to financial Statement notes? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness (es) identified: X Yes No

*Reportable condition (s) identified that are considered to be material weaknesses? X Yes No

Type of auditor's report issued on compliance for major programs: **Unqualified**

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

CFDA Number

Name of Federal Program or Cluster

16.810 / 16.813 / 16.738
16.804 / 16.710 / 16.803

U.S. Department of Justice

2006-10-08

Federal Communications Commission
USAC Schools and Libraries E-Rate

97.073 / 97.074 / 97.044

U.S. Department of Homeland Security

Dollar threshold used to distinguish between Type A and Type B programs:

\$500 000

Auditee qualified as low-risk auditee: X Yes No