

ANNUAL FINANCIAL REPORT

**CITY OF WESLACO, TEXAS**

For the Fiscal Year Ended September 30, 2015

**Issued by:**

Mike Perez, City Manager

Maria C. Barrera, CPA, Finance Director

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# **INTRODUCTORY SECTION**

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City of Weslaco, Texas  
**ANNUAL FINANCIAL REPORT**  
**(INCLUDING COMPLIANCE REPORT ON GRANT ACTIVITIES)**  
For the Fiscal Year Ended September 30, 2015

**CITY OFFICIALS**

Mayor	David Suarez
Mayor Pro-tem	Olga Noriega
Commissioners	Leo Munoz Greg Kerr Gerardo “Jerry” Tafolla Letty Lopez Fidel L. Peña, III
City Manager	Mike Perez
Finance Director	Maria C. Barrera
City Secretary	Elizabeth M. Walker
City Attorney	Juan E. Gonzalez
Chief Appraiser	Rolando Garza Hidalgo County Appraisal District
Collector of Taxes	Paul Villarreal County of Hidalgo
Chief of Police	Stephen Scot Mayer
Fire Chief	Antonio Lopez
Municipal Court Administrator	Rosa Badillo
Planning and Code Enforcement Director	Mardoqueo Hinojosa
Human Resources Director	Veronica Ramirez
Information Technology	Jose J. Peña
Parks and Recreation Director	David Arce
Public Facilities Director	Pete Garcia, Jr.
Public Utilities Director	David Salinas
Library Director	Arnold Becho
Aviation Director/Emergency Management	George P. Garrett

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# City of Weslaco

*"The City on the Grow"*



David Suarez, Mayor  
Olga M. Noriega, Mayor Pro-Tem, District 3  
Leo Muñoz, Commissioner, District 1  
Greg Kerr, Commissioner, District 2  
Gerardo "Jerry" Tafolla, Commissioner, District 4  
Letty Lopez, Commissioner, District 5  
Fidel L. Peña, III, Commissioner, District 6

Mike R. Perez, City Manager

May 17, 2016

The Honorable Mayor David Suarez,  
City Commission and  
Citizens of the City of Weslaco

The Annual Financial Report of the City of Weslaco, Texas (The City) for the fiscal year ended September 30, 2015, is submitted in accordance with Section 28 of the City Charter.

Management assumes full responsibility for the completeness and reliability of the information contained in this report.

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'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.

Long Chilton LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion of the City of Weslaco's financial statements for the year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## *Profile of the City of Weslaco*

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 currently occupies a land area of 15 square miles and serves an estimated population of 37,601. The city 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 has more than 64,000 inhabitants for the purposes of annexation.

The City of Weslaco has operated under the Council-Manager form of government since incorporation in 1928. Policy-making and legislative authority are vested in a City Commission consisting of a Mayor and six Commissioners. The City Commission is responsible, among other things, for enacting ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for implementing the policies and ordinances of the City Commission, for managing the day-to-day operations of the City, and for appointing the directors of the various departments. The Commission is elected on 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 provides a full range of services, including police and fire protection; emergency management services; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water and wastewater services are also provided by the City. The City also is financially accountable for a legally separate economic development corporation, which is reported separately within the City of Weslaco's financial statements as a component unit. 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'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 to initiate 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<sup>th</sup>, the end of the City'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 their department. Transfers of appropriations between departments, however, require the 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 90 as part of the required supplementary information.

For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented within the other supplementary section of this report on page 96-130.

### ***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 operates.

**Local Economy.** Located in the center of the Rio Grande Valley, the City of Weslaco is experiencing tremendous growth. Both property and sales taxes revenues reflect an increase in comparison to prior year and are expected to continue growing in the next few years.

Because of its location, the City of Weslaco is also experiencing reduction in unemployment rates. According to the Texas Workforce Commission data link (TRACER), the unemployment rate has been showing a decrease since 2014, which saw rates ranging from 7 to 9 percent. In 2015, and the first quarter of 2016, the rates have held steady at around 6.4 percent average. The largest employer is the Weslaco Independent School District with 2,825 employees.

Due to its strong and healthy economy, the City of Weslaco has maintained a credit rating of A+ from Standard and Poor's and Moody's recently updated the City's rating from "A3" to "A2".

**Long-term Financial Planning.** Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 38% of total General Fund Revenues. The goal is to maintain at least 25% at all times. The unrestricted fund balance at September 30, 2015, exceeded the goal. Therefore, steps were taken to transfer revenues in excess of the goal to a new Capital Improvement Project fund which will be fostered each year with revenues in excess of the 25% fund balance goal. This fund will allow the City to self-fund improvements such as sidewalks, traffic signals, park improvements, and street paving in order to decrease dependence on debt financing for such infrastructure.

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 began reducing the tax rate by one cent during Fiscal Year 2014. The tax rate decreased from \$0.6967 to \$0.6867 per \$100.00 valuation. The rate further decreased by an additional one cent in Fiscal Year 2015 to \$0.6767 per \$100.00 valuation. No decrease was proposed for Fiscal Year 2016, in keeping with the City Commission's long-term plan proposing lowering the property tax rate every two years to continue attracting new businesses. This plan will be evaluated at the close of Fiscal Year 2016, to see if circumstances merit another one cent decrease.

**Cash Management Policies and Practices.** Cash temporarily idle during the year was invested in certificates of deposit and in TEXPOOL, during periods when their rates were higher than the depository banks' rates. The City changed depository banks during Fiscal Year 2014 and is evaluating whether rates and savings on fees will allow for further maximizing of earnings. All funds kept with the depository bank are collateralized at a minimum rate of 102% of the market value. The City plans to evaluate ways in which further earnings could be realized.

**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 firefighters' pension plan. These benefits are provided through a defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS). The City of Weslaco contributes 2 to 1 basis points. The employees' current contribution rate is 7%.

***Acknowledgements***

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 City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Weslaco finances.

Respectfully submitted,

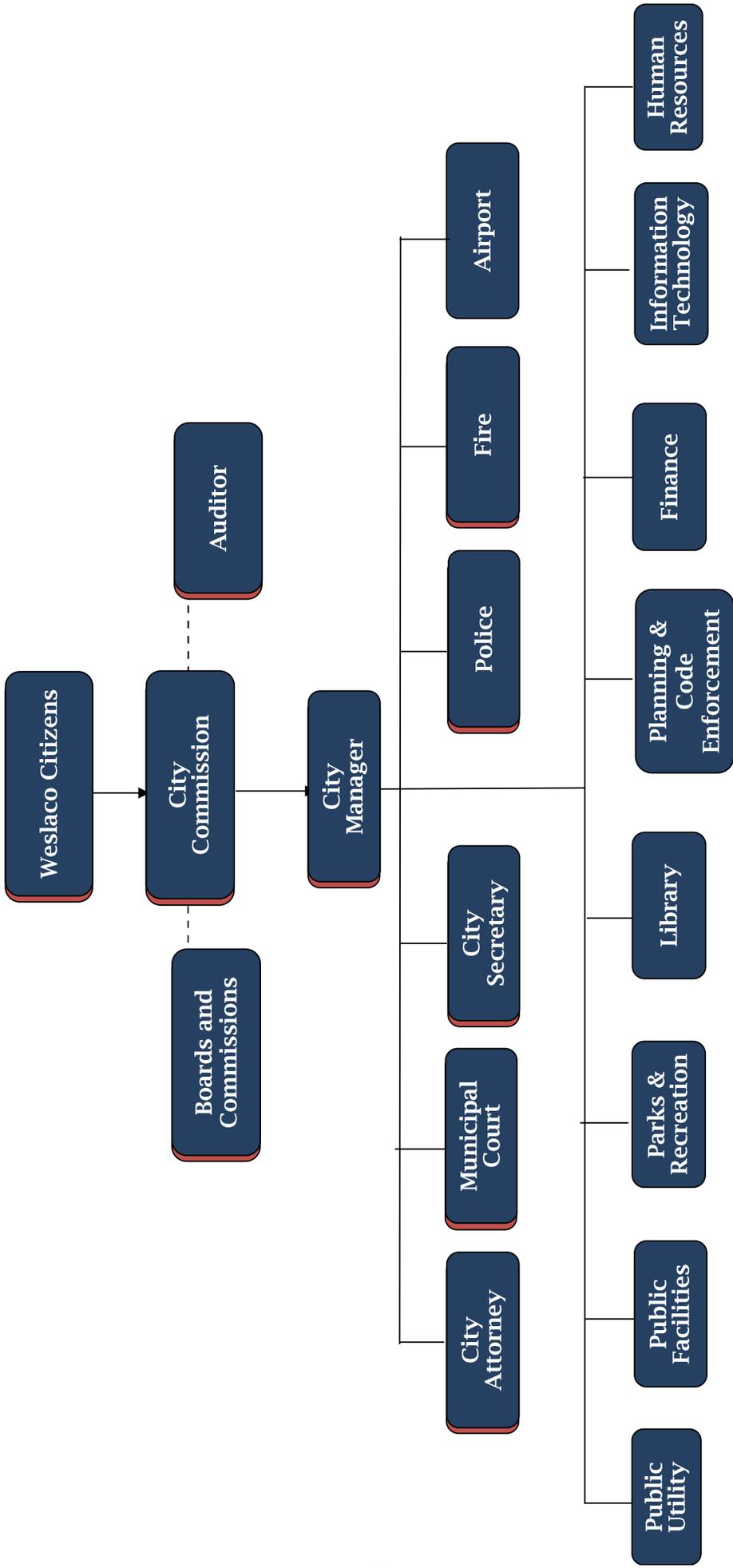


Mike R. Perez  
City Manager



Maria C. Barrera, CPA  
Finance Director

# City of Weslaco Organizational Chart



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# **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Weslaco, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### *Change in Reporting Entity*

As discussed in Note A to the financial statements, in 2015, the City determined that the Economic Development Corporation Component Unit meets the criteria for being presented as a discretely presented component unit, rather than as a blended component unit. The impact of this change in reporting entity is further disclosed in Note T to the financial statements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension supplementary information on pages 25-31 and 90-94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Weslaco, Texas' basic financial statements. The introductory section, other supplementary information, additional supplementary information and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

#### *Report on Other Supplementary Information*

The financial statements of the City of Weslaco for the year ended September 30, 2014 were audited by other auditors and their report thereon dated May 5, 2015 expressed an unmodified opinion on those financial statements. Their report, as of the same date, on other supplementary information related to 2014 stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended September 30, 2014 as a whole. As discussed in Note T to the financial statements, the City restated certain items in the financial statements. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note T that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the City other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2016, on our consideration of the City of Weslaco, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Weslaco, Texas' internal control over financial reporting and compliance.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
May 17, 2016

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## MANAGEMENT'S DISCUSSION & 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, 2015. 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 11-14 of this report.

### FINANCIAL HIGHLIGHTS

The City's total net position increased about \$8.2M as a result of this year's operations, taking into account the effect of removing the operations of the Weslaco Economic Development Corporation, which has been restated as a discretely presented component unit of the primary government. Governmental activities contributed \$3.6M, with the balance of \$4.6M resulting from business-type activities. This reflects about a 4.7% increase to net position.

- Governmental Activities – Revenues and Expenses Compared to Last Year (as restated) – Total revenues increased \$1.88M over last year, with sales tax showing a moderate increase of \$263,751. Property tax collections increased by about \$585,680, and franchise taxes saw an increase of \$288,755. Expenses increased about \$2.5M or 11.4% more than last year. This was the result of increases in interest cost of \$68,315, \$1.88M in general government and administration, \$797,993 in public safety and emergency medical services, and \$133,114 in culture and recreation. There was a decrease in public works of about \$129,474. A transfer to a new fund was made of \$500,000, as mentioned below.
- Business-Type Activities – Revenues and Expenses compared to Last Year- Total revenues increased \$4.3M from last year, largely due to a major airport expansion project that saw a \$3.7M grant contribution. Charges for services increased by \$694,827. Expenses saw a large increase of 14.67% or \$1.28M in water and wastewater services, while solid waste expenses saw an increase of about 5.58% or \$229,722. Airport services experienced an increase of about \$125,463 in expenses, or about 23%.
- New Funds – It should be noted that at year end, the City Commission voted to create two new Capital Project Funds (which are reported in the Governmental Activities). The Capital Improvement Program (CIP) fund was established to allow the City to self-fund capital improvement projects, such as sidewalks, traffic signals, park improvements, street paving, etc. in order to decrease dependence on debt financing for such infrastructure. This fund received transfers of excess revenue over expenses from the Solid Waste fund in the amount of \$750,000, and \$500,000 from the General Fund. The new Fire Department Equipment Replacement (FDER) fund was created to allow the City to self-fund capital asset purchases for equipment for the Fire Department. Again, the intent is to eventually decrease the City's dependence on debt financing, although for the first few years, capital leases will be utilized to acquire the needed equipment. Nonetheless, the debt service payments will be made from the FDER fund. No transfers to the FDER fund were made before fiscal year end. However, the intent is to make regular transfers amounting to 25% of the revenue collected from EMS billings.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

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

Activities of the City as a whole include governmental activities, and business-type activities. Governmental activities are those activities which are financed primarily through taxes and grants.

Most of the City's basic services are reported as governmental activities. Business-type activities are those activities that are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations are a common example of business-type activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Weslaco Economic Development Corporation (EDC), which is a legally separate entity, and reported as a discretely presented component unit. 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 discretely presented 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 35-37 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and 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 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, debt service, and 2013 certificates of obligation construction fund, which are considered to be major funds. Data from the other six 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 adopts an annual appropriated budget for its general fund and hotel/motel tax 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 38-41 of this report.

### **Proprietary Funds**

The City 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 uses enterprise funds to account for its water and wastewater fund, for its solid waste fund and for its airport fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City'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 business-type activities section of the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater fund, the solid waste fund, and the airport fund, all of which are considered to be major enterprise funds of the City of Weslaco.

The basic proprietary fund financial statements can be found on pages 42-45 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 City recognizes two fiduciary funds: the Firemen's Relief and Retirement Fund, which is a pension trust fund, and the Marion Booth Endowment Fund, which is a private purpose trust fund.

The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 50 of this report.

In fiscal year 2015, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board. Below is a description of the adopted statements and their effect on the City's financial statements:

1. Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures on the contributions to the TMRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014 was decreased by \$6,416,348 to reflect the cumulative effect of adoption in regards to the City's TMRS Plan and Firemen's Pension.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's fiscal year-end, the effect from the City's reported contributions to the plan subsequent to the respective measurement date of the plan is an increase in deferred outflow of resources and a decrease in net position.

## **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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,737,197 at the close of the most recent fiscal year.

On September 30, 2015, the City had an outstanding bonds balance of \$84,120,558, excluding \$4,965,000 in the component unit. The City has unspent bond proceeds to be used for completing the 2007 bond issues projects that were committed for different purposes such as street improvements, purchase of paving equipment, and the airport runway expansion.

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

## **Governmental Activities**

The property tax levy increased by \$284,886 (2.95%) from the prior year due partly to increases in valuation and partly to newly annexed property. 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.

Sales tax rebates amounted to \$11,705,688 for the year with an increase of \$263,756 or 2.31% 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 \$273,122 in the General Fund, for public safety purposes. 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 60.58% of the City of Weslaco's net position.

Water and sewer rates remained the same as the prior year. Both services were adjusted during the prior fiscal year by a 5% reduction.

The net position of the Water and Wastewater Fund increased by \$1,080,788 from current year operations. Revenues increased by \$399,760 and operating expenses increased by \$1,569,880.

The net position of the Solid Waste Fund increased by \$28,956 from current year operations. Revenues increased by \$365,252 and expenses increased by \$257,321.

The net position of the Airport Fund increased by \$3,465,001, due to the receipt of a TxDOT grant in the amount of \$3,773,179. The Airport Fund receives revenues from fuel sales, hangar rentals, and grants. Any shortfalls are subsidized by the General Fund. Short of that grant, the Airport would have experienced an operating loss of \$508,178. The expansion project has had a detrimental effect on the operation of the Airport, in that the improvement project has forced closures of parts of the runway, and thereby affected the traffic that the Airport would normally generate.

## **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'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'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 the end of the current fiscal year, the City of Weslaco's governmental funds reported combined ending fund balances of \$15,787,726. Approximately 54% of this total amount, or \$8,523,908 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, or restricted for debt or future capital projects.

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 unassigned fund balance was \$8,523,908. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38.99 percent of the total general fund expenditures, while total fund balance represents 41.29 percent of that same amount. While it is recommended that the General Fund should have an unassigned fund balance of no less than 5 to 15% of operating expenditures, the City has placed the target unassigned fund balance in the General Fund at 25%. The City had implemented a fiscal forecast model that was designed to increase the fund balance in the General Fund to 25% by the year 2015. The City reached and surpassed that goal two years early.

- The City Commission maintained the tax rate to \$0.6767 for the 2015 tax levy balance.
- The sales tax revenues increased by 2.31% over the prior year. The increase in the sales tax revenues can be attributed at least in part to retail development on the expressway.

The debt service fund has a total fund balance of \$1,112,428 after all scheduled debt service payments were made, all of which is reserved for the payment of debt service. The scheduled tax supported debt service payments for fiscal year 2015 was \$2,665,503, including interest paid of \$887,651.

**Proprietary fund:** 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 position of the Water and Wastewater Fund at the end of the year amounted to \$869,537, which was a decrease of \$28,650 from last year. Although operating revenues increased by \$399,760, operating expenses increased by \$1.6M. Thus operating income decreased by \$1.2M compared to last year.

The unrestricted net position for the Solid Waste Fund amounted to \$2,268,131 at the end of the year, an increase of \$28,956 from the prior year. Operating revenue saw an increase of \$365,252 from last year, while operating expenses increased by \$588,829. It should be noted that the change in net position of \$28,956 was affected by a transfer of \$750,000 to the new Capital Improvement Program fund.

The unrestricted in net position for the Airport Fund amounted to \$(322,589). Again, it is noted that the runway expansion project has caused an interruption to the normal operations of the Airport. It is anticipated that when the project is fully complete, operations will resume back to normal and fuel sales and other revenue streams should return to pre-project levels.

## **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, 2015, amounts to \$145,615,557 (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 8.63% (a 10.76% increase for business-type activities, and 4.78% increase for governmental activities).

Additional information on the City of Weslaco's capital assets can be found in Note E on page 64 of this report.

## Long-Term Debt

At year end of the current fiscal year, the City of Weslaco had total bonded debt outstanding of \$89,085,558, including \$4,965,000 in the component unit. Of this amount \$23,633,060 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 bond).

The City of Weslaco currently has an "A+" rating from Standard and Poor's and Moody's recently updated the City's ratings from "A3" to an "A2" for general obligation debt. This is reflective of the rating review in February 21, 2014, by Standard & Poor's and March 25, 2015 by Moody's.

In 1995, the State Legislature enacted a 10% (of taxable valuations) debt limit rate for school districts in Texas, which has subsequently been used by municipalities as a general rule in computing debt margin. The City is currently at 15.24% of this calculated debt limit, meaning that it is well within the sustainable limit.

Additional information of the City of Weslaco's long-term debt can be found in Note F on page 66 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The employment rate for the City of Weslaco is currently 92.9%, compared to 91.6% a year ago. This rate compares to the state's average employment rate of 95.6%.
- Due to a desire by the City Commission to make the City of Weslaco more attractive to business and individuals, the adopted property tax rate was decreased from \$0.6867 to \$0.6767 per \$100 of valuation for fiscal year ending September 30, 2015. This tax rate represents the lowest tax rate in fourteen 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 their 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 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	<u>McAllen</u>	<u>Mission</u>	<u>Weslaco</u>	<u>Edinburg</u>	<u>Pharr</u>
<i>Population</i>	136,639	81,050	37,093	80,836	73,790
<i>Valuation</i>	\$7,920,315,405	\$3,562,331,638	\$1,419,011,740	\$3,430,152,761	\$2,282,167,892
City	\$0.4763	\$0.5188	\$0.6767	\$0.6350	\$0.6800
Drainage	0.0957	0.0957	0.0957	0.0957	0.0957
Hidalgo County	0.5900	0.5900	0.5900	0.5900	0.5900
STC	0.1850	0.1850	0.1850	0.1850	0.1850
ISD	1.1650	1.3300	1.1397	1.2398	1.3592
STISD	0.0492	0.0492	0.0492	0.0492	0.0492
Total	\$2.5612	\$2.7687	\$2.7363	\$2.7947	\$2.9591

Note: Population figures are 2013 estimates obtained from the U.S. Census Bureau.  
 Valuation represents 2014 Certified Estimate as reported by the Hidalgo County Appraisal district for the tax year 2014.  
 Tax rates are for the tax year 2014 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.

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**BASIC**  
**FINANCIAL STATEMENTS**

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**CITY OF WESLACO, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 14,607,235	\$ 2,467,154	\$ 17,074,389	\$ 2,253,620
Cash and cash equivalents- restricted	1,122,595	8,642,988	9,765,583	930,383
Investments, restricted	-	-	-	695,256
Receivables, net	4,230,557	4,068,883	8,299,440	211,486
Internal balances	20,823	(20,823)	-	-
Notes receivables	-	-	-	3,419,121
Other asset- bond insurance costs	118,731	390,283	509,014	-
Inventories	34,790	239,645	274,435	-
Assets held for resale	-	-	-	82,870
Capital assets, net:				
Non-depreciable assets	8,276,910	52,289,226	60,566,136	28,758
Depreciable assets	41,716,278	43,402,204	85,118,482	2,013,866
<b>Total assets</b>	<u>70,127,919</u>	<u>111,479,560</u>	<u>181,607,479</u>	<u>9,635,360</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to interest rate swap	-	-	-	965
Deferred outflows related to pensions	636,909	113,642	750,551	-
<b>Total Deferred Outflows of Resources</b>	<u>636,909</u>	<u>113,642</u>	<u>750,551</u>	<u>965</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 70,764,828</u>	<u>\$ 111,593,202</u>	<u>\$ 182,358,030</u>	<u>\$ 9,636,325</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,955,048	\$ 2,507,253	\$ 4,462,301	\$ 63,050
Accrued expenses	1,164,547	574,970	1,739,517	30,773
Unearned revenue	19,600	-	19,600	-
Non-current liabilities:				
Due within one year	2,482,995	3,093,424	5,576,419	974,817
Due in more than one year	29,374,587	61,346,235	90,720,822	4,335,000
Municipal net pension liability	3,097,838	552,737	3,650,575	-
Firemen's net pension liability	4,214,004	-	4,214,004	-
Derivative instrument- interest rate swap	-	-	-	965
<b>Total Liabilities</b>	<u>42,308,619</u>	<u>68,074,619</u>	<u>110,383,238</u>	<u>5,404,605</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	201,620	35,975	237,595	-
<b>Total Deferred Inflows of Resources</b>	<u>201,620</u>	<u>35,975</u>	<u>237,595</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	20,318,359	38,975,364	59,293,723	727,507
Restricted for:				
Debt service	1,403,484	1,305,881	2,709,365	695,256
Special revenue funds	383,796	-	383,796	-
Capital projects	-	317,223	317,223	-
Unrestricted	6,148,950	2,884,140	9,033,090	2,808,957
<b>Total Net Position</b>	<u>28,254,589</u>	<u>43,482,608</u>	<u>71,737,197</u>	<u>4,231,720</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 70,764,828</u>	<u>\$ 111,593,202</u>	<u>\$ 182,358,030</u>	<u>\$ 9,636,325</u>

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

**CITY OF WESLACO, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 7,159,359	\$ 725,949	\$ -	\$ -
Public safety	11,530,338	653,606	273,122	-
Emergency medical services	101,226	1,693,132	-	-
Public works	2,927,110	-	-	1,065,726
Culture and recreation	1,793,425	73,359	-	-
Interest on long-term debt	<u>1,009,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	24,520,837	3,146,046	273,122	1,065,726
<b>Business-type activities:</b>				
Water and Wastewater services	9,955,440	12,121,383	-	348,116
Solid waste services	4,348,050	5,225,429	-	27,327
Airport	<u>668,097</u>	<u>159,919</u>	<u>-</u>	<u>3,773,179</u>
<b>Total business-type activities</b>	14,971,586	17,506,731	-	4,148,622
<b>Total primary government</b>	<u>\$ 39,492,424</u>	<u>\$ 20,652,777</u>	<u>\$ 273,122</u>	<u>\$ 5,214,348</u>
<b>Component Units</b>				
Economic development services	<u>\$ 2,012,407</u>	<u>\$ 49,304</u>	<u>\$ 51,528</u>	<u>\$ -</u>

**General Revenues:**

Taxes:  
Ad valorem  
Sales  
Occupancy  
Franchise and other  
Investment earnings  
Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change in net position**

**Net position at beginning of year**

**Prior period adjustment**

**Net position at beginning of year, as adjusted**

**Net position at end of year**

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

Net (Expenses) Revenue  
And Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (6,433,410)	\$ -	\$ (6,433,410)	\$ -
(10,603,610)	-	(10,603,610)	-
1,591,906	-	1,591,906	-
(1,861,384)	-	(1,861,384)	-
(1,720,066)	-	(1,720,066)	-
(1,009,379)	-	(1,009,379)	-
<u>(20,035,943)</u>	<u>-</u>	<u>(20,035,943)</u>	<u>-</u>
-	2,514,059	2,514,059	-
-	904,706	904,706	-
<u>-</u>	<u>3,265,001</u>	<u>3,265,001</u>	<u>-</u>
-	6,683,766	6,683,766	-
(20,035,943)	6,683,766	(13,352,177)	-
			(1,911,575)
10,352,897	-	10,352,897	-
8,779,266	-	8,779,266	2,926,422
384,439	-	384,439	-
1,855,156	-	1,855,156	-
31,839	1,350	33,189	103,477
232,759	-	232,759	54,358
<u>2,041,310</u>	<u>(2,041,310)</u>	<u>-</u>	<u>-</u>
<u>23,677,666</u>	<u>(2,039,960)</u>	<u>21,637,706</u>	<u>3,084,257</u>
3,641,723	4,643,806	8,285,529	1,172,682
32,612,752	38,875,768	71,488,520	4,039,550
<u>(7,999,886)</u>	<u>(36,966)</u>	<u>(8,036,852)</u>	<u>(980,512)</u>
<u>24,612,866</u>	<u>38,838,802</u>	<u>63,451,668</u>	<u>3,059,038</u>
<u>\$ 28,254,589</u>	<u>\$ 43,482,608</u>	<u>\$ 71,737,197</u>	<u>\$ 4,231,720</u>

**CITY OF WESLACO, TEXAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	2013 Certificate of Obligation Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 7,676,517	\$ 1,024,137	\$ 4,108,715	\$ 1,558,026	\$ 14,367,396
Cash and cash equivalents- restricted	1,122,595	-	-	-	1,122,595
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes	860,706	362,388	-	-	1,223,094
Sales taxes	816,521	-	-	-	816,521
Ambulance fees	752,391	-	-	-	752,391
Other	524,778	-	781,298	132,475	1,438,551
Due from other funds	232,343	16,959	208,056	-	457,358
Inventories	34,790	-	-	-	34,790
<b>Total Assets</b>	<u>\$ 12,020,641</u>	<u>\$ 1,403,484</u>	<u>\$ 5,098,069</u>	<u>\$ 1,690,502</u>	<u>\$ 20,212,696</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,221,078	\$ -	\$ 706,150	\$ 27,820	\$ 1,955,048
Accrued salaries and payroll taxes	317,426	-	-	-	317,426
Other liabilities	525,760	-	-	-	525,760
Due to other funds	32,246	-	404,289	-	436,535
Payable from restricted assets	206,320	-	-	-	206,320
Unearned revenue	19,600	-	-	-	19,600
<b>Total Liabilities</b>	<u>2,322,430</u>	<u>-</u>	<u>1,110,439</u>	<u>27,820</u>	<u>3,460,689</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue- ad valorem taxes	673,225	291,056	-	-	964,281
<b>Total Deferred Inflows of Resources</b>	<u>673,225</u>	<u>291,056</u>	<u>-</u>	<u>-</u>	<u>964,281</u>
<b>Fund Balances</b>					
Nonspendable	34,790	-	-	-	34,790
Restricted	466,288	1,112,428	3,987,630	412,682	5,979,028
Committed	-	-	-	-	-
Assigned	-	-	-	1,250,000	1,250,000
Unassigned	8,523,908	-	-	-	8,523,908
<b>Total Fund Balances</b>	<u>9,024,986</u>	<u>1,112,428</u>	<u>3,987,630</u>	<u>1,662,682</u>	<u>15,787,726</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 12,020,641</u>	<u>\$ 1,403,484</u>	<u>\$ 5,098,069</u>	<u>\$ 1,690,502</u>	<u>\$ 20,212,696</u>

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

**CITY OF WESLACO, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<u>Governmental Activities</u>
Total fund balance-governmental funds	\$ 15,787,726
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	964,281
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund balance sheet. Other capital assets totaling \$2,421,419 of the Internal Service Fund are not included.	47,571,769
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.	(115,041)
Bond insurance is the only bond issuance cost allowed after implementation of GASB Statement No 65. This is the unamortized cost of bond insurance cost paid by the City on prior bond issuances	118,731
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 included in the governmental activities in the statement of net position.	1,351,730
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Other current and non-current liabilities totaling \$1,309,528 of the internal service fund are not included.	(30,548,054)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB Statement No 68 in the amount of (\$3,097,838), a deferred resource outflows in the amount of \$636,909, and a deferred resource inflow in the amount of (\$201,620). This resulted in an increase/(decrease) in net position by (\$2,662,549)	(2,662,549)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$4,214,004). This resulted in an increase/(decrease) in net position by (\$4,214,004)	<u>(4,214,004)</u>
Net position of governmental activities	<u>\$ 28,254,589</u>

*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  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	2013 Certificate of Obligation Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 7,586,388	\$ 2,964,543	\$ -	\$ -	\$ 10,550,931
Nonproperty taxes	10,634,422	-	-	384,439	11,018,861
Fees and charges	3,471,864	-	-	-	3,471,864
Fines and forfeitures	523,767	-	-	-	523,767
Licenses and permits	479,501	-	-	-	479,501
Intergovernmental	273,123	-	1,065,726	-	1,338,849
Investment income	20,372	11,038	429	-	31,839
Miscellaneous	390,917	4,065	-	-	394,982
<b>Total Revenues</b>	<u>23,380,354</u>	<u>2,979,646</u>	<u>1,066,155</u>	<u>384,439</u>	<u>27,810,594</u>
<b>Expenditures</b>					
Current:					
General government	5,991,720	-	-	-	5,991,720
Public safety	10,476,065	-	-	-	10,476,065
Public works	1,790,960	-	-	-	1,790,960
Culture and recreation	1,118,457	-	-	258,094	1,376,551
Economic development	593,849	-	-	-	593,849
Capital outlay	1,243,679	-	3,449,076	-	4,692,755
Debt service:					
Principal	640,610	1,777,852	-	-	2,418,462
Interest and fees	2,382	887,651	-	-	890,033
<b>Total Expenditures</b>	<u>21,857,722</u>	<u>2,665,503</u>	<u>3,449,076</u>	<u>258,094</u>	<u>28,230,395</u>
<b>Excess (deficiency) of revenues over expenditures</b>	1,522,632	314,143	(2,382,921)	126,345	(419,801)
<b>Other financing sources (uses):</b>					
Capital lease proceeds	658,299	-	-	-	658,299
Transfers in	1,169,014	-	-	1,250,000	2,419,014
Transfers out	(2,460,758)	-	-	-	(2,460,758)
<b>Total other financing sources (uses)</b>	<u>(633,445)</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>616,555</u>
<b>Net change in fund balances</b>	889,187	314,143	(2,382,921)	1,376,345	196,754
<b>Fund balances at beginning of year</b>	7,125,040	798,285	6,370,551	4,152,110	18,445,986
<b>Prior period adjustment</b>	1,010,759	-	-	(3,865,773)	(2,855,014)
<b>Fund balances at beginning of year, as adjusted</b>	<u>8,135,799</u>	<u>798,285</u>	<u>6,370,551</u>	<u>286,337</u>	<u>15,590,972</u>
<b>Fund balances at end of year</b>	<u>\$ 9,024,986</u>	<u>\$ 1,112,428</u>	<u>\$ 3,987,630</u>	<u>\$ 1,662,682</u>	<u>\$ 15,787,726</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  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<u><b>Governmental Activities</b></u>
Net change in fund balances-total governmental funds	\$ 196,754
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, 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	2,379,272
The change in compensated absences of \$155,819 payable during the year is reported as a increase to expenditures in the statement of activities but not in the governmental funds.	(155,819)
Capital lease proceeds are recorded as other financing sources in the governmental funds while they are recorded as long term debt in the statement of net position.	(658,299)
Bond premiums, discounts and insurance are recognized in the funds in the year the bonds are sold, but they are recorded as an asset or liability and amortized over the life of the bonds in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.	36,472
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.	(198,034)
Repayment of bond, capital leases principal, and liabilities under chapter 380 agreements expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	2,418,463
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 Funds is reported with governmental activities net of amount allocated to business-type activities and depreciation.	518,373
The implementation of GASB Statement No 68 required that certain expenditures be de-expended and recorded as a deferred resource outflows. These contributions made after the measurement date of 12/31/14 caused the change in ending net position to increase in the amount of \$350,886. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$345,904). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$228,130. The result of these changes is to increase/(decrease) the change in net position by (\$223,148).	(223,148)
The City's reported Firemen's net pension expense had to be recorded. The net pension expense decreased the change in net position by (\$672,311)	<u>(672,311)</u>
Change in net position of governmental activities	<u>\$ 3,641,723</u>

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

**CITY OF WESLACO, TEXAS  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015**

	Business-Type Activities				Governmental Activities
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Totals	Internal Service Fund
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 2,467,054	\$ -	\$ 100	\$ 2,467,154	\$ 239,839
Cash and cash equivalents- restricted	8,325,765	-	317,223	8,642,988	-
Accounts receivable, net of allowances for uncollectibles	3,051,684	1,000,966	16,233	4,068,883	-
Due from other funds	485,027	2,000,000	-	2,485,027	-
Inventories	189,748	-	49,897	239,645	-
Prepaid expenses	390,283	-	-	390,283	-
<b>Total current assets</b>	<u>14,909,561</u>	<u>3,000,966</u>	<u>383,453</u>	<u>18,293,980</u>	<u>239,839</u>
<b>Non-current assets</b>					
Land	665,175	421,247	1,465,448	2,551,870	-
Buildings	362,324	668,781	648,541	1,679,646	-
Equipment	6,253,953	1,908,927	525,658	8,688,538	5,071,598
Improvements	-	-	-	-	70,864
Infrastructure	64,899,591	64,461	4,678,526	69,642,578	-
Construction-in-progress	44,394,258	-	5,343,098	49,737,356	-
	<u>116,575,301</u>	<u>3,063,416</u>	<u>12,661,271</u>	<u>132,299,988</u>	<u>5,142,462</u>
Accumulated depreciation	<u>(30,057,842)</u>	<u>(2,522,536)</u>	<u>(4,028,180)</u>	<u>(36,608,558)</u>	<u>(2,721,043)</u>
<b>Total non-current assets, net</b>	<u>86,517,459</u>	<u>540,880</u>	<u>8,633,091</u>	<u>95,691,430</u>	<u>2,421,419</u>
<b>Total assets</b>	101,427,020	3,541,846	9,016,544	113,985,410	2,661,258
<b>Deferred outflows of resources</b>					
Deferred outflows related to pensions	<u>101,095</u>	<u>1,362</u>	<u>11,185</u>	<u>113,642</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 101,528,115</u>	<u>\$ 3,543,208</u>	<u>\$ 9,027,729</u>	<u>\$ 114,099,052</u>	<u>\$ 2,661,258</u>

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

**CITY OF WESLACO, TEXAS  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF NET POSITION - CONTINUED  
 SEPTEMBER 30, 2015**

	Business-Type Activities			Governmental Activities	
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Totals	Internal Service Fund
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	\$ 2,432,926	\$ 63,817	\$ 10,510	\$ 2,507,253	\$ -
Accrued salaries and other liabilities	229,257	-	7,597	236,854	-
Due to other funds	2,211,369	87,035	207,446	2,505,850	-
Current portion of long term debt	3,079,975	1,798	11,651	3,093,424	392,567
Accrued interest on bonds	338,116	-	-	338,116	-
<b>Total current liabilities</b>	<u>8,291,643</u>	<u>152,650</u>	<u>237,204</u>	<u>8,681,497</u>	<u>392,567</u>
Noncurrent liabilities:					
Compensated absences	42,243	-	104,858	147,101	-
Customer deposits	1,011,949	-	-	1,011,949	-
Revenue bonds payable, net of unamortized premiums	59,612,693	-	-	59,612,693	-
Note payable	-	-	-	-	916,961
Landfill closure	-	574,492	-	574,492	-
Net pension liability	491,712	6,624	54,401	552,737	-
<b>Total noncurrent liabilities</b>	<u>61,158,597</u>	<u>581,116</u>	<u>159,259</u>	<u>61,898,972</u>	<u>916,961</u>
<b>Total liabilities</b>	69,450,240	733,766	396,463	70,580,469	1,309,528
<b>Deferred inflows of resources</b>					
Deferred inflows related to pensions	32,003	431	3,541	35,975	-
<b>Net Position</b>					
Net investment of capital assets	29,801,393	540,880	8,633,091	38,975,364	1,111,891
Restricted for:					
Revenue bond retirement	1,305,881	-	-	1,305,881	-
Construction	-	-	317,223	317,223	-
Unrestricted	938,598	2,268,131	(322,589)	2,884,140	239,839
<b>Total net position</b>	<u>32,045,872</u>	<u>2,809,011</u>	<u>8,627,725</u>	<u>43,482,608</u>	<u>1,351,730</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 101,528,115</u>	<u>\$ 3,543,208</u>	<u>\$ 9,027,729</u>	<u>\$ 114,099,052</u>	<u>\$ 2,661,258</u>

**CITY OF WESLACO, TEXAS  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Business Type Activities				Governmental Activities
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>					
Water services	\$ 6,505,602	\$ -	\$ -	\$ 6,505,602	\$ -
Sewer services	4,614,508	-	-	4,614,508	-
Charges for services	-	5,142,108	159,666	5,301,774	-
Miscellaneous	297,287	83,321	253	380,861	-
<b>Total operating revenues</b>	<u>11,417,397</u>	<u>5,225,429</u>	<u>159,919</u>	<u>16,802,745</u>	<u>-</u>
<b>Operating Expenses:</b>					
Personal services	1,711,225	32,526	183,280	1,927,031	-
Other services and charges	2,145,193	52,713	207,004	2,404,910	38,455
Supplies	818,568	7,074	82,430	908,072	-
Contractual services	1,378,560	4,338,264	-	5,716,824	-
Depreciation	2,549,266	43,223	195,383	2,787,872	-
<b>Total operating expenses</b>	<u>8,602,812</u>	<u>4,473,800</u>	<u>668,097</u>	<u>13,744,709</u>	<u>38,455</u>
<b>Operating income (loss)</b>	2,814,585	751,629	(508,178)	3,058,036	(38,455)
<b>Non-operating revenues (expenses)</b>					
Investment income	1,350	-	-	1,350	-
Capital Improvement fees	703,986	-	-	703,986	-
Capital grants	348,116	27,327	3,773,179	4,148,622	-
Interest expense	(2,718,188)	-	-	(2,718,188)	(34,916)
<b>Total non-operating revenues (expenses)</b>	<u>(1,664,736)</u>	<u>27,327</u>	<u>3,773,179</u>	<u>2,135,770</u>	<u>(34,916)</u>
<b>Income (loss) before transfers</b>	1,149,849	778,956	3,265,001	5,193,806	(73,371)
<b>Transfers in (out)</b>					
Transfers in	-	-	200,000	200,000	591,744
Transfers out	-	(750,000)	-	(750,000)	-
<b>Total transfers</b>	<u>-</u>	<u>(750,000)</u>	<u>200,000</u>	<u>(550,000)</u>	<u>591,744</u>
Change in net position	1,149,849	28,956	3,465,001	4,643,806	518,373
<b>Net position- beginning</b>	31,283,224	2,454,503	5,138,041	38,875,768	833,357
<b>Prior period adjustment</b>	<u>(387,201)</u>	<u>325,552</u>	<u>24,683</u>	<u>(36,966)</u>	<u>-</u>
<b>Net position- beginning, as adjusted</b>	<u>30,896,023</u>	<u>2,780,055</u>	<u>5,162,724</u>	<u>38,838,802</u>	<u>833,357</u>
<b>Net position- ending</b>	<u>\$ 32,045,872</u>	<u>\$ 2,809,011</u>	<u>\$ 8,627,725</u>	<u>\$ 43,482,608</u>	<u>\$ 1,351,730</u>

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

**CITY OF WESLACO, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Business Type Activities				Governmental Activities
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Total	Internal Service Fund
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 11,693,516	\$ 3,003,513	\$ 170,308	\$ 14,867,337	\$ -
Payments to suppliers	(4,161,743)	(4,310,523)	(298,545)	(8,770,811)	(442,892)
Payments to employees	(1,702,263)	(32,526)	(179,604)	(1,914,393)	-
<b>Net cash provided (used) by operating activities</b>	<b>5,829,510</b>	<b>(1,339,536)</b>	<b>(307,841)</b>	<b>4,182,133</b>	<b>(442,892)</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	-	200,000	200,000	591,744
Transfers to other funds	-	(750,000)	-	(750,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>(750,000)</b>	<b>200,000</b>	<b>(550,000)</b>	<b>591,744</b>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	(7,982,656)	(22,000)	(297,815)	(8,302,471)	-
Interest paid on bonds	(2,766,084)	-	-	(2,766,084)	-
Interest paid on notes	-	-	-	-	(34,915)
Retirement of notes	-	-	-	-	(383,649)
Retirement of bonds	(2,577,489)	-	-	(2,577,489)	-
Landfill closure costs	-	(45,522)	-	(45,522)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(13,326,229)</b>	<b>(67,522)</b>	<b>(297,815)</b>	<b>(13,691,566)</b>	<b>(418,564)</b>
<b>Cash flow from investing activities:</b>					
Interest on cash and investments	1,350	-	-	1,350	-
<b>Net cash provided (used) by investing activities</b>	<b>1,350</b>	<b>-</b>	<b>-</b>	<b>1,350</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	(7,495,369)	(2,157,058)	(405,656)	(10,058,083)	(269,712)
Cash and cash equivalents, beginning of year	18,288,188	2,157,058	722,979	21,168,225	509,551
Cash and cash equivalents, end of year	<u>\$ 10,792,819</u>	<u>\$ -</u>	<u>\$ 317,323</u>	<u>\$ 11,110,142</u>	<u>\$ 239,839</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 2,814,585	\$ 751,629	\$ (508,178)	\$ 3,058,036	\$ (38,455)
Adjustments to reconcile income (loss) from operations to net cash from operating activities					
Other nonoperating income	1,052,102	27,327	-	1,079,429	-
Depreciation	2,549,266	43,223	195,383	2,787,872	-
(Increase) decrease in accounts receivables	(874,228)	(249,721)	(5,180)	(1,129,129)	-
(Increase) decrease in inventories	(95,924)	-	(12,014)	(107,938)	-
(Increase) decrease in prepaids	25,130	-	-	25,130	-
(Increase) decrease in due from other funds	(80,590)	(2,000,000)	-	(2,080,590)	-
(Increase) decrease in deferred outflows related to pensions	(46,191)	(622)	(5,111)	(51,924)	-
Decrease (increase) in accounts payable	(1,885,181)	494	(8,491)	(1,893,178)	-
Decrease (increase) in accrued expenses	48,849	-	2,831	51,680	-
Decrease (increase) in due to other funds	2,205,615	87,035	11,394	2,304,044	(404,437)
Decrease (increase) in customer deposits	74,355	-	-	74,355	-
Decrease (increase) in compensated absences	(39,888)	-	12,495	(27,393)	-
Decrease (increase) in net pension liability	49,607	668	5,489	55,764	-
Decrease (increase) in deferred inflows related to pensions	32,003	431	3,541	35,975	-
Total adjustments	<u>3,014,925</u>	<u>(2,091,165)</u>	<u>200,337</u>	<u>1,124,097</u>	<u>(404,437)</u>
<b>Net cash provided (used) by operations</b>	<b>\$ 5,829,510</b>	<b>\$ (1,339,536)</b>	<b>\$ (307,841)</b>	<b>\$ 4,182,133</b>	<b>\$ (442,892)</b>
<i>Supplemental disclosure of noncash activities</i>					
Capital grants from Txdot	\$ -	\$ -	\$ 3,773,179	\$ 3,773,179	\$ -

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

**CITY OF WESLACO, TEXAS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2015**

	<b>Assets</b>	<b>Pension Trust fund</b>	<b>Private-purpose Trust fund</b>
		<b>Firemen's Relief and Retirement</b>	<b>Marion Booth Endowment Fund</b>
<b>Current Assets</b>			
Cash		\$ 147,345	\$ 489,786
Investments, at fair value			
Equities		5,743,723	-
Corporate bonds		553,252	-
Money market deposits		221,911	-
Money market mutual funds		177,758	-
Municipal bonds		<u>1,453,238</u>	<u>-</u>
Total investments		8,149,882	-
Accounts receivable		<u>-</u>	<u>-</u>
	<b>Total Assets</b>	<u>\$ 8,297,227</u>	<u>\$ 489,786</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable		\$ 42,018	\$ -
<b>Net Position</b>			
Net position held in trust for pension benefits and other purposes		<u>8,255,209</u>	<u>489,786</u>
<b>Total Liabilities and Net Position</b>		<u>\$ 8,297,227</u>	<u>\$ 489,786</u>

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

**CITY OF WESLACO, TEXAS  
FIREMEN'S RETIREMENT FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<b>Pension Trust fund</b>	<b>Private-purpose Trust fund</b>
	<b>Firemen's Relief and Retirement</b>	<b>Marion Booth Endowment Fund</b>
<b>Additions</b>		
<b>Contributions</b>		
Employer contributions	\$ 394,360	\$ -
Plan member contributions	388,865	-
Total contributions	783,225	-
<b>Investment income</b>		
Net depreciation in fair value of investments	(259,471)	-
Interest and dividends	186,034	3,681
	(73,437)	3,681
Less investment expense	(53,761)	-
Net investment income (loss)	(127,198)	3,681
Total additions	656,027	3,681
<b>Deductions</b>		
Benefits paid	457,812	-
Refunds of contributions	376,111	-
Administrative expenses	85,190	-
Total deductions	919,113	-
<b>Net change in fiduciary net position</b>	(263,086)	3,681
<b>Net Position, beginning of year</b>	8,518,295	-
<b>Prior period adjustment</b>	-	486,105
<b>Net position, beginning of year, as adjusted</b>	8,518,295	486,105
<b>Net position, end of year</b>	\$ 8,255,209	\$ 489,786

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

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**NOTES TO THE  
FINANCIAL STATEMENTS**

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, solid waste, 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).

**1. Financial Reporting Entity**

The accompanying financial statements present the reporting entity, which consists of the primary government. Financial reporting standards also require the City of Weslaco, Texas to include, if any, legally-separate entities or organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

Applying these tests to other entities and activities for possible inclusion in the reporting entity, the City has determined that the Weslaco Economic Development Corporation (EDC) meets the financial accountability tests and, therefore is included as a discretely presented component unit. In prior year the City reported the EDC as a blended component unit. The prior year has been restated as further mentioned in Note T for the de-blending of the EDC. Its Board is appointed by the City Commission and the City sets expenditure caps.

The Firemen's Relief and Retirement fund is included as a pension trust fund, and the Marion Booth Endowment Fund is included as a private-purpose trust fund and are reported as fiduciary funds in the accompanying financial statements.

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 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.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 five non-profit corporation's referred to in Note N 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.

**2. *Basis of Presentation***

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental activities and business-type activities columns, has been removed from these statements.

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 reports the General, Debt Service, and 2013 Certificates of Obligation Construction Fund as 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 restricted to signify the amounts that are restricted exclusively for debt service expenditures. The Debt Service Fund is reported as a major governmental fund.

*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). The 2013 Certificates of Obligation Construction Fund is reported as a major capital projects fund.

*Proprietary Funds*

Proprietary Funds are accounted for using the economic resources measurement focus and 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 Position. The City has presented the following major proprietary funds:

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Water and Wastewater Fund*

Water and Wastewater Fund is used to account for the provision of water and wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and wastewater 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 wastewater debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

*Solid Waste Fund*

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

**3. *Measurement Focus/Basis of Accounting and Financial Statement Presentation***

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.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and wastewater services which are accrued. Expenses are recognized at the time the liability is incurred.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

**4. *New Accounting Standards Adopted***

In June 2012, the GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions”. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 68 in this annual report. Pension information is disclosed in Notes J and K and the impact on beginning net position recognized as a prior period adjustment is disclosed in Note T.

In November 2013, the GASB issued Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB No. 71 in this annual report. Pension information related to this Statement is disclosed in Notes J and K.

**5. *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.

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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, Hotel/Motel Tax - Special Revenue, and Debt Service Funds.

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, Hotel/Motel Tax - 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, 2015. Subsequent to year-end management and the City Commission amended the September 30, 2015 budget authorizing the reallocation of expenses and related budget transfers relative to the Interest and Sinking Fund, Water and Wastewater Fund and General Fund. All budget appropriations lapse at year-end except for the Community Development Block Grants (CDBG). Although they are appropriated annually, unspent appropriations in the Community Development Block Grants (CDBG) are appropriated under the same objects of expenditures in subsequent grant periods.

**6. *Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

**a. *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.

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.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*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.

**b. Prepaid Items and Inventories**

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

**c. 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.

**d. 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”.

**e. 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.

**f. 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.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Infrastructure assets, capitalized have an original cost of \$5,000 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 Wastewater System	30 - 50 years
Infrastructure	20 - 35 years
Machinery and Equipment	5 - 10 years
Improvements	20 years

**g. 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 were hired before October 1, 2008 and 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 up to 30 days, upon termination. Employees who were hired after October 1, 2009 are entitled to be paid a maximum of \$1,000 for both sick and vacation upon termination.

Civil 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.

**h. Deferred Outflows and Inflows of Resources**

In addition to assets, the combined balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflow of resources related to pensions as further described in Note M. In addition, in accordance with *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, derivative instruments are reported in the statement of net position at fair value, as either assets or liabilities. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred inflows or outflows in the statement of net position, as an offset to the related hedging derivative instrument. The City reports deferred outflows of resources related to an interest rate swap agreement for its component unit.

In the addition to liabilities, the combined balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports *unavailable revenue*, as a deferred inflow of resources in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources related to pension as further described in Note M.

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**i. Fund Balance Policies**

In accordance with GASB statement No. 54, the City's policy provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the nonspendable fund balance, the City's policy has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the City from its highest level of decision making authority. The responsibility to commit funds rests with the Commissioners. Committed amounts cannot be used for any other purpose unless the Commission authorizes it.
- Assigned: fund balances that contain self-imposed constraints of the City to be used for a particular purpose. The responsibility to assign funds rests with the City Manager.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as non-spendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or be enabling legislation.

Those classified as committed are constrained by the City Commission through an ordinance for specific purposes, but are neither restricted nor committed. Reversing a commitment would require City Commission approval through an ordinance. Non-spendable are amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

**j. Net Position**

Net position represents the difference between assets, deferred outflow of resources, and liabilities, deferred inflow of resources. Net investment in capital assets 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 position 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.

**k. 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.

**l. Reclassification**

The financial statements for the fiscal year ended September 30, 2014 have been reclassified to conform with the presentation of the financial statements for the fiscal year ended September 30, 2015.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. *Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Water, Sewer (Utility) Fund. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water, Sewer (Utility) Fund.

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

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

Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is by the departmental basis.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted to City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Commission.

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

2. *Expenditures over Appropriations*

At September 30, 2015, expenditures in the following departments exceeded appropriations:

General government	(\$265,860)
Public safety	(\$125,424)
Capitalized items	(\$368,159)
Interest and fees	(\$2,382)

**General Government-** reduction of pending litigation and settlement offers were not budgeted during the current fiscal year. In addition, the contractual obligation to pay invoices regarding the Valley Nature Center was never budgeted or amended during the current fiscal year.

**Public Safety-** high amounts of overtime of public safety officers were approved during the current year. However, the budget was never adjusted to account for the additional wages.

**Capitalized items-** multiple capitalized expenditures were authorized to ensure all departments were adequately supplied with tools and equipment needed to address multiple problem areas in the City. The additional capitalized expenditures were not reflected in the original or amended budget.

**Interest and fees-** interest expense associated with capital leases entered into during the current year were not budgeted for.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE C – DEPOSITS AND INVESTMENTS**

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, 2015. At year-end, the respective bank balance totaled \$17,036,208. 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 \$31,000,000. 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.

***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 pledged securities held at September 30, 2015, were insured or registered, or were held by the City or its agent in the City’s name.

***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.

A reconciliation of cash and investments follows:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$14,607,235	\$ 2,467,154	\$17,074,389	\$2,253,620
Restricted cash	<u>1,122,595</u>	<u>8,642,988</u>	<u>9,765,583</u>	<u>930,383</u>
	<u>\$15,729,830</u>	<u>\$11,110,142</u>	<u>\$26,839,972</u>	<u>\$3,184,003</u>
Investments				
Certificates of deposit	\$ -	\$ -	\$ -	\$ 695,256
Land available for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,870</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,126</u>

***See Note F for components of cash restrictions.***

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE C – DEPOSITS AND INVESTMENTS - Continued**

***Firemen’s Relief and Retirement Fund Investments***

The Firemen’s Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2015. The composition of these investments is as follows:

	<u>Fair Value</u>
Equities	\$5,743,723
Fixed income	
Mutual funds	177,758
Money market deposits	221,911
Municipal bonds	1,453,238
Corporate bonds	<u>553,252</u>
Total fixed income	<u>2,406,159</u>
 Total investments	 8,149,882
 Cash and money market funds	 <u>147,345</u>
	<u>\$8,297,227</u>

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

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Plan’s name.

*Concentration of Credit Risk*

The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Plan within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, private equity and real estate, and specialty), the Plan where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Plan.

*Interest Rate Risk*

The Plan invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest. Instruments may have an investment grade or noninvestment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Plan’s Investment Policy.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE C – DEPOSITS AND INVESTMENTS - Continued**

*Firemen's Relief and Retirement Fund Investments - Continued*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in the net appreciation (depreciation) in fair value of investments.

**NOTE D - RECEIVABLES**

Receivables at September 30, 2015, consist of the following:

	Primary Government									Component Unit	
	Governmental					Business-type					
	General Fund	Debt Service Fund	2013 Certificate of Obligation Construction Fund	Non-major Funds	Total	Water and Wastewater	Solid Waste	Airport Fund	Total		Total Primary Government
Property taxes	\$1,196,712	\$498,231	\$ -	\$ 498,231	\$1,694,943	\$ -	\$ -	\$ -	\$ -	\$1,694,943	\$ -
Hotel/Motel taxes	-	-	-	132,475	132,475	-	-	-	-	132,475	-
Trade	412,371	-	-	-	412,371	4,016,157	1,513,220	16,233	5,545,610	5,957,981	7,356
Ambulance fees	1,964,032	-	-	-	1,964,032	-	-	-	-	1,964,032	-
Sales taxes	816,521	-	-	-	816,521	-	-	-	-	816,521	204,130
Other governments	<u>136,406</u>	<u>-</u>	<u>781,298</u>	<u>781,298</u>	<u>917,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,704</u>	<u>-</u>
Gross receivables	4,526,042	498,231	781,298	1,412,004	5,938,046	4,016,157	1,513,220	16,233	5,545,610	11,483,656	211,486
Less allowance for uncollectibles	<u>(1,571,646)</u>	<u>(135,843)</u>	<u>-</u>	<u>(135,843)</u>	<u>(1,707,489)</u>	<u>(964,473)</u>	<u>(512,254)</u>	<u>-</u>	<u>(1,476,727)</u>	<u>(3,184,216)</u>	<u>-</u>
Net total receivable	<u>\$2,954,396</u>	<u>\$362,388</u>	<u>\$781,298</u>	<u>\$1,276,161</u>	<u>\$4,230,557</u>	<u>\$3,051,684</u>	<u>\$1,000,966</u>	<u>\$16,233</u>	<u>\$4,068,883</u>	<u>\$ 8,299,440</u>	<u>\$211,486</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE D - RECEIVABLES - Continued**

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

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

As an inducement to expand their business operations to the City's Industrial Park, the Economic Development Corporation of Weslaco (EDC), accepted notes from various businesses. These notes are for cash loans, and sale of industrial park lots. The loans carry various credits 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 goods 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 EDC at September 30, 2015:

Loan to AC/DC Signs	\$ 68,067
Loan to Dos Logistics	95,000
Loan to Mid Valley Trailer	116,750
Loan to Downtown Properties	101,515
Loan to CiL Properties	158,633
Promissory note from LRGVDC (building sale)	1,508,048
Promissory note from SDI Weslaco Holdings, Inc.	<u>1,371,108</u>
Total notes receivable	<u>\$3,419,121</u>

Total note receivable from SDI Weslaco Holdings, LLC (SDI) was \$2,300,000 at 8% interest rate. 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 \$2,300,000 of the \$3,300,000 project. In the current year, the City of Weslaco paid \$222,050 under the 380 Agreement.

*Notes with Economic Incentives*

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 unavailable revenue.

That is to control compliance with the agreements. The long-term note receivable principal payments are recognized as revenues, with equal off-set to unavailable revenue. Note balances had equal unavailable revenue at September 30, 2015.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 is as follows:

	<u>Restated Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,925,705	\$ -	\$ -	\$ 3,925,705
Construction-in-progress	<u>761,652</u>	<u>3,589,553</u>	<u>-</u>	<u>4,351,205</u>
Total capital assets, not being depreciated	4,687,357	3,589,553	-	8,276,910
Capital assets being depreciated				
Buildings	17,371,818	-	-	17,371,818
Equipment	12,962,425	987,663	-	13,950,088
Improvements	37,068,147	120,538	-	37,188,685
380 Agreements Infrastructure	<u>7,629,307</u>	<u>-</u>	<u>-</u>	<u>7,629,307</u>
	75,031,697	1,108,201	-	76,139,898
Less accumulated depreciation for				
Buildings	6,078,051	434,295	-	6,512,346
Equipment	5,965,499	678,147	-	6,643,646
Improvements	<u>20,061,588</u>	<u>1,206,040</u>	<u>-</u>	<u>21,267,628</u>
	<u>32,105,138</u>	<u>2,318,482</u>	<u>-</u>	<u>34,423,620</u>
Total capital assets being depreciated, net	<u>42,926,559</u>	<u>(1,210,281)</u>	<u>-</u>	<u>41,716,278</u>
Governmental activities, capital assets, net	<u>\$47,613,916</u>	<u>\$ 2,379,272</u>	<u>\$ -</u>	<u>\$49,993,188</u>

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

Governmental activities	
General government	\$ 455,404
Public Safety	258,621
Emergency Medical Services	84,557
Public Works	1,102,375
Culture and Recreation	<u>417,525</u>
	<u>\$2,318,482</u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE E – CAPITAL ASSETS - Continued**

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reclassification</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities</b>					
<b>Capital assets not being depreciated</b>					
Land	\$ 2,551,870	\$ -	\$ -	\$ -	\$ 2,551,870
Construction in progress	<u>38,554,647</u>	<u>11,616,777</u>	<u>(434,068)</u>	<u>-</u>	<u>49,737,356</u>
Total capital assets not being depreciated	41,106,517	11,616,777	(434,068)	-	52,289,226
<b>Capital assets being depreciated</b>					
Buildings	1,010,863	-	668,781	-	1,679,644
Equipment	8,327,098	378,019	-	(16,580)	8,688,537
Improvements	<u>69,796,441</u>	<u>80,850</u>	<u>(234,713)</u>	<u>-</u>	<u>69,642,578</u>
Total capital assets being depreciated	79,134,402	458,869	434,068	(16,580)	80,010,759
<b>Less accumulated depreciation for</b>					
Building	592,878	22,731	668,781	-	1,284,390
Equipment	6,925,193	330,013	48,175	(16,580)	7,286,801
Improvements	<u>26,319,196</u>	<u>2,435,124</u>	<u>(716,956)</u>	<u>-</u>	<u>28,037,364</u>
Total accumulated depreciation	<u>33,837,267</u>	<u>2,787,868</u>	<u>-</u>	<u>(16,580)</u>	<u>36,608,555</u>
Total capital asset being depreciated, net	<u>45,297,135</u>	<u>(2,328,999)</u>	<u>434,068</u>	<u>-</u>	<u>43,402,204</u>
Business-type activities capital assets, net	<u>\$86,403,652</u>	<u>\$ 9,287,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$95,691,430</u>

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

<b>Business-type activities</b>	
Water and wastewater	\$2,549,266
Solid waste	43,219
Airport	<u>195,383</u>
Total depreciation expense – business-type activities	<u>\$2,787,868</u>

<b>Component Unit</b>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Reclassifications</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated:</b>					
Land	\$ 19,709	\$ -	\$ -	\$ -	\$ 19,709
Construction in progress	<u>-</u>	<u>9,049</u>	<u>-</u>	<u>-</u>	<u>9,049</u>
	19,709	9,049	-	-	28,758
<b>Capital assets, being depreciated:</b>					
Buildings	2,181,286	-	-	-	2,181,286
Machinery and equipment	<u>167,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,655</u>
	2,348,941	-	-	-	2,348,941
Less accumulated depreciation	<u>264,871</u>	<u>70,204</u>	<u>-</u>	<u>-</u>	<u>335,075</u>
Total capital assets, being depreciated, net	<u>2,084,070</u>	<u>(70,204)</u>	<u>-</u>	<u>-</u>	<u>2,013,866</u>
Governmental activities, capital assets, net	<u>\$2,103,779</u>	<u>\$ (61,155)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,042,624</u>

Depreciation of \$70,204 was charged to general government functions.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT**

**Business-Type Activities Long-Term Debt**

\$21,871,000 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%	\$19,230,000
\$1,075,082 General Obligation Refinancing Bonds, Series 2010, (Target Savings) due in annual installments varying From \$97,092 to \$138,852 through February 19, 2019 bearing interest at 3.1%	529,307
\$2,845,000 Waterworks and Sewer Systems Revenue Refunding Bond, Series 2010, due in annual installments Varying from \$375,000 to \$440,000 through December 1, 2018, bearing interest at 3.19%.	1,290,000
\$24,335,000 Tax and Revenue Certificate of Obligation, Series 2012, dated January 15, 2012, due in annual installments varying from \$1,345,000 to \$2,305,000 through February 15, 2032, bearing interest rates of 4.00% to 5.00%.	24,335,000
\$8,500,000 Tax Notes, Series 2011, dated December 28, 2011, due in annual installments from \$460,000 to \$2,000,000 through February 15, 2018, bearing interest rate of 2.75%.	6,545,000
\$9,075,000 Tax and Revenue Certificate of Obligation, Series 2014, dated March 1, 2014, due in annual installments varying from \$75,000 through \$1,355,000 through February 15, 2034.	<u>9,075,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$61,004,307</u>

**Governmental Activities Bonded Debt**

Governmental Bonded Debt as of September 30, 2015 is as follows:

*Bonds*

\$6,105 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%	\$ 4,900,000
\$4,064,918 General Obligation Refinancing Bond, Series 2010, (Target Savings), due in annual installments of \$367,908 to \$526,148 through February 19, 2019, bearing interest rates at 3.1%	2,006,250
\$11,915,000 Limited Tax Refunding Bonds, Series 2012, Dated August 15, 2013, due in annual installments varying from \$980,000 to \$1,470,000 through February 15, 2023, bearing interest rates of 2.00% to 3.00%.	9,665,000
\$6,750,000 Tax and Revenue Certificate of Obligation, Series 2013, dated September 19, 2013, due in annual installments varying from \$90,000 to \$570,000 through August 15, 2033, bearing interest rates of 2.00% to 5.00%.	<u>6,545,000</u>
Total Governmental Activities Bonded Debt	<u>\$23,116,250</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT - Continued**

*Capital Leases*

\$1,975,184 Municipal lease agreement, dated December 12, 2013. The terms of the note include monthly payments of \$34,880 beginning January 14, 2014, continuing until December 14, 2019. The note was used to purchase machinery and equipment.	\$1,309,528
\$326,727 Frost Municipal lease agreement dated May 5, 2015. The terms of the capital lease include monthly payments of \$5,761 beginning June 2015. The lease was used to purchase equipment.	306,064
\$331,572 Kansas State Bank lease agreement dated September 15, 2015. The terms of the capital lease include annual payments of \$69,968 beginning January 2016. The lease was used to purchase equipment.	<u>331,572</u>
Total Governmental Activities Capital Lease Debt	<u>\$1,947,164</u>

**Component Unit Long-Term Debt**

Component Unit Long-Term Debt as of September 30, 2015 is as follows:

\$1,155,000 Economic Development Sales Tax Revenue Bonds, Series 2012, due in annual installments not exceeding \$130,000 beginning February 15, 2013 through August 15, 2023, interest rate of 2.60%.	\$ 950,000
\$1,090,000 Economic Development Sales Tax Revenue Bonds, Series 2011A, due in annual installments varying from \$260,000 to \$280,000 beginning February 15, 2014 through February 15, 2019, interest at 4.47%	560,000
\$1,290,000 Economic Development Sales Tax Revenue Bonds, Series 2011B, due in annual installments varying from \$150,000 to \$335,000 beginning February 15, 2017 through 2021, interest rate of 3.84%.	1,290,000
\$2,870,000 Economic Development Sales Tax Revenue Refunding Bond Series 2012, due in annual installments not Exceeding \$305,000 beginning February 15, 2013 through February 15, 2023, with interest of 3.40%.	<u>2,165,000</u>
Total Revenue Bonds	4,965,000
A note dated May 6, 2009 and payable to BBVA 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, 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 meet its obligations under its existing SDI Weslaco Holdings, LLC. Construction Loan Agreement and Amended Development Agreement.	<u>344,817</u>
Total Component Unit Revenue Bonds and Notes Payable	<u>\$5,309,817</u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT - Continued**

Transactions for the year ended September 30, 2015 are summarized as follows:

	Balance <u>October 1</u>	Issues or <u>Additions</u>	Payments or <u>Expenditures</u>	Balance <u>September 30</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 2,469,102	\$ -	\$ 462,852	\$ 2,006,250	\$ 474,720
Certifications of Obligation	22,425,000	-	1,315,000	21,110,000	1,370,000
Capital leases	1,693,177	658,299	404,312	1,947,164	420,000
Bond premium	563,767	-	46,957	516,810	-
380 Agreement Infrastructure	4,714,552	-	619,947	4,094,605	-
Compensated absences	2,026,934	1,088,777	932,958	2,182,753	218,275
Municipal net pension liability	2,785,305	312,533	-	3,097,838	-
Firemen's net pension liability	<u>3,541,693</u>	<u>672,311</u>	<u>-</u>	<u>4,214,004</u>	<u>-</u>
Total Governmental Activities	40,219,530	2,731,920	3,782,026	39,169,424	2,482,995
<b>Business-Type Activities</b>					
General Obligation Bonds	651,744	-	122,436	529,308	125,280
Revenue Bonds Payable	35,110,000	-	410,000	34,700,000	420,000
Certificate of Obligation	19,990,000	-	760,000	19,230,000	795,000
Bond discount	(16,766)	-	(1,290)	(15,476)	-
Bond premium	1,800,465	-	101,325	1,699,140	-
Tax notes	7,735,000	-	1,190,000	6,545,000	1,735,000
Compensated absences	186,145	73,323	94,223	165,245	18,144
Customer deposits	943,214	68,735	-	1,011,949	-
Landfill closure	621,812	-	47,319	574,493	-
Municipal net pension liability	<u>496,973</u>	<u>55,764</u>	<u>-</u>	<u>552,737</u>	<u>-</u>
Total Business-Type Activities	<u>67,518,587</u>	<u>197,822</u>	<u>2,724,013</u>	<u>64,992,396</u>	<u>3,093,424</u>
Total Primary Government	<u>\$107,738,117</u>	<u>\$ 2,929,742</u>	<u>\$ 6,506,039</u>	<u>\$104,161,820</u>	<u>\$ 5,576,419</u>
<b>Component Unit</b>					
Revenue bonds	\$ 5,570,000	\$ -	\$ 605,000	\$ 4,965,000	\$ 630,000
Notes payable	<u>495,444</u>	<u>-</u>	<u>150,627</u>	<u>344,817</u>	<u>344,817</u>
Total Component Unit	<u>\$ 6,065,444</u>	<u>\$ -</u>	<u>\$ 755,627</u>	<u>\$ 5,309,817</u>	<u>\$ 974,817</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.

No General Obligation Bonds or Certificates of Obligation were issued for the fiscal year ended September 30, 2015.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT - Continued**

*Revenue Bonds*

Water and Wastewater 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 wastewater 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, 2015.

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.

No Revenue Bonds were issued for the fiscal year ended September 30, 2015.

*Tax Notes*

On March 1, 2014, the City issued the Tax and Revenue Certificate of Obligation Note, Series 2014 for \$9,075,000. The proceeds of the certificate will be used for financing, the design construction, equipping, renovation, and/or rehabilitation of the City's Waterworks and Wastewater Systems.

*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 Bonds Refunding*

No refunding bonds were issued for the fiscal year ended September 30, 2015.

*Bond Authorized and Unissued*

At September 30, 2015, the City had no General Obligations Bonds and Revenue Bonds which were authorized and unissued.

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT - Continued**

The following table summarizes the restricted cash and investments as of September 30, 2015:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Component Unit</u>
<b>Restricted</b>				
Cash and cash equivalents				
Cash restricted for construction	\$ 916,275	\$6,041,257	\$6,957,532	\$ 924,883
Cash restricted for PEG fee collection	206,320	-	206,320	-
Cash restricted for bond retirement	-	1,305,881	1,305,881	-
Cash restricted for customer utility deposits	-	978,627	978,627	-
Cash in escrow	-	<u>317,223</u>	<u>317,223</u>	<u>5,500</u>
<b>Total</b>	<u>\$1,122,595</u>	<u>\$8,642,988</u>	<u>\$9,765,583</u>	<u>\$ 930,383</u>
<b>Investments</b>				
Restricted for bond reserve	\$ -	\$ -	\$ -	<u>\$ 695,256</u>

Debt service requirements to maturity for governmental activities and business-type activities are as follows:

**General Obligation Bonds**

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 474,720	\$ 54,818	\$ 125,280	\$ 14,467	\$ 669,285
2017	494,500	39,795	130,500	10,503	675,298
2018	510,324	24,220	134,676	6,392	675,612
2019	<u>526,706</u>	<u>8,155</u>	<u>138,852</u>	<u>2,152</u>	<u>675,865</u>
<b>Total</b>	<u>\$2,006,250</u>	<u>\$ 126,988</u>	<u>\$ 529,308</u>	<u>\$ 33,514</u>	<u>\$2,696,060</u>

**Certificate of Obligations**

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 1,370,000	\$ 765,861	\$ 795,000	\$ 927,702	\$ 3,858,563
2017	1,405,000	720,492	830,000	893,668	3,849,160
2018	1,450,000	671,842	870,000	853,193	3,845,035
2019	1,500,000	619,773	1,390,000	793,868	4,303,641
2020	2,090,000	562,492	1,605,000	719,663	4,977,155
2021-2025	8,365,000	1,873,499	9,310,000	2,314,973	21,863,472
2026-2030	3,295,000	789,825	4,430,000	224,250	8,739,075
2031-2033	<u>1,635,000</u>	<u>166,000</u>	<u>-</u>	<u>-</u>	<u>1,801,000</u>
<b>Total</b>	<u>\$21,110,000</u>	<u>\$6,169,784</u>	<u>\$19,230,000</u>	<u>\$6,727,317</u>	<u>\$53,237,101</u>

**Revenue Bonds**

Year Ending September 30,	<u>Business-type Activities</u>				<u>Total</u>
	<u>Revenue Bonds</u>		<u>Tax Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 420,000	\$ 1,493,933	\$1,735,000	\$ 179,987	\$ 3,828,920
2017	430,000	1,480,377	2,190,000	132,276	4,232,653
2018	440,000	1,466,500	2,620,000	72,050	4,598,550
2019	1,420,000	1,459,482	-	-	2,879,482
2020	1,465,000	1,417,632	-	-	2,882,632
2021-2025	7,995,000	6,377,964	-	-	14,372,964
2026-2030	12,950,000	4,275,414	-	-	17,225,414
2031-2034	<u>9,580,000</u>	<u>911,116</u>	<u>-</u>	<u>-</u>	<u>10,491,116</u>
<b>Total</b>	<u>\$34,700,000</u>	<u>\$18,882,418</u>	<u>\$6,545,000</u>	<u>\$ 384,313</u>	<u>\$60,511,731</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – LONG-TERM DEBT – Continued**

Debt service requirements to maturity for the component unit are as follows:

Year Ending September 30,	Revenue Bonds		Tax Note		Total
	Principal	Interest	Principal	Interest	
2016	\$ 630,000	\$ 222,310	\$ 344,817	\$ 12,537	\$1,209,664
2017	655,000	172,306	-	-	827,306
2018	675,000	120,344	-	-	795,344
2019	690,000	66,361	-	-	756,361
2020	720,000	30,544	-	-	750,544
2021	740,000	14,687	-	-	754,687
2022	420,000	5,005	-	-	425,005
2023	435,000	1,690	-	-	436,690
Total	<u>\$4,965,000</u>	<u>\$ 633,247</u>	<u>\$344,817</u>	<u>\$ 12,537</u>	<u>\$5,955,601</u>

The following is a schedule of the future minimum lease payments under capital leases as of September 30, 2015:

**Capital Leases**

Year Ending September 30,	Municipal Lease		Frost Municipal		Kansas State Bank Lease		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 392,567	\$ 25,998	\$ 62,921	\$ 6,212	\$ 67,338	\$ 2,630	\$ 557,666
2017	401,692	16,873	64,345	4,788	63,784	6,184	557,666
2018	411,028	7,536	65,802	3,332	65,277	4,690	557,665
2019	104,241	400	67,291	1,843	66,805	3,164	243,744
2020	-	-	45,705	385	68,368	1,600	116,058
Total	<u>\$1,309,528</u>	<u>\$ 50,807</u>	<u>\$ 306,064</u>	<u>\$ 16,560</u>	<u>\$ 331,572</u>	<u>\$ 18,268</u>	<u>\$2,032,799</u>

**NOTE G - 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, 2013 was levied using a rate of \$.6867 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, 2015**

**NOTE G - 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, 2014, were 94.33% 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, 2015, the City had a tax margin of \$1.8133 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, 2015**

**NOTE H - INTERFUND RECEIVABLES AND PAYABLES**

Inter-fund balances at September 30, 2015 consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
<b>Governmental Funds</b>		
General Fund	\$ 24,897	\$ 15,287
Airport Fund	207,446	-
Debt service fund	<u>-</u>	<u>16,959</u>
	232,343	32,246
<b>Debt Service Fund</b>		
General Fund	<u>16,959</u>	<u>-</u>
	16,959	-
<b>2013 Certificate of Obligation Construction Fund</b>		
General fund	-	9,610
Water and wastewater fund	<u>208,056</u>	<u>394,679</u>
	<u>208,056</u>	<u>404,289</u>
 Total governmental funds	 <u>\$ 457,358</u>	 <u>\$ 436,535</u>
<b>Enterprise Funds</b>		
<i><b>Water and Wastewater Fund</b></i>		
Funds within water and wastewater fund	\$ 3,313	\$ 3,313
2013 Certificates of Obligation Construction Fund	394,679	208,056
Solid waste fund	<u>87,035</u>	<u>2,000,000</u>
	485,027	2,211,369
<i><b>Solid Waste Fund</b></i>		
Water and wastewater fund	2,000,000	87,035
<i><b>Airport Fund</b></i>		
General Fund	<u>-</u>	<u>207,446</u>
Total Enterprise Funds	<u>\$2,485,027</u>	<u>\$2,505,850</u>

**NOTE I – OPERATING TRANSFERS**

Operating transfers at September 30, 2015 consisted of the following:

<b>Governmental Funds</b>	<u>In</u>	<u>Out</u>
<i><b>General Fund</b></i>		
Funds within general fund	\$1,169,014	\$1,169,014
Capital improvement program	-	500,000
Internal Service fund	-	591,744
Airport fund	<u>-</u>	<u>200,000</u>
	1,169,014	2,460,758
<i><b>Other Governmental Funds</b></i>		
Solid waste	750,000	-
General fund	<u>500,000</u>	<u>-</u>
	<u>1,250,000</u>	<u>-</u>
Total governmental funds	<u>\$2,419,014</u>	<u>\$2,460,758</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE I – OPERATING TRANSFERS - Continued**

	In	Out
<b>Enterprise Funds</b>		
<i><b>Solid Water Fund</b></i>		
Capital Improvement Fund	\$ -	\$ 750,000
<i><b>Airport Fund</b></i>		
General Fund	<u>200,000</u>	<u>-</u>
Total enterprise funds	<u>\$ 200,000</u>	<u>\$ 750,000</u>
<i><b>Internal Service Fund</b></i>		
General Fund	<u>\$ 591,744</u>	<u>\$ -</u>

**NOTE J – PENSION PLAN - TMRS**

***Plan Description***

The City of Weslaco participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

***Benefits Provided***

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

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE J – PENSION PLAN – TMRS - Continued**

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5,0/20	60/5,0/20
Updated service credit	50% repeating transfers	50% repeating transfers
Annuity increase (to retirees)	30% of CPI repeating	30% of CPI repeating

***Employees covered by benefit terms***

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	135
Active employees	<u>207</u>
	<u>487</u>

***Contributions***

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

Employees for the City of Weslaco, Texas were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.58% and 6.59% in calendar 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$562,443 and were equal to the required contributions.

***Net Pension Liability***

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE J – PENSION PLAN – TMRS - Continued**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009 first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE J – PENSION PLAN – TMRS – Continued**

***Schedule of Changes in Net Pension Liability***

The change in the City’s net pension liability for TMRS pension for the fiscal year ended September 30, 2015 is as follows:

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) – (b) Net Pension Liability
Balance at December 31, 2013	\$36,193,584	\$32,911,306	\$3,282,278
Changes for the year			
Service cost	1,162,103	-	1,162,103
Interest	2,504,972	-	2,504,972
Change in benefit terms	-	-	-
Difference between expected/actual experience	(303,648)	-	(303,648)
Changes of assumptions	-	-	-
Contributions – employer	-	542,202	(542,202)
Contributions – employee	-	591,732	(591,732)
Net investment income	-	1,882,469	(1,882,469)
Benefit payments, including refunds of employee contributions	(1,978,636)	(1,978,636)	-
Administrative expenses	-	(19,657)	19,657
Other charges	-	(1,616)	1,616
Net changes	<u>1,384,791</u>	<u>1,016,494</u>	<u>368,297</u>
Balance at December 31, 2014	<u>\$37,578,375</u>	<u>\$33,927,800</u>	<u>\$ 3,650,575</u>

Net pension liability amounts are allocated between the governmental activities and business-type activities in the statement of net position by \$3,097,838 and \$552,737, respectively.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City’s net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City’s net pension liability	<u>\$8,478,100</u>	<u>\$3,650,575</u>	<u>\$(1,152,659)</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE J – PENSION PLAN - TMRS – Continued**

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

For the year ended September 30, 2015 the City recognized pension expense in the amount of \$811,035. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$237,594
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings (net of current year amortization)	337,058	-
Contributions subsequent to the measurement date	<u>413,493</u>	<u>-</u>
Total	<u>\$750,551</u>	<u>\$237,594</u>

Deferred outflows/inflows of resources related to pensions are allocated between the governmental activities and business-type activities in the statement of net position. Please see Note M for the allocation of deferred outflows/inflows of resources related to pensions.

\$413,493 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>City</u>
Year Ended December 31,	
2015	\$(18,210)
2016	(18,210)
2017	(18,210)
2018	(44,834)

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – FIREMEN’S PENSION PLAN**

***Plan Description***

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

A stand-alone report for the Firemen’s Relief and Retirement fund is publicly available at City Hall located at 255 S. Kansas Avenue, Weslaco, Texas 78596, and complies with GASB Statement No. 67 *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25.

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	33
Current employees	<u>66</u>
Total	<u>99</u>

The Firemen’s Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits vest after twenty years of credited service. Employees may retire at age 55 with twenty years of service. The monthly benefit at retirement is equal to a base benefit of 2.35% of the highest 60-month average salary multiplied by his years of service, with a maximum of 20 years, but not less than \$1,000; plus a longevity benefit equal to \$120 for each year of service in excess of 20 years. Under this plan, Weslaco firefighters are required to contribute 12% of their pay to the fund. The City of Weslaco is required to make contributions which will equal 12% of pay.

The City of Weslaco Firemen’s Relief and Retirement Plan was organized under the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA allows for paid and part-paid fire departments and volunteer fire departments in participating cities to administer their own local retirement systems. The Act provides a general framework for the establishment of TLFFRA systems, including some investment restrictions, but leaves administration, plan design, contributions, and specific investments to each system’s local board. Systems operating under TLFFRA are entirely locally funded.

In 2013 the Office of the Fire Fighter’s Pension Commissioner was abolished under the Senate Bill 220 by the Texas Sunset Commission. Accordingly, the duties and responsibilities assigned to the Commissioner were transferred to the Texas Pension Review Board (PRB).

The Texas Pension Review Board (PRB) is mandated to oversee all Texas public retirement systems, both state and local, in regard to their actuarial soundness and compliance with state law. The PRB monitors the financial and actuarial soundness of 93 actuarially funded defined benefit public retirement systems in Texas, as well as their compliance with state law.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – FIREMEN’S PENSION PLAN - Continued**

***Summary of Significant Accounting Policies and Plan Asset Matters***

*Basis of Accounting*

The Weslaco Firemen’s Relief and Retirement Fund’s financial statements are prepared using the accrual basis of accounting. The fund’s fiscal year is a calendar year and employee and employer contributions are recognized as revenue in the period in which they are received by the fund.

*Method Use to Value Investments*

The Weslaco Firemen’s Relief and Retirement Fund’s investments are reported at fair market value. There is no provision for the amortization of premium or discount in the purchase price of these assets. Investment income is recognized as it is received. Gains and losses on the sale of assets are recognized as of the transaction date.

***Net Pension Liability***

The City’s Net Pension Liability (NPL) for the Firemen’s Fund was measured as of September 30, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

Valuation date	September 30, 2015
Actuarial cost method	Entry age - normal
Amortization method	open period, level percent of payroll
Remaining amortization period	15.97 years, closed
Asset valuation method	market value
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	5.5%
Includes inflation at	none
Cost of living adjustments	none

There were no changes to methods since the prior valuation. The mortality assumption was updated to the RP-2014 blue collar mortality tables with the MP-214 longevity improvement scales.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed 2.5%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocations as of December 31, 2014 are summarized in the following table:

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – FIREMEN’S PENSION PLAN - Continued**

<u>Asset Class</u>	Long-term Expected Real Rate of Return <u>(Arithmetic)</u>
Equity	6.0%
Fixed Income	4.0%
Cash	0.0%

*Discount rate:* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution would equal the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all period of benefit payments to determine the total pension liability.

***Schedule of Changes in Net Pension Liability***

The change in net pension liability for the Firemen’s Fund for the fiscal year ended September 30, 2015 is as follows:

	<u>Increase (Decrease)</u>		
	(a) <u>Total Pension Liability</u>	(b) <u>Plan Fiduciary Net Position</u>	(a) – (b) <u>Net Pension Liability(Asset)</u>
Balance at September 30, 2014	\$12,059,988	\$8,518,295	\$3,541,693
Changes for the year			
Service cost	398,097	-	398,097
Interest	845,051	-	845,051
Contributions – employer	-	394,360	(394,360)
Contributions – employee	-	388,865	(388,865)
Net investment income	-	(127,198)	127,198
Benefit payments, including refunds of employee contributions	(833,923)	(833,923)	-
Administrative expenses	-	(85,190)	85,190
Other charges	-	-	-
Net changes	<u>409,225</u>	<u>(263,086)</u>	<u>672,311</u>
Balance at September 30, 2015	<u>\$12,469,213</u>	<u>\$8,255,209</u>	<u>\$4,214,004</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – FIREMEN’S PENSION PLAN - Continued**

***Sensitivity of the Net Pension Liability to Changes in the Discount rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.25% as well as what the City's net pension liability would be if it were to be calculated using the discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease in Discount Rate (6.25)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
City’s net pension liability	<u>\$6,126,915</u>	<u>\$4,214,004</u>	<u>\$2,669,997</u>

For the year ended September 30, 2015 the city recognized pension expense in the amount of \$672,311.

**NOTE L – OTHER POST-EMPLOYMENT BENEFITS**

***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.

***Other Postemployment Benefits***

The City does not pay any postemployment benefits and no unfunded actuarial accrued liabilities are required under GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE M - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The statement of net position reports deferred outflows of resources in connection to the consumption of net position that applies to a future period. The components of deferred outflows of resources are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Deferred outflows of resources				
Deferred outflows related to pension	\$636,909	\$113,642	\$750,551	\$ -
Deferred outflow related to interest rate swap	<u>-</u>	<u>-</u>	<u>-</u>	<u>965</u>
Total deferred outflows of resources	<u>\$636,909</u>	<u>\$113,642</u>	<u>\$750,551</u>	<u>\$ 965</u>

In addition to deferred outflows of resources the governmental activities reported \$19,600 in unearned revenue related to grants.

The statement of net position reports deferred inflows of resources in connection to an acquisition of net position that applies to a future period. The components of deferred inflows of resources are as follows:

Deferred inflows related to pensions in governmental activities and business-type activities were \$201,620 and \$35,975, respectively.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The City reported deferred inflows of resources as of September 30, 2015 as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit</u>
Deferred inflows of resources				
Unavailable revenues – property taxes	\$673,225	\$291,056	\$964,281	\$ -
Unavailable revenues – notes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,419,121</u>
Total deferred inflows of resources	<u>\$673,225</u>	<u>\$291,056</u>	<u>\$964,281</u>	<u>\$3,419,121</u>

**NOTE N - 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 discretely presented component unit.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE O - 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, \$574,492 was estimated as a closure and post-closure cost. The transfer station, underground petroleum storage tanks, closure and post-closure costs were estimated at \$146,577. The landfill has been closed and post-closure costs liability is estimated at \$574,492. These costs are currently reflected in the financial statements of the Solid Waste 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, 2015. The post-closure costs include lab tests, gas monitoring, leachate disposal and general monitoring maintenance during its inactive status.

**NOTE P – COMMITMENTS**

The Economic Development Corporation of Weslaco extended economic incentives to the following entities as follows:

<u>Incentives</u>	<u>Commitment</u>	<u>Paid in Prior Year</u>	<u>Paid in Current Year</u>	<u>Balance Due</u>
Becknell Development (L & W)	\$ 250,000	\$ 194,443	\$ 55,557	\$ -
TD Industries	71,000	50,600	10,200	10,200
Mayan-Kahn's Grill	150,000	-	75,000	75,000
Motion Industries	56,000	21,000	15,000	20,000
Mission Foods	60,000	27,500	10,000	22,500
Wal-Mart 900,000	900,000	-	150,000	750,000
RMH Franchise (Apple Bee's)	120,000	60,000	60,000	-
RGV Word	22,500	18,170	-	4,330
LF Trinity MEP Engineering	40,000	22,500	-	17,500
Payne Auto Group (GMC)	275,000	110,000	55,000	110,000
Payne Auto Group (Chevy)	275,000	110,000	55,000	110,000
Payne Auto Group (Ford)	275,000	27,500	55,000	192,500
Hermes Trading Co.	200,000	87,500	67,000	45,500
Nolana Self Storage (Sarina/MTL 6)	300,000	150,000	150,000	-
CI Logistics	200,000	150,000	50,000	-
Mid Valley Trailer Repair	116,750	-	-	116,750
BPMP (Chick-Fil-A/Blue Wave)	500,000	-	100,000	400,000
Pop Holdings, LP (Popeye's)	50,000	25,000	25,000	-
	<u>\$3,861,250</u>	<u>\$1,054,213</u>	<u>\$ 932,757</u>	<u>\$1,874,280</u>

Subsequent year balances of \$1,874,280 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, 2015**

**NOTE Q - RISK MANAGEMENT**

The City is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, citizens and the general public; and natural disasters. During fiscal year 2015, the City purchased group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City also purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits. There were no significant reductions in insurance coverage from coverage in the prior year by major category risk. In addition, there were no material insurance settlements exceeding insurance coverage in any of the past three years.

**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, 2014 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.

The City is involved in litigation claims against it from time to time that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements for these contingent liabilities.

**NOTE S - 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.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE S - 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENT - Continued**

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

<u>Agreement</u>	<u>Total Payments</u>	<u>Payments</u>		<u>Balance</u>
		<u>Prior Years</u>	<u>Current Year</u>	
SDI Weslaco Holdings, LLC	\$3,213,255	\$1,361,544	\$318,580	\$1,533,131
HEB Grocery Company, LP	4,177,173	1,352,927	262,772	2,561,474
Lowe's Home Center, INc.	<u>238,879</u>	<u>200,284</u>	<u>38,595</u>	-
Total	<u>\$7,629,307</u>	<u>\$2,914,755</u>	<u>\$619,947</u>	<u>\$4,094,605</u>

**Sales Tax Rebate Agreements**

In addition to the Chapter 380 Agreements, 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 April 1, 2011. Total amount reimbursed sales tax proceeds to date is \$2,761,891, of which \$593,849 is current proceeds reimbursed. Total rebates balance owed is \$2,488,109.

**NOTE T - RESTATEMENT OF NET POSITION / PRIOR PERIOD ADJUSTMENT**

***Change in Accounting Principle***

During fiscal year 2015, the City of Weslaco adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB Statement No. 68, the City must recognize their Net Pension Liability of the defined benefit retirement plan through the Texas Municipal Retirement System (TMRS). Adoption of GASB 68 required a prior period adjustment to report the effect of the change in accounting principle retroactively.

The effect of the prior period adjustment in these financial statements was to restate beginning net position at October 1, 2013. In addition, pension contributions previously reported in fiscal year 2014 as personnel services expense were reclassified to a deferred outflow of resources on the statement of net position. The overall effect of these adjustments is to decrease ending net position as of September 30, 2014. The summary below details the adjustments to beginning net position.

***De-blending of Component Unit***

During fiscal year 2015 it was determined by management that the Economic Development Corporation of Weslaco, Texas met the criteria for presenting as a discretely presented component unit. The de-blending of the component unit required a prior period adjustment to reflect the change in reporting entity retroactively. The overall effect of this adjustment is summarized below.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE T - RESTATEMENT OF NET POSITION / PRIOR PERIOD ADJUSTMENT - Continued**

***Other adjustments***

Other adjustments were necessary to various accounts of governmental funds and business-type activities. The restatements required a prior period adjustment to report the effect of the correction of errors retroactively. The overall effect of these adjustments are summarized below.

***Summary***

The following table list the prior period restatements made to the City's financial statements as of September 30, 2015:

	<u>Governmental Funds</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
<b>Prior period restatement of fund balance</b>				
Adjustment to de-blend the Economic Development Corporation and report as a discretely presented component unit	\$(3,865,773)	\$(3,865,773)	\$ -	\$ -
Adjustment to fund balance to reflect amounts committed for construction of the Boys & Girls Club	910,601	910,601	-	-
Adjustment to reflect interest earned on Marion Booth Endowment Fund	(1,300)	(1,300)	-	-
Adjustment for payment reflected Chapter 380 Agreement in prior year	101,458	101,458	-	-
To adjust deferred inflows of resources for noncurrent notes receivable at the governmental fund level	-	-	-	(182,263)
<b>Prior period restatement of net position</b>				
Adjustment to de-blend the Economic Development Corporation and report as a discretely presented component unit	-	836,222	-	-
Adjustment to correct construction in progress amounts related to the Airport fund	-	-	67,521	-
Adjustment to correct accounts payable balance of the solid waste fund	-	-	330,768	-
Adjustment to record deferred outflows of resources for contributions made after the measurement date	-	345,904	61,718	-
To record beginning net pension liability – TMRS pension	-	(2,785,305)	(496,973)	-
To record beginning net pension liability – Firemen's pension	-	(3,541,693)	-	-
To remove capital assets reported in the City's Governmental Activities	-	-	-	(1,009,999)
To adjust deferred inflows of resources reported at the government-wide statement of net position	-	-	-	<u>211,750</u>
	<u>\$(2,855,014)</u>	<u>\$(7,999,886)</u>	<u>\$ (36,966)</u>	<u>\$ (980,512)</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE U – FUND BALANCES**

	General Fund	Debt Service	2013 Certificates of Obligation Construction Fund	Other Governmental Funds	Total	Component Unit
Nonspendable						
Inventories	\$ 34,790	\$ -	\$ -	\$ -	\$ 34,790	\$ -
Restricted for						
Street improvements and other capital projects	-	-	3,987,630	28,886	4,016,516	930,383
Tourism	-	-	-	369,432	369,432	-
Library activities	-	-	-	14,364	14,364	-
Debt service	-	1,112,428	-	-	1,112,428	695,256
Public safety	<u>466,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,288</u>	<u>-</u>
Restricted total	<u>466,288</u>	<u>1,112,428</u>	<u>3,987,630</u>	<u>412,682</u>	<u>5,979,028</u>	<u>1,625,639</u>
Assigned						
Assigned for capital projects	-	-	-	1,250,000	1,250,000	-
Assigned for development projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total assigned	-	-	-	1,250,000	1,250,000	60,000
Unassigned	<u>8,523,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,523,908</u>	<u>2,416,679</u>
	<u>\$9,024,986</u>	<u>\$1,112,428</u>	<u>\$3,987,630</u>	<u>\$1,662,682</u>	<u>\$15,787,726</u>	<u>\$4,102,318</u>

**NOTE V – NET POSITION**

Net position is composed of three categories: net investment in capital assets, restricted and unrestricted.

	Governmental Activities	Business-type Activities	Component Unit
Net investment in capital assets:			
Capital assets, net of accumulated depreciation	\$49,993,188	\$95,691,430	\$2,042,624
Less related liabilities	(29,674,829)	(62,688,261)	(2,240,000)
Plus unexpended bond proceeds	<u>-</u>	<u>5,972,195</u>	<u>924,883</u>
Net investment in capital assets	20,318,359	38,975,364	727,507
Restricted net position consists of the following:			
Debt service	1,403,484	1,305,881	695,256
Tourism	369,432	-	-
Library activities	14,364	-	-
Capital projects	<u>-</u>	<u>317,223</u>	<u>-</u>
Restricted net position	1,787,280	1,623,104	695,256
Unrestricted net position	<u>6,148,950</u>	<u>2,884,140</u>	<u>2,808,957</u>
Total net position	<u>\$28,254,589</u>	<u>\$43,482,608</u>	<u>\$4,231,720</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 7,272,563	\$ 7,272,563	\$ 7,586,388	\$ 313,825
Nonproperty taxes	10,311,250	10,311,250	10,634,422	323,172
Fees and charges	3,026,310	3,026,310	3,471,864	445,554
Fines and forfeitures	584,300	584,300	523,767	(60,533)
Licenses and permits	419,000	419,000	479,501	60,501
Intergovernmental	220,000	220,000	273,123	53,123
Investment income	11,000	11,000	20,372	9,372
Miscellaneous	281,520	281,520	390,917	109,397
<b>Total Revenues</b>	<u>22,125,943</u>	<u>22,125,943</u>	<u>23,380,354</u>	<u>1,254,411</u>
<b>Expenditures</b>				
Current:				
General government	5,652,552	5,725,860	5,991,720	(265,860)
Public safety	10,240,584	10,350,641	10,476,065	(125,424)
Public works	1,991,354	1,990,454	1,790,960	199,494
Culture and recreation	1,128,739	1,125,789	1,118,457	7,332
Economic development	847,543	847,543	593,849	253,694
Capital outlay	371,000	875,520	1,243,679	(368,159)
Debt service:				
Principal	705,801	705,801	640,610	65,191
Interest and fees	-	-	2,382	(2,382)
<b>Total Expenditures</b>	<u>20,937,573</u>	<u>21,621,608</u>	<u>21,857,722</u>	<u>(236,114)</u>
<b>Deficiency of revenues over expenditures</b>	1,188,370	504,335	1,522,632	1,018,297
<b>Other financing sources (uses):</b>				
Capital lease proceeds	-	350,000	658,299	308,299
Transfers in	1,550,465	1,550,465	1,169,014	(381,451)
Transfers out	2,440,465	2,940,465	(2,460,758)	479,707
<b>Total other financing sources (uses)</b>	<u>3,990,930</u>	<u>4,840,930</u>	<u>(633,445)</u>	<u>406,554</u>
<b>Net change in fund balances</b>	<u>\$ 5,179,300</u>	<u>\$ 5,345,265</u>	889,187	<u>\$ 1,424,851</u>
<b>Fund balances at beginning of year, as adjusted</b>			<u>8,135,799</u>	
<b>Fund balances at end of year</b>			<u>\$ 9,024,986</u>	

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

City of Weslaco, Texas  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
For the Year Ended September 30, 2015

	Municipal City	Fire
<b>Total Pension Liability</b>		
Service cost	\$1,162,103	\$ 398,097
Interest (on the total pension liability)	2,504,972	845,051
Changes of benefit terms	-	-
Difference between expected and actual experience	(303,648)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(1,978,636)</u>	<u>(833,923)</u>
Net change in total pension liability	1,384,791	409,225
Total pension liability – beginning	<u>36,193,584</u>	<u>12,059,988</u>
Total pension liability – ending (a)	<u>\$37,578,375</u>	<u>\$12,469,213</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	\$ 542,202	\$ 394,360
Contributions – employee	591,732	388,865
Net investment income	1,882,469	(127,198)
Benefit payments, including refunds of employee contributions	(1,978,636)	(833,923)
Administrative expense	(19,657)	(85,190)
Other	<u>(1,616)</u>	<u>-</u>
Net change in plan fiduciary net position	1,016,494	(263,086)
Plan fiduciary net position – beginning	<u>32,911,306</u>	<u>8,518,295</u>
Plan fiduciary net position – ending (b)	<u>\$33,927,800</u>	<u>\$ 8,255,209</u>
Net pension liability – ending (a) – (b)	<u>\$ 3,650,575</u>	<u>\$4,214,004</u>
Plan fiduciary net position as a percentage of total pension liability	90.29%	66.2%
Covered employee payroll	\$8,453,317	\$3,119,208
Net pension liability as a percentage of covered employee payroll	43.19%	135.1%

City of Weslaco, Texas  
**SCHEDULE OF CONTRIBUTIONS**  
 For the Year Ended September 30, 2015

	<u>Municipal City</u>	<u>Fire</u>
Actuarially determined contribution	\$ 562,443	\$ 379,251
Contributions in relation to actuarially determined contribution	<u>(562,443)</u>	<u>394,360</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>(15,109)</u>
Covered employee payroll	\$8,538,660	\$3,119,208
Contributions as a percentage of covered employee payroll	6.59%	12.64%

City of Weslaco, Texas  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
For the Year Ended September 30, 2015

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience – based table based on rates that are specific to the City’s plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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

City of Weslaco, Texas  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
September 30, 2015

***Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds, which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service and Special Revenue funds, as well as for the Water, Sewer and Solid Waste collection funds.

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

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

Revisions that alter individual expenditure category or department totals within a fund must be approved by the City Council. Therefore, the legal level of budgetary responsibility is the department level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, one budgetary revision was necessary.

***Expenditures Over Appropriations***

At September 30, 2015, expenditures in the following departments exceeded appropriations:

General government	(\$265,860)
Public safety	(\$125,424)
Capitalized items	(\$368,159)
Interest and fees	(\$2,382)

***General Government-*** reduction of pending litigation and settlement offers were not budgeted during the current fiscal year. In addition, the contractual obligation to pay invoices regarding the Valley Nature Center was never budgeted or amended during the current fiscal year.

***Public Safety-*** high amounts of overtime of public safety officers were approved during the current year. However, the budget was never adjusted to account for the additional wages.

***Capitalized items-*** multiple capitalized expenditures were authorized to ensure all departments were adequately supplied with tools and equipment needed to address multiple problem areas in the City. The additional capitalized expenditures were not reflected in the original or amended budget.

***Interest and fees-*** interest expense associated with capital leases entered into during the current year were not budgeted for.

**OTHER SUPPLEMENTARY  
INFORMATION**

**CITY OF WESLACO, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2015**

	Special Revenue Funds			Capital Projects Fund		
	Hotel/ Motel Tax	Library Fund	Economic Development Fund	2003 Certificate of Obligation Construction Fund	Capital Improvement Program Fund	Total Non Major Governmental Funds
<b>Assets</b>						
Cash and Cash Investments	\$ 264,777	\$ 14,364	\$ -	\$ 28,886	\$ 1,250,000	\$ 1,558,026
Accounts Receivable	<u>132,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,475</u>
<b>Total Assets</b>	<u>\$ 397,252</u>	<u>\$ 14,364</u>	<u>\$ -</u>	<u>\$ 28,886</u>	<u>\$ 1,250,000</u>	<u>\$ 1,690,502</u>
<b>Liabilities</b>						
Accounts Payable	\$ 27,820	\$ -	\$ -	\$ -	\$ -	\$ 27,820
<b>Fund Balances</b>						
Restricted	369,432	14,364	-	28,886	-	412,682
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
<b>Total Fund Balance</b>	<u>369,432</u>	<u>14,364</u>	<u>-</u>	<u>28,886</u>	<u>1,250,000</u>	<u>1,662,682</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 397,252</u>	<u>\$ 14,364</u>	<u>\$ -</u>	<u>\$ 28,886</u>	<u>\$ 1,250,000</u>	<u>\$ 1,690,502</u>

**CITY OF WESLACO, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Special Revenue Funds			Capital Projects Fund		
	Hotel/ Motel Tax	Library Fund	Economic Development Fund	2003 Certificate of Obligation Construction Fund	Capital Improvement Program Fund	Total Non Major Governmental Funds
<b>Revenues</b>						
Nonproperty taxes	\$ 384,439	\$ -	\$ -	\$ -	\$ -	\$ 384,439
<b>Expenditures</b>						
Current:						
Culture and recreation	258,094	-	-	-	-	258,094
<b>Excess (deficiency) of revenues over expenditures</b>	126,345	-	-	-	-	126,345
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	1,250,000	1,250,000
<b>Net change in fund balances</b>	126,345	-	-	-	1,250,000	1,376,345
<b>Fund balances- beginning of year</b>	243,087	14,364	3,865,773	28,886	-	4,152,110
<b>Prior period adjustment</b>	-	-	(3,865,773)	-	-	(3,865,773)
<b>Fund balances- beginning of year, as ad</b>	243,087	14,364	-	28,886	-	286,337
<b>Fund balances at end of year</b>	<u>\$ 369,432</u>	<u>\$ 14,364</u>	<u>\$ -</u>	<u>\$ 28,886</u>	<u>\$ 1,250,000</u>	<u>1,662,682</u>

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

	<u>2015</u>	<u>Restated 2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,676,517	\$ 7,134,488
Cash and cash equivalents- restricted	1,122,595	1,070,547
Receivables (net of allowance for uncollectibles)		
Ad valorem taxes	860,706	897,799
Sales taxes	816,521	906,767
Ambulance fees	752,391	237,774
Other	524,778	432,985
Due from other funds	232,343	201,806
Prepaid expenses	-	123,331
Inventories	<u>34,790</u>	<u>56,779</u>
<b>Total Assets</b>	<u>\$ 12,020,641</u>	<u>\$ 11,062,276</u>
<b>Liabilities</b>		
Accounts payable	\$ 1,221,078	\$ 687,905
Accrued salaries and payroll taxes	317,426	323,929
Other liabilities	525,760	400,427
Due to other funds	32,246	530,966
Payable from restricted assets	206,320	160,657
Unearned revenue	<u>19,600</u>	<u>-</u>
<b>Total Liabilities</b>	2,322,430	2,103,884
<b>Deferred Inflows of Resources</b>		
Unavailable revenue- ad valorem taxes	<u>673,225</u>	<u>822,593</u>
<b>Total Deferred Inflows of Resources</b>	673,225	822,593
<b>Fund Balances</b>		
Nonspendable	34,790	180,110
Restricted	466,288	466,288
Unassigned	<u>8,523,908</u>	<u>7,489,401</u>
<b>Total Fund Balances</b>	<u>9,024,986</u>	<u>8,135,799</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 12,020,641</u>	<u>\$ 11,062,276</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<b>2015</b>	<b>Restated 2014</b>
<b>Revenues</b>		
Property taxes	\$ 7,586,388	\$ 7,260,840
Nonproperty taxes	10,634,422	10,246,222
Fees and charges	3,471,864	2,783,840
Fines and forfeitures	523,767	636,486
Licenses and permits	479,501	446,828
Intergovernmental	273,123	323,179
Investment income	20,372	11,688
Miscellaneous	390,917	349,431
<b>Total Revenues</b>	23,380,354	22,058,514
<b>Expenditures</b>		
Current:		
General government	5,991,720	5,182,234
Public safety	10,476,065	10,483,329
Public works	1,790,960	1,558,496
Culture and recreation	1,118,457	944,014
Economic development	593,849	580,488
Capital outlay	1,243,679	290,365
Debt service:		
Principal	640,610	636,681
Interest and fees	2,382	-
<b>Total Expenditures</b>	21,857,722	19,675,607
<b>Excess (deficiency) of revenues over expenditures</b>	1,522,632	2,382,907
<b>Other financing sources (uses):</b>		
Capital lease proceeds	658,299	-
Transfers in	1,169,014	-
Transfers out	(2,460,758)	(700,000)
<b>Total other financing sources (uses)</b>	(633,445)	(700,000)
<b>Net change in fund balances</b>	889,187	1,682,907
<b>Fund balances at beginning of year</b>	8,135,799	6,452,892
<b>Fund balances at end of year</b>	\$ 9,024,986	\$ 8,135,799

**CITY OF WESLACO, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 264,777	\$ 146,334
Accounts receivable	132,475	162,430
<b>Total Assets</b>	<b>\$ 397,252</b>	<b>\$ 308,764</b>
<b>Liabilities</b>		
Accounts payable	\$ 27,820	\$ 65,677
<b>Fund Balance</b>		
Restricted	369,432	243,087
<b>Total Liabilities and Fund Balance</b>	<b>\$ 397,252</b>	<b>\$ 308,764</b>

**CITY OF WESLACO, TEXAS  
HOTEL MOTEL TAX  
SPECIAL REVENUE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Nonproperty taxes	\$ 384,439	\$ 419,960
Miscellaneous	<u>-</u>	<u>44,831</u>
<b>Total Revenues</b>	384,439	464,791
<b>Expenditures</b>		
Current:		
General government	-	57,338
Culture and recreation	258,094	113,297
Capital outlay	<u>-</u>	<u>401,745</u>
<b>Total Expenditures</b>	<u>258,094</u>	<u>572,380</u>
<b>Net change in fund balances</b>	126,345	(107,589)
<b>Fund balances at beginning of year</b>	<u>243,087</u>	<u>350,676</u>
<b>Fund balances at end of year</b>	<u>\$ 369,432</u>	<u>\$ 243,087</u>

**CITY OF WESLACO, TEXAS  
HOTEL MOTEL TAX  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Nonproperty taxes	\$ 350,000	\$ 350,000	\$ 384,439	\$ 34,439
Investment income	520	520	-	(520)
	<u>350,520</u>	<u>350,520</u>	384,439	33,919
<b>Expenditures</b>				
Culture and recreation	<u>254,833</u>	<u>323,500</u>	<u>258,094</u>	<u>65,406</u>
<b>Net change in fund balances</b>	<u>\$ 95,687</u>	<u>\$ 27,020</u>	\$ 126,345	<u>\$ 99,325</u>
<b>Fund balances at beginning of year</b>			<u>243,087</u>	
<b>Fund balances at end of year</b>			<u>\$ 369,432</u>	

**CITY OF WESLACO, TEXAS  
LIBRARY FUND  
SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 14,364	\$ 14,364
<b>Total Assets</b>	<u>\$ 14,364</u>	<u>\$ 14,364</u>
<b>Liabilities</b>	\$ -	\$ -
<b>Fund Balance</b>		
Restricted	<u>14,364</u>	<u>14,364</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 14,364</u>	<u>\$ 14,364</u>

**CITY OF WESLACO, TEXAS  
LIBRARY FUND  
SPECIAL REVENUE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>	\$ -	\$ -
<b>Expenditures</b>	-	-
<b>Net change in fund balances</b>	-	-
<b>Fund balances at beginning of year</b>	14,364	14,364
<b>Fund balances at end of year</b>	\$ 14,364	\$ 14,364

**CITY OF WESLACO, TEXAS**  
**2003 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 28,886	\$ 28,886
<b>Total Assets</b>	\$ 28,886	\$ 28,886
<b>Liabilities</b>	\$ -	\$ -
<b>Fund Balance</b>		
Restricted	28,886	28,886
<b>Total Liabilities and Fund Balance</b>	\$ 28,886	\$ 28,886

**CITY OF WESLACO, TEXAS**  
**2003 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**CAPTIAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>	\$ -	\$ -
<b>Expenditures</b>		
Current:		
Capital outlay	-	7,300
<b>Net change in fund balances</b>	-	(7,300)
<b>Fund balances at beginning of year</b>	28,886	36,186
<b>Fund balances at end of year</b>	\$ 28,886	\$ 28,886

**CITY OF WESLACO, TEXAS**  
**2013 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,108,715	\$ 6,142,629
Accounts receivable	781,298	271,429
Due from other funds	208,056	-
<b>Total Assets</b>	<b>\$ 5,098,069</b>	<b>\$ 6,414,058</b>
<b>Liabilities</b>		
Accounts payable	\$ 706,150	\$ 43,507
Due to to other funds	404,289	-
<b>Total Liabilities</b>	1,110,439	43,507
<b>Fund Balance</b>		
Restricted	3,987,630	6,370,551
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,098,069</b>	<b>\$ 6,414,058</b>

**CITY OF WESLACO, TEXAS**  
**2013 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**CAPTIAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Intergovernmental	1,065,726	\$ 374,288
Investment income	429	-
<b>Total Revenues</b>	1,066,155	374,288
 <b>Expenditures</b>		
Current:		
Capital outlay	3,449,076	838,274
 <b>Net change in fund balances</b>	(2,382,921)	(463,986)
 <b>Fund balances at beginning of year</b>	6,370,551	6,834,537
 <b>Fund balances at end of year</b>	\$ 3,987,630	\$ 6,370,551

**CITY OF WESLACO, TEXAS  
CAPITAL IMPROVEMENT PROGRAM FUND  
CAPITAL PROJECTS FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,250,000	\$ -
<b>Total Assets</b>	<u>\$ 1,250,000</u>	<u>\$ -</u>
<b>Liabilities</b>	\$ -	\$ -
<b>Fund Balance</b>		
Assigned	<u>1,250,000</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,250,000</u>	<u>\$ -</u>

**CITY OF WESLACO, TEXAS  
CAPITAL IMPROVEMENT PROGRAM FUND  
CAPITAL PROJECTS FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>	\$ -	\$ -
<b>Expenditures</b>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	-	-
<b>Other financing sources (uses):</b>		
Transfers in	<u>1,250,000</u>	<u>-</u>
<b>Net change in fund balances</b>	1,250,000	-
<b>Fund balances at beginning of year</b>	<u>-</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 1,250,000</u>	<u>\$ -</u>

**CITY OF WESLACO, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,024,137	\$ 230,059
Receivables (net of allowance for uncollectibles)		
Ad valorem taxes	362,388	376,985
Due from other funds	16,959	530,963
<b>Total Assets</b>	<b>\$ 1,403,484</b>	<b>\$ 1,138,007</b>
 <b>Liabilities</b>	 \$ -	 \$ -
 <b>Deferred Inflows of Resources</b>		
Unavailable revenue- ad valorem taxes	291,056	339,722
<b>Total Deferred Inflows of Resources</b>	291,056	339,722
 <b>Fund Balances</b>		
Restricted	1,112,428	798,285
 <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	 <b>\$ 1,403,484</b>	 <b>\$ 1,138,007</b>

**CITY OF WESLACO, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Property taxes	\$ 2,964,543	\$ 2,672,127
Investment income	11,038	14,861
Miscellaneous	<u>4,065</u>	<u>2,165</u>
<b>Total Revenues</b>	2,979,646	2,689,153
<b>Expenditures</b>		
Debt service:		
Principal	1,777,852	1,975,688
Interest and fees	<u>887,651</u>	<u>911,498</u>
<b>Total Expenditures</b>	<u>2,665,503</u>	<u>2,887,186</u>
<b>Net change in fund balances</b>	314,143	(198,033)
<b>Fund balances at beginning of year</b>	<u>798,285</u>	<u>996,318</u>
<b>Fund balances at end of year</b>	<u>\$ 1,112,428</u>	<u>\$ 798,285</u>

**CITY OF WESLACO, TEXAS  
DEBT SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,843,777	\$ 2,843,777	\$ 2,964,543	\$ 120,766
Investment income	9,500	9,500	11,038	1,538
Miscellaneous	-	-	4,065	4,065
	<u>2,853,277</u>	<u>2,853,277</u>	2,979,646	126,369
<b>Expenditures</b>				
Debt service:				
Principal	1,777,852	1,777,852	1,777,852	-
Interest and fees	887,839	887,839	887,651	188
<b>Total Expenditures</b>	<u>2,665,691</u>	<u>2,665,691</u>	2,665,503	188
<b>Net change in fund balances</b>	<u>\$ 187,586</u>	<u>187,586</u>	\$ 314,143	<u>\$ (187,586)</u>
<b>Fund balances at beginning of year</b>			<u>798,285</u>	
<b>Fund balances at end of year</b>			<u>\$ 1,112,428</u>	

**CITY OF WESLACO, TEXAS  
WATER AND WASTEWATER FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<b>2015</b>	<b>Restated 2014</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 2,467,054	\$ 4,103,978
Cash and cash equivalents- restricted	8,325,765	14,184,210
Accounts receivable, net of allowances for uncollectibles	3,051,684	2,177,456
Due from other funds	485,027	404,437
Inventories	189,748	93,824
Prepaid expenses	390,283	415,413
<b>Total current assets</b>	14,909,561	21,379,318
Non-current assets		
Land	665,175	665,175
Buildings	362,324	362,323
Equipment	6,253,953	5,904,817
Infrastructure	64,899,591	64,599,394
Construction-in-progress	44,394,258	37,067,820
	116,575,301	108,599,529
Accumulated depreciation	(30,057,842)	(27,515,460)
<b>Total non-current assets, net</b>	86,517,459	81,084,069
 <b>Total assets</b>	 101,427,020	 102,463,387
<b>Deferred outflows of resources</b>		
Deferred outflows related to pensions	101,095	54,904
 <b>Total assets and deferred outflows of resources</b>	 <b>\$ 101,528,115</b>	 <b>\$ 102,518,291</b>

**CITY OF WESLACO, TEXAS  
WATER AND WASTEWATER FUNDS  
COMPARATIVE BALANCE SHEETS- CONTINUED  
SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 2,432,926	\$ 4,318,107
Accrued salaries and other liabilities	229,257	180,408
Due to other funds	2,211,369	5,754
Current portion of long term debt	3,079,975	2,482,149
Accrued interest on bonds	<u>338,116</u>	<u>386,012</u>
<b>Total current liabilities</b>	8,291,643	7,372,430
Noncurrent liabilities:		
Compensated absences	42,243	82,131
Customer deposits	1,011,949	937,594
Revenue bonds payable, net of unamortized premiums & discounts	59,612,693	62,788,008
Net pension liability	<u>491,712</u>	<u>442,105</u>
<b>Total noncurrent liabilities</b>	<u>61,158,597</u>	<u>64,249,838</u>
<b>Total liabilities</b>	69,450,240	71,622,268
<b>Deferred inflows of resources</b>		
Deferred inflows related to pensions	32,003	-
<b>Net Position</b>		
Net investment of capital assets	29,801,393	28,700,878
Restricted for:		
Revenue bond retirement	1,305,881	1,296,958
Unrestricted	<u>938,598</u>	<u>898,187</u>
<b>Total net position</b>	<u>32,045,872</u>	<u>30,896,023</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 101,528,115</u>	<u>\$ 102,518,291</u>

**CITY OF WESLACO, TEXAS  
WATER AND WASTEWATER FUNDS  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Operating Revenues:</b>		
Water services	\$ 6,505,602	\$ 6,032,689
Sewer services	4,614,508	4,539,179
Miscellaneous	<u>297,287</u>	<u>445,769</u>
<b>Total operating revenues</b>	11,417,397	11,017,637
<b>Operating Expenses:</b>		
Personal services	1,711,225	1,730,706
Other services and charges	2,145,193	1,617,516
Supplies	818,568	1,028,125
Contractual services	1,378,560	1,180,656
Depreciation	<u>2,549,266</u>	<u>1,490,086</u>
<b>Total operating expenses</b>	<u>8,602,812</u>	<u>7,047,089</u>
<b>Operating income (loss)</b>	2,814,585	3,970,548
<b>Non-operating revenues (expenses)</b>		
Investment income	1,350	4,013
Capital Improvement fees	703,986	727,055
Capital grants	348,116	481,853
Interest expense	(2,718,188)	(2,587,576)
Bond issue costs	<u>-</u>	<u>(173,105)</u>
<b>Total non-operating revenues (expenses)</b>	<u>(1,664,736)</u>	<u>(1,547,760)</u>
Change in net position	1,149,849	2,422,788
<b>Net position- beginning</b>	<u>30,896,023</u>	<u>28,473,235</u>
<b>Net position- ending</b>	<u>32,045,872</u>	<u>\$ 30,896,023</u>

**CITY OF WESLACO, TEXAS  
WATER AND WASTEWATER FUNDS  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 11,693,516	\$ 12,313,885
Payments to suppliers	(4,161,743)	(4,281,557)
Payments to employees	(1,702,263)	(1,780,891)
<b>Net cash provided (used) by operating activities</b>	<b>5,829,510</b>	<b>6,251,437</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(7,982,656)	(14,882,998)
Bond proceeds	-	9,685,217
Bond issue costs	-	(173,105)
Interest paid on bonds	(2,766,084)	(2,508,639)
Retirement of bonds	(2,577,489)	(1,271,160)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(13,326,229)</b>	<b>(9,150,685)</b>
<b>Cash flow from investing activities:</b>		
Interest on cash and investments	1,350	4,013
<b>Net cash provided (used) by investing activities</b>	<b>1,350</b>	<b>4,013</b>
Net increase (decrease) in cash and cash equivalents	(7,495,369)	(2,895,235)
Cash and cash equivalents, beginning of year	18,288,188	21,183,423
Cash and cash equivalents, end of year	<u>\$ 10,792,819</u>	<u>\$ 18,288,188</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 2,814,585	\$ 3,970,548
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Other nonoperating income	1,052,102	1,777,604
Depreciation	2,549,266	1,490,086
(Increase) decrease in accounts receivables	(874,228)	(249,078)
(Increase) decrease in inventories	(95,924)	-
(Increase) decrease in prepaids	25,130	(415,413)
(Increase) decrease in due from other funds	(80,590)	(274,393)
(Increase) decrease in deferred outflows related to pensions	(46,191)	(54,904)
Decrease (increase) in accounts payable	(1,885,181)	(50,823)
Decrease (increase) in accrued expenses	48,849	10,558
Decrease (increase) in due to other funds	2,205,615	5,754
Decrease (increase) in customer deposits	74,355	47,337
Decrease (increase) in compensated absences	(39,888)	(5,839)
Decrease (increase) in net pension liability	49,607	-
Decrease (increase) in deferred inflows related to pensions	32,003	-
Total adjustments	<u>3,014,925</u>	<u>2,280,889</u>
<b>Net cash provided (used) by operations</b>	<b>\$ 5,829,510</b>	<b>\$ 6,251,437</b>

**CITY OF WESLACO, TEXAS  
SOLID WASTE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<b>2015</b>	<b>Restated 2014</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ -	\$ 2,157,058
Accounts receivable, net of allowances for uncollectibles	1,000,966	751,245
Due from other funds	2,000,000	-
<b>Total current assets</b>	3,000,966	2,908,303
Non-current assets		
Land	421,247	421,247
Buildings	668,781	668,781
Equipment	1,908,927	1,890,958
Infrastructure	64,461	64,461
	3,063,416	3,045,447
Accumulated depreciation	(2,522,536)	(2,483,344)
<b>Total non-current assets, net</b>	540,880	562,103
<b>Total assets</b>	3,541,846	3,470,406
<b>Deferred outflows of resources</b>		
Deferred outflows related to pensions	1,362	740
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,543,208</b>	<b>\$ 3,471,146</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	63,817	\$ 63,323
Due to other funds	87,035	-
Current portion of long term debt	1,798	-
<b>Total current liabilities</b>	152,650	63,323
Noncurrent liabilities:		
Landfill closure	574,492	621,812
Net pension liability	6,624	5,956
<b>Total noncurrent liabilities</b>	581,116	627,768
<b>Total liabilities</b>	733,766	691,091
<b>Deferred inflows of resources</b>		
Deferred inflows related to pensions	431	-
<b>Net Position</b>		
Net investment of capital assets	540,880	562,103
Unrestricted	2,268,131	2,217,952
<b>Total net position</b>	2,809,011	2,780,055
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 3,543,208</b>	<b>\$ 3,471,146</b>

**CITY OF WESLACO, TEXAS  
SOLID WASTE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Operating Revenues:</b>		
Charges for services	\$ 5,142,108	\$ 4,775,108
Miscellaneous	<u>83,321</u>	<u>85,069</u>
<b>Total operating revenues</b>	5,225,429	4,860,177
<b>Operating Expenses:</b>		
Personal services	32,526	-
Other services and charges	52,713	57,435
Supplies	7,074	676
Contractual services	4,338,264	3,776,480
Depreciation	<u>43,223</u>	<u>50,380</u>
<b>Total operating expenses</b>	<u>4,473,800</u>	<u>3,884,971</u>
<b>Operating income (loss)</b>	751,629	975,206
<b>Non-operating revenues (expenses)</b>		
Capital grants	27,327	-
Interest expense	<u>-</u>	<u>(2,599)</u>
<b>Total non-operating revenues (expenses)</b>	<u>27,327</u>	<u>(2,599)</u>
<b>Income (loss) before transfers</b>	778,956	972,607
<b>Transfers in (out)</b>		
Transfers in	-	-
Transfers (out)	<u>(750,000)</u>	<u>-</u>
<b>Total transfers</b>	(750,000)	-
Change in net position	28,956	972,607
<b>Net position- beginning</b>	<u>2,780,055</u>	<u>1,807,448</u>
<b>Net position- ending</b>	<u>2,809,011</u>	<u>\$ 2,780,055</u>

**CITY OF WESLACO, TEXAS  
SOLID WASTE FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 3,003,513	\$ 4,830,767
Payments to suppliers	(4,310,523)	(4,157,882)
Payments to employees	(32,526)	-
<b>Net cash provided (used) by operating activities</b>	<u>(1,339,536)</u>	<u>672,885</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers to other funds	(750,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(750,000)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(22,000)	-
Retirement of bonds	-	(60,000)
Interest paid on bonds	-	(1,201)
Landfill closure costs	(45,522)	(41,181)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(67,522)</u>	<u>(102,382)</u>
Net increase (decrease) in cash and cash equivalents	(2,157,058)	570,503
Cash and cash equivalents, beginning of year	<u>2,157,058</u>	<u>1,586,555</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,157,058</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 751,629	\$ 975,206
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Other nonoperating income	27,327	-
Depreciation	43,223	50,380
(Increase) decrease in accounts receivables	(249,721)	(29,410)
(Increase) decrease in due from other funds	(2,000,000)	-
(Increase) decrease in deferred outflows related to pensions	(622)	(740)
Increase (decrease) in accounts payable	494	(322,551)
Increase (decrease) in due to other funds	87,035	-
Increase (decrease) in net pension liability	668	-
Increase (decrease) in deferred inflows related to pensions	431	-
Total adjustments	<u>(2,091,165)</u>	<u>(302,321)</u>
<b>Net cash provided (used) by operations</b>	<u>\$ (1,339,536)</u>	<u>\$ 672,885</u>

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

	<b>2015</b>	<b>Restated 2014</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 100	\$ 100
Cash and cash equivalents- restricted	317,223	722,879
Accounts receivable, net of allowances for uncollectibles	16,233	11,053
Inventories	49,897	37,883
<b>Total current assets</b>	383,453	771,915
Non-current assets		
Land	1,465,448	1,465,448
Buildings	648,541	648,540
Equipment	525,658	531,323
Infrastructure	4,678,526	4,463,805
Construction-in-progress	5,343,098	1,486,827
	12,661,271	8,595,943
Accumulated depreciation	(4,028,180)	(3,838,463)
<b>Total non-current assets, net</b>	8,633,091	4,757,480
<b>Total assets</b>	9,016,544	5,529,395
<b>Deferred outflows of resources</b>		
Deferred outflows related to pensions	11,185	6,074
<b>Total assets and deferred outflows of resources</b>	\$ 9,027,729	\$ 5,535,469
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 10,510	\$ 19,001
Accrued salaries and other liabilities	7,597	4,766
Due to other funds	207,446	196,052
Current portion of long term debt	11,651	-
<b>Total current liabilities</b>	237,204	219,819
Noncurrent liabilities:		
Compensated absences	104,858	104,014
Net pension liability	54,401	48,912
<b>Total noncurrent liabilities</b>	159,259	152,926
<b>Total liabilities</b>	396,463	372,745
<b>Deferred inflows of resources</b>		
Deferred inflows related to pensions	3,541	-
<b>Net Position</b>		
Net investment of capital assets	8,633,091	4,757,480
Restricted for:		
Construction	317,223	722,879
Unrestricted	(322,589)	(317,635)
<b>Total net position</b>	8,627,725	5,162,724
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 9,027,729	\$ 5,535,469

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Operating Revenues:</b>		
Charges for services	\$ 159,666	\$ 206,847
Miscellaneous	<u>253</u>	<u>187</u>
<b>Total operating revenues</b>	159,919	207,034
<b>Operating Expenses:</b>		
Personal services	183,280	159,048
Other services and charges	207,004	118,824
Supplies	82,430	23,445
Depreciation	<u>195,383</u>	<u>235,243</u>
<b>Total operating expenses</b>	<u>668,097</u>	<u>536,560</u>
<b>Operating income (loss)</b>	(508,178)	(329,526)
<b>Non-operating revenues (expenses)</b>		
Capital grants	<u>3,773,179</u>	<u>67,521</u>
<b>Income (loss) before transfers</b>	3,265,001	(262,005)
<b>Transfers in (out)</b>		
Transfers in	<u>200,000</u>	<u>200,000</u>
Change in net position	3,465,001	(62,005)
<b>Net position- beginning</b>	<u>5,162,724</u>	<u>5,224,729</u>
<b>Net position- ending</b>	<u>8,627,725</u>	<u>\$ 5,162,724</u>

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 170,308	\$ 492,714
Payments to suppliers	(298,545)	(411,636)
Payments to employees	(179,604)	(160,827)
<b>Net cash provided (used) by operating activities</b>	<u>(307,841)</u>	<u>(79,749)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers from other funds	<u>200,000</u>	<u>396,152</u>
<b>Net cash provided (used) by noncapital financing activities</b>	200,000	396,152
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	<u>(297,815)</u>	<u>(3,451)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(297,815)</u>	<u>(3,451)</u>
Net increase (decrease) in cash and cash equivalents	(405,656)	312,952
Cash and cash equivalents, beginning of year	<u>722,979</u>	<u>410,027</u>
Cash and cash equivalents, end of year	<u>\$ 317,323</u>	<u>\$ 722,979</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (508,178)	\$ (329,526)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	195,383	235,243
(Increase) decrease in accounts receivables	(5,180)	14,843
(Increase) decrease in inventories	(12,014)	21,542
(Increase) decrease in due from other funds	-	14,227
(Increase) decrease in deferred outflows related to pensions	(5,111)	(6,074)
Increase (decrease) in accounts payable	(8,491)	(39,374)
Increase (decrease) in accrued expenses	2,831	(70)
Increase (decrease) in due to other funds	11,394	-
Increase (decrease) in compensated absences	12,495	9,440
Increase (decrease) in net pension liability	5,489	-
Increase (decrease) in deferred inflows related to pensions	3,541	-
Total adjustments	<u>200,337</u>	<u>249,777</u>
<b>Net cash provided (used) by operations</b>	<u>\$ (307,841)</u>	<u>\$ (79,749)</u>
<i>Supplemental disclosure of noncash activities</i>		
Capital grants from Txdot	\$ 3,773,179	\$ 67,521

**CITY OF WESLACO, TEXAS**  
**INTERNAL SERVICE FUND- EQUIPMENT REPLACEMENT FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 239,839	\$ 509,551
Non-current assets		
Equipment	5,071,598	5,071,598
Improvements	70,864	70,864
	5,142,462	5,142,462
Accumulated depreciation	(2,721,043)	(2,721,042)
<b>Total non-current assets, net</b>	<b>2,421,419</b>	<b>2,421,420</b>
<b>Total assets</b>	<b>\$ 2,661,258</b>	<b>\$ 2,930,971</b>
<b>Liabilities</b>		
Current Liabilities:		
Due to other funds	\$ -	\$ 404,437
Current portion of long term debt	392,567	383,649
<b>Total current liabilities</b>	<b>392,567</b>	<b>788,086</b>
Noncurrent liabilities:		
Note payable	916,961	1,309,528
<b>Total liabilities</b>	<b>1,309,528</b>	<b>2,097,614</b>
<b>Net Position</b>		
Net investment of captial assets	1,111,891	728,243
Unrestricted	239,839	105,114
<b>Total net position</b>	<b>1,351,730</b>	<b>833,357</b>
<b>Total liabilities and net position</b>	<b>\$ 2,661,258</b>	<b>\$ 2,930,971</b>

**CITY OF WESLACO, TEXAS**  
**INTERNAL SERVICE FUND- EQUIPMENT REPLACEMENT FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>	\$ -	\$ -
<b>Operating Expenses:</b>		
Other services and charges	38,455	20,982
Depreciation	-	165,500
<b>Total operating expenses</b>	<b>38,455</b>	<b>186,482</b>
<b>Operating income (loss)</b>	(38,455)	(186,482)
<b>Non-operating revenues (expenses)</b>		
Interest expense	(34,916)	(33,705)
<b>Income (loss) before transfers</b>	(73,371)	(220,187)
<b>Transfers in (out)</b>		
Transfers in	591,744	500,000
Change in net position	518,373	279,813
<b>Net position- beginning</b>	<b>833,357</b>	<b>553,544</b>
<b>Net position- ending</b>	<b>1,351,730</b>	<b>\$ 833,357</b>

**CITY OF WESLACO, TEXAS**  
**INTERNAL SERVICE FUND- EQUIPMENT REPLACEMENT FUND**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Payments to suppliers	\$ (442,892)	\$ (32,617)
<b>Net cash provided (used) by operating activities</b>	(442,892)	(32,617)
<b>Cash flows from noncapital financing activities</b>		
Transfers from other funds	<u>591,744</u>	<u>500,000</u>
<b>Net cash provided (used) by noncapital financing activities</b>	591,744	500,000
<b>Cash flows from capital and related financing activities</b>		
Note proceeds	-	1,975,184
Acquisition of capital assets	-	(1,716,229)
Retirement of notes	(383,649)	(282,007)
Interest paid on notes	<u>(34,915)</u>	<u>(33,705)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	(418,564)	(56,757)
 Net increase (decrease) in cash and cash equivalents	 (269,712)	 410,626
 Cash and cash equivalents, beginning of year	 <u>509,551</u>	 <u>98,925</u>
 Cash and cash equivalents, end of year	 <u>\$ 239,839</u>	 <u>\$ 509,551</u>
 Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (38,455)	\$ (186,482)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	-	165,500
Increase (decrease) in accounts payable	-	(11,635)
Increase (decrease) in due to other funds	<u>(404,437)</u>	<u>-</u>
Total adjustments	<u>(404,437)</u>	<u>153,865</u>
 <b>Net cash provided (used) by operations</b>	 <u>\$ (442,892)</u>	 <u>\$ (32,617)</u>

**CITY OF WESLACO, TEXAS  
FIREMEN'S RELIEF AND RETIREMENT  
PENSION TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30,**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 147,345	\$ 457,727
Investments, at fair value		
Equities	5,743,723	6,303,733
Accrued income	-	15,893
Corporate bonds	553,252	398,887
Money market deposits	221,911	573,758
Money market mutual funds	177,758	239,158
Municipal bonds	1,453,238	572,605
Total investments	8,149,882	8,104,034
Accounts receivable	-	1,192
<b>Total Assets</b>	<b>\$ 8,297,227</b>	<b>\$ 8,562,953</b>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Accounts payable	\$ 42,018	\$ 44,658
<b>Net Position</b>		
Net position held in trust for pension benefits	8,255,209	8,518,295
<b>Total Liabilities and Net Position</b>	<b>\$ 8,297,227</b>	<b>\$ 8,562,953</b>

**CITY OF WESLACO, TEXAS  
FIREMEN'S RELIEF AND RETIREMENT  
PENSION TRUST FUND  
COMPARATIVE STATEMENTS OF  
CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Additions</b>		
<b>Contributions</b>		
Employer contributions	\$ 394,360	\$ 322,954
Plan member contributions	<u>388,865</u>	<u>315,417</u>
Total contributions	783,225	638,371
<b>Investment income</b>		
Net depreciation in fair value of investments	(259,471)	656,457
Interest and dividends	<u>186,034</u>	<u>183,166</u>
	(73,437)	839,623
Less investment expense	<u>(53,761)</u>	<u>(59,229)</u>
Net investment income (loss)	(127,198)	780,394
Total additions	656,027	1,418,765
<b>Deductions</b>		
Benefits paid	457,812	430,844
Refunds of contributions	376,111	55,585
Administrative expenses	<u>85,190</u>	<u>33,095</u>
Total deductions	<u>919,113</u>	<u>519,524</u>
<b>Net change in fiduciary net position</b>	(263,086)	899,241
<b>Net Position, beginning of year</b>	<u>8,518,295</u>	<u>7,619,054</u>
<b>Net position, end of year</b>	<u>\$ 8,255,209</u>	<u>\$ 8,518,295</u>

**CITY OF WESLACO, TEXAS  
MARION BOOTH ENDOWMENT FUND  
PRIVATE PURPOSE TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30,**

	<b>2015</b>	<b>Restated 2014</b>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 489,786</u>	<u>\$ 486,105</u>
<b>Total Assets</b>	<u><u>\$ 489,786</u></u>	<u><u>\$ 486,105</u></u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>	\$ -	\$ -
<b>Net Position</b>		
Net position held in trust for other purposes	<u>489,786</u>	<u>486,105</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 489,786</u></u>	<u><u>\$ 486,105</u></u>

**CITY OF WESLACO, TEXAS  
MARION BOOTH ENDOWMENT FUND  
PRIVATE PURPOSE TRUST FUND  
COMPARATIVE STATEMENTS OF  
CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>Restated 2014</u>
<b>Additions</b>		
Interest and dividends	\$ 3,681	\$ -
<b>Deductions</b>	<u>-</u>	<u>-</u>
<b>Net change in fiduciary net position</b>	3,681	-
<b>Net Position, beginning of year</b>	<u>486,105</u>	<u>486,105</u>
<b>Net position, end of year</b>	<u>\$ 489,786</u>	<u>\$ 486,105</u>

**CITY OF WESLACO, TEXAS  
COMPONENT UNIT  
ECONOMIC DEVELOPMENT CORPORATION OF WESLACO  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,253,620	\$ 1,811,536
Restricted assets:		
Cash and cash equivalents	930,383	933,932
Certificate of deposit	695,256	695,256
Accounts receivable	211,486	9,274
Assets held for resale	82,870	300,090
Long-term note receivables	<u>3,419,121</u>	<u>3,545,310</u>
<b>Total Assets</b>	<u>\$ 7,592,736</u>	<u>\$ 7,295,398</u>
<b>Liabilities</b>		
Accounts payable	63,050	58,163
Accrued salaries and payroll taxes	8,247	4,415
Security deposit	<u>-</u>	<u>4,000</u>
<b>Total Liabilities</b>	71,297	66,578
<b>Deferred Inflows of Resources</b>		
Unavailable revenue- non-current receivables	3,419,121	3,545,310
<b>Fund Balances</b>		
Assigned	60,000	60,000
Restricted for:		
Debt service	695,256	695,256
Capital projects	930,383	933,932
Unassigned	<u>2,416,679</u>	<u>1,944,322</u>
<b>Total Fund Balances</b>	<u>4,102,318</u>	<u>3,633,510</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 7,592,736</u>	<u>\$ 7,245,398</u>

**CITY OF WESLACO, TEXAS  
 COMPONENT UNIT  
 ECONOMIC DEVELOPMENT CORPORATION OF WESLACO  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Property taxes		
Nonproperty taxes	\$ 2,926,422	\$ 2,860,484
Program income	393,242	360,576
Investment income	103,477	104,053
Miscellaneous	<u>54,358</u>	<u>38,362</u>
<b>Total Revenues</b>	3,477,499	3,363,475
<b>Expenditures</b>		
Current:		
Economic development	2,085,435	1,765,387
Capital outlay	9,049	22,000
Debt service:		
Principal	755,627	735,626
Interest and fees	<u>208,580</u>	<u>241,119</u>
<b>Total Expenditures</b>	<u>3,058,691</u>	<u>2,764,132</u>
<b>Net change in fund balances</b>	418,808	599,343
<b>Fund balances at beginning of year</b>	<u>3,683,510</u>	<u>3,084,167</u>
<b>Fund balances at end of year</b>	<u>\$ 4,102,318</u>	<u>\$ 3,683,510</u>

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION COMPONENT UNIT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Fund balances of governmental funds \$ 4,102,314

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 2,042,624

Long term note receivables are not available to pay for current period expenditures therefore are not reported as available resources and deferred in the funds 3,419,121

Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet. (22,526)

Deferred outflows from the changes in fair value on hedging derivative instruments are not due and payable in the current period and are therefore, not reported in the funds:

Deferred effective interest rate swaps- outflows	\$ 965	
Derivative hedging instruments	<u>(965)</u>	-

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (5,309,817)

Net position of governmental activities \$ 4,231,716

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION COMPONENT UNIT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances	\$	418,808
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$70,204) exceeded capital outlay \$9,049 in the current period.		(61,155)
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		56,073
--	--	--------

Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		755,627
--	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest expense in the statement of activities differs from the amount reported in governmental funds due to the change in accrued interest (\$22,526) being calculated for bonds and notes payable.		3,329
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Change in net position of governmental activities:	\$	<u>1,172,682</u>
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**ADDITIONAL SUPPLEMENTARY  
INFORMATION**

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**SUPPLEMENTAL STATEMENTS  
AND SCHEDULES**

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF TAXES RECEIVABLE -BY FUNDS**  
**AT SEPTEMBER 30, 2015**

Year	Total	General Fund		I & S Fund	
		%	Amount	%	Amount
2005 & Prior	\$ 342,810	Various	\$ 214,643	Various	\$ 128,166
2006	71,522	72.41%	51,788	27.59%	19,734
2007	74,471	73.96%	55,081	26.04%	19,390
2008	84,003	74.78%	62,819	25.22%	21,184
2009	91,047	73.95%	67,328	26.05%	23,719
2010	102,992	72.47%	74,638	27.53%	28,354
2011	127,717	72.33%	92,373	27.67%	35,344
2012	149,025	72.00%	107,293	28.00%	41,732
2013	220,857	72.90%	161,003	27.10%	59,854
2014	396,974	71.91%	285,455	28.09%	111,519
	<u>1,661,418</u>		<u>1,172,421</u>		<u>488,996</u>
Less					
Allowances for uncollectible	<u>(471,849)</u>		<u>(336,006)</u>		<u>(135,843)</u>
Net Amount	<u>\$ 1,189,569</u>		<u>\$ 836,415</u>		<u>\$ 353,153</u>

**CITY OF WESLACO, TEXAS  
ANALYSIS OF TAX COLLECTIONS, ADJUSTMENTS,  
AND ALLOCATION TO FUNDS  
OCTOBER 1, 2014 TO SEPTEMBER 30, 2015**

TAX COLLECTIONS AND ADJUSTMENTS

Year	Uncollected 10/1/14	Current Assessments & Correction	Collections	Adjustments	Uncollected 9/30/15
2005 & Prior	\$ 391,582	\$ -	\$ 31,644	\$ (17,128)	\$ 342,810
2006	81,634	-	8,433	(1,679)	71,522
2007	88,304	-	12,567	(1,266)	74,471
2008	107,257	-	20,861	(2,393)	84,003
2009	114,026	-	21,100	(1,879)	91,047
2010	142,054	-	32,576	(6,486)	102,992
2011	171,954	-	42,349	(1,888)	127,717
2012	224,353	-	73,318	(2,010)	149,025
2013	404,489	-	179,536	(4,096)	220,857
2014	-	9,952,186	9,682,147	126,935	396,974
<b>Total</b>	<b>\$ 1,725,653</b>	<b>\$ 9,952,186</b>	<b>\$ 10,104,531</b>	<b>\$ 88,110</b>	<b>\$ 1,661,418</b>

ALLOCATION TO FUNDS

Year	Collections	General Fund		I & S Fund	
		%	\$	%	\$
2005 & Prior	\$ 31,644	Various	\$ 20,622	Various	\$ 11,023
2006	8,433	72.41%	6,106	27.59%	2,327
2007	12,567	73.96%	9,295	26.04%	3,272
2008	20,861	74.78%	15,600	25.22%	5,261
2009	21,100	73.95%	15,603	26.05%	5,497
2010	32,576	72.47%	23,608	27.53%	8,968
2011	42,349	72.33%	30,630	27.67%	11,719
2012	73,318	72.00%	52,786	28.00%	20,532
2013	179,536	72.90%	130,880	27.10%	48,656
2014	9,682,147	71.90%	6,962,218	28.10%	2,719,929
<b>Total</b>	<b>\$ 10,104,531</b>		<b>\$ 7,267,348</b>		<b>\$ 2,837,184</b>

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# **BONDED DEBT REQUIREMENTS**

**CITY OF WESLACO, TEXAS**  
**TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2015					4,900,000
2016	4.125%	119,665	113,271	310,000	4,590,000
2017	4.250%	113,271	106,471	320,000	4,270,000
2018	5.250%	106,471	97,546	340,000	3,930,000
2019	5.250%	97,546	88,227	355,000	3,575,000
2020	4.700%	88,227	79,415	375,000	3,200,000
2021	4.700%	79,415	70,250	390,000	2,810,000
2022	5.000%	70,250	60,000	410,000	2,400,000
2023	5.000%	60,000	49,250	430,000	1,970,000
2024	5.000%	49,250	37,875	455,000	1,515,000
2025	5.000%	37,875	25,875	480,000	1,035,000
2026	5.000%	25,875	13,250	505,000	530,000
2027	5.000%	13,250	-	530,000	-
Total		<u>\$ 861,095</u>	<u>\$ 741,430</u>	<u>\$ 4,900,000</u>	

**CITY OF WESLACO, TEXAS**  
**GENERAL OBLIGATION REFUNDING BONDS SERIES 2010**  
**(TARGET SAVINGS)**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		1-Feb	1-Aug	1-Feb	30-Sep
2015					2,006,250
2016	3.100%	31,088	23,730	474,720	1,531,530
2017	3.100%	23,730	16,065	494,500	1,037,030
2018	3.100%	16,065	8,155	510,324	526,706
2019	3.100%	8,155	-	526,706	-
Total		<u>\$ 79,038</u>	<u>\$ 47,950</u>	<u>\$ 2,006,250</u>	

**CITY OF WESLACO, TEXAS  
LIMITED TAX REFUNDING BONDS, SERIES 2012  
AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2015					9,665,000
2016	3.000%	135,112	120,713	960,000	8,705,000
2017	3.000%	120,713	105,937	985,000	7,720,000
2018	3.000%	105,937	90,788	1,010,000	6,710,000
2019	3.000%	90,788	75,112	1,045,000	5,665,000
2020	3.000%	75,112	54,638	1,365,000	4,300,000
2021	2.000%	54,635	40,637	1,400,000	2,900,000
2022	2.250%	40,637	24,550	1,430,000	1,470,000
2023	2.250%	24,550	-	1,470,000	-
Total		<u>\$ 647,484</u>	<u>\$ 512,375</u>	<u>\$ 9,665,000</u>	

**CITY OF WESLACO, TEXAS**  
**TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2013**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2015					6,545,000
2016	3.000%	138,550	138,550	100,000	6,445,000
2017	3.000%	137,050	137,050	100,000	6,345,000
2018	3.000%	135,550	135,550	100,000	6,245,000
2019	3.000%	134,050	134,050	100,000	6,145,000
2020	3.000%	132,550	132,550	350,000	5,795,000
2021	3.000%	127,300	127,300	360,000	5,435,000
2022	3.500%	121,900	121,900	370,000	5,065,000
2023	3.500%	115,425	115,425	390,000	4,675,000
2024	4.000%	108,600	108,600	380,000	4,295,000
2025	4.000%	101,000	101,000	400,000	3,895,000
2026	4.000%	93,000	93,000	415,000	3,480,000
2027	5.000%	84,700	84,700	430,000	3,050,000
2028	4.500%	73,950	73,950	450,000	2,600,000
2029	4.500%	63,825	63,825	470,000	2,130,000
2030	5.000%	53,250	53,250	495,000	1,635,000
2031	5.000%	40,875	40,875	520,000	1,115,000
2032	5.000%	27,875	27,875	545,000	570,000
2033	5.000%	14,250	14,250	570,000	-
Total		<u>\$ 1,703,700</u>	<u>\$ 1,703,700</u>	<u>\$ 6,545,000</u>	

**CITY OF WESLACO, TEXAS**  
**TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2015					19,230,000
2016	4.125%	472,049	455,653	795,000	18,435,000
2017	4.250%	455,653	438,015	830,000	17,605,000
2018	5.250%	438,015	415,178	870,000	16,735,000
2019	5.250%	415,178	378,690	1,390,000	15,345,000
2020	4.700%	378,690	340,973	1,605,000	13,740,000
2021	4.700%	340,973	301,375	1,685,000	12,055,000
2022	5.000%	301,375	257,250	1,765,000	10,290,000
2023	5.000%	257,250	210,875	1,855,000	8,435,000
2024	5.000%	210,875	162,125	1,950,000	6,485,000
2025	5.000%	162,125	110,750	2,055,000	4,430,000
2026	5.000%	110,750	56,750	2,160,000	2,270,000
2027	5.000%	56,750	-	2,270,000	-
Total		\$ 3,599,683	\$ 3,127,634	\$ 19,230,000	

**CITY OF WESLACO, TEXAS  
GENERAL OBLIGATION REFINANCING BONDS SERIES 2010  
(TARGET SAVINGS)  
AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		1-Feb	1-Aug	1-Feb	30-Sep
2015					529,308
2016	3.100%	8,205	6,262	125,280	404,028
2017	3.100%	6,263	4,240	130,500	273,528
2018	3.100%	4,240	2,152	134,676	138,852
2019	3.100%	2,152	-	138,852	-
Total		<u>\$ 20,860</u>	<u>\$ 12,654</u>	<u>\$ 529,308</u>	

**CITY OF WESLACO, TEXAS**  
**WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payment		Principal Due 1-Dec	Outstanding 30-Sep
		1-Dec	1-Jun		
2015					1,290,000
2016	3.190%	20,575	13,876	420,000	870,000
2017	3.190%	13,877	7,018	430,000	440,000
2018	3.190%	7,018	-	440,000	-
Total		\$ 41,470	\$ 20,894	\$ 1,290,000	

**CITY OF WESLACO, TEXAS  
TAX NOTES, SERIES 2011  
AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2015					6,545,000
2016	2.750%	89,994	89,993	1,735,000	4,810,000
2017	2.750%	66,138	66,138	2,190,000	2,620,000
2019	2.750%	<u>36,025</u>	<u>36,025</u>	<u>2,620,000</u>	-
Total		<u>\$ 192,157</u>	<u>\$ 192,156</u>	<u>\$ 6,545,000</u>	

**CITY OF WESLACO, TEXAS  
TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2012  
AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding 30-Sep
		15-Feb	15-Aug	15-Feb	
2015				-	24,335,000
2016	3.000%	526,891	526,891	-	24,335,000
2017	3.000%	526,891	526,891	-	24,335,000
2018	3.000%	526,891	526,891	-	24,335,000
2019	3.000%	526,891	526,891	1,345,000	22,990,000
2020	3.000%	506,716	506,716	1,385,000	21,605,000
2021	3.000%	485,941	485,941	1,425,000	20,180,000
2022	3.000%	464,566	464,566	1,470,000	18,710,000
2023	3.000%	442,516	442,516	1,515,000	17,195,000
2024	5.000%	419,791	419,791	1,560,000	15,635,000
2025	5.000%	380,791	380,791	1,635,000	14,000,000
2026	5.000%	339,916	339,916	1,720,000	12,280,000
2027	5.000%	296,916	296,916	1,805,000	10,475,000
2028	5.000%	251,791	251,791	1,895,000	8,580,000
2029	5.000%	204,416	204,416	1,990,000	6,590,000
2030	5.000%	154,666	154,666	2,090,000	4,500,000
2031	5.000%	102,416	102,416	2,195,000	2,305,000
2032	4.125%	47,541	47,541	2,305,000	-
<b>Total</b>		<u>\$ 6,205,547</u>	<u>\$ 6,205,547</u>	<u>\$ 24,335,000</u>	

**CITY OF WESLACO, TEXAS**  
**TAX AND REVENUE CERTIFICATE NOTE, SERIES 2014**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2015				-	9,075,000
2016	4.500%	202,850	202,850	-	9,075,000
2017	4.500%	202,850	202,850	-	9,075,000
2018	4.500%	202,850	202,850	-	9,075,000
2019	4.500%	202,850	202,850	75,000	9,000,000
2020	4.500%	202,100	202,100	80,000	8,920,000
2021	4.500%	201,300	201,300	75,000	8,845,000
2022	4.500%	200,363	200,363	75,000	8,770,000
2023	4.500%	199,238	199,238	80,000	8,690,000
2024	4.500%	198,038	198,038	80,000	8,610,000
2025	4.500%	196,438	196,438	80,000	8,530,000
2026	4.500%	194,838	194,838	90,000	8,440,000
2027	4.500%	193,038	193,038	100,000	8,340,000
2028	4.500%	191,038	191,038	1,035,000	7,305,000
2029	4.500%	167,750	167,750	1,085,000	6,220,000
2030	4.500%	143,338	143,338	1,140,000	5,080,000
2031	4.500%	117,688	117,688	1,185,000	3,895,000
2032	4.500%	91,025	91,025	1,245,000	2,650,000
2033	4.500%	63,013	63,013	1,295,000	1,355,000
2034	4.500%	<u>33,875</u>	<u>33,875</u>	<u>1,355,000</u>	-
Total		<u>\$ 3,204,480</u>	<u>\$ 3,204,480</u>	<u>\$ 9,075,000</u>	

**CITY OF WESLACO, TEXAS**  
**ECONOMIC DEVELOPMENT SALES TAX REVENUE REFUNDING BONDS**  
**SERIES 2011A**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2015					560,000
2016	4.470%	12,516	6,258	280,000	280,000
2017	4.470%	<u>6,258</u>	<u>-</u>	<u>280,000</u>	-
		<u>\$ 18,774</u>	<u>\$ 6,258</u>	<u>\$ 560,000</u>	

**CITY OF WESLACO, TEXAS**  
**ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS**  
**SERIES 2011B**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payment		Principal Due	Principal Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2015					1,290,000
2016	3.840%	24,768	24,768	-	1,290,000
2017	3.840%	24,768	24,480	15,000	1,275,000
2018	3.840%	24,480	18,624	305,000	970,000
2019	3.840%	18,624	12,672	310,000	660,000
2020	3.840%	12,672	6,432	325,000	335,000
2021	3.840%	6,432	-	335,000	-
		<u>\$ 111,744</u>	<u>\$ 86,976</u>	<u>\$ 1,290,000</u>	

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS  
SERIES 2012  
AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2015	2.60%				950,000
2016	2.60%	12,350	10,920	110,000	840,000
2017	2.60%	10,920	9,490	110,000	730,000
2018	2.60%	9,490	7,995	115,000	615,000
2019	2.60%	7,995	6,500	115,000	500,000
2020	2.60%	6,500	4,940	120,000	380,000
2021	2.60%	4,940	3,315	125,000	255,000
2022	2.60%	3,315	1,690	125,000	130,000
2023	2.60%	1,690	-	130,000	-
		<u>\$ 57,200</u>	<u>\$ 44,850</u>	<u>\$ 950,000</u>	

**CITY OF WESLACO, TEXAS**  
**ECONOMIC DEVELOPMENT SALES TAX REVENUE REFUNDING BONDS**  
**SERIES 2013**  
**AS OF SEPTEMBER 30, 2015**

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2015					2,165,000
2016	3.40%	36,805	32,725	240,000	1,925,000
2017	4.38%	32,725	28,475	250,000	1,675,000
2018	3.40%	28,475	24,140	255,000	1,420,000
2019	3.40%	24,140	19,635	265,000	1,155,000
2020	3.40%	19,635	14,960	275,000	880,000
2021	3.40%	14,960	10,200	280,000	600,000
2022	3.40%	10,200	5,185	295,000	305,000
2023	3.40%	5,185	-	305,000	-
		<u>\$ 172,125</u>	<u>\$ 135,320</u>	<u>\$ 2,165,000</u>	

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# **STATISTICAL SECTION**

**CITY OF WESLACO, TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST FIVE FISCAL YEARS**  
**(accrual basis of accounting)**

Table I

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities					
Net investment in capital assets	\$ 14,042,568	\$ 13,564,135	\$ 6,236,897	\$ 11,915,869	\$ 20,318,359
Restricted	6,259,134	5,760,438	13,059,262	11,967,344	3,190,801
Unrestricted	1,330,224	4,806,131	9,294,414	729,653	4,745,429
Total governmental activities net position	<u>\$ 21,631,926</u>	<u>\$ 24,130,704</u>	<u>\$ 28,590,573</u>	<u>\$ 24,612,866</u>	<u>\$ 28,254,589</u>
Business-type activities					
Net investment in capital assets	\$ 25,204,572	\$ (1,310,318)	\$ 12,912,376	\$ 34,020,461	\$ 38,975,364
Restricted	1,054,121	27,959,653	19,656,819	2,019,837	1,623,104
Unrestricted	2,533,841	5,769,530	3,095,455	2,798,504	2,815,079
Total business-type activities net position	<u>\$ 28,792,534</u>	<u>\$ 32,418,865</u>	<u>\$ 35,664,650</u>	<u>\$ 38,838,802</u>	<u>\$ 43,413,547</u>
Primary Government					
Net investment in capital assets	\$ 39,247,140	\$ 12,253,817	\$ 19,149,273	\$ 45,936,330	\$ 59,293,723
Restricted	7,313,255	33,720,091	32,716,081	13,987,181	4,813,905
Unrestricted	3,864,065	10,575,661	12,391,770	3,528,157	7,560,508
Total primary government net position	<u>\$ 50,424,460</u>	<u>\$ 56,549,569</u>	<u>\$ 64,257,124</u>	<u>\$ 63,451,668</u>	<u>\$ 71,668,136</u>

Source: Government-wide Statement of Activities

Fiscal 2014 net position has been restated to reflect the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date"

Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit

**CITY OF WESLACO, TEXAS  
CHANGES IN NET POSITION  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)**

Table II  
(page 1 of 2)

	2011	2012	2013	2014	2015
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,426,526	\$ 4,079,035	\$ 4,077,130	\$ 4,699,927	\$ 7,159,359
Public safety	11,562,667	10,195,023	10,714,272	10,217,398	11,530,338
Emergency medical service	398,347	462,305	332,102	269,969	101,226
Health	104,426	88,459	90,067	-	-
Public works	2,669,907	2,626,866	3,039,309	3,056,584	2,927,110
Culture and recreation	1,144,997	1,693,692	1,692,154	1,660,311	1,793,425
Development services	3,101,439	3,256,023	3,364,499	2,724,236	-
Interest on long-term debt	1,452,443	2,326,416	1,187,398	1,182,183	1,009,379
Total governmental activities expenses	<u>24,860,752</u>	<u>24,727,819</u>	<u>24,496,931</u>	<u>23,810,608</u>	<u>24,520,837</u>
Business-type activities:					
Water and Wastewater	7,768,721	9,054,734	9,435,022	8,687,380	10,024,501
Solid Waste	3,863,097	4,047,757	4,044,683	4,117,588	4,348,050
Airport	532,689	505,452	507,619	536,560	668,097
Total business-type activities expenses	<u>12,164,507</u>	<u>13,607,943</u>	<u>13,987,324</u>	<u>13,341,528</u>	<u>15,040,648</u>
Total primary government expenses	<u>\$ 37,025,259</u>	<u>\$ 38,335,762</u>	<u>\$ 38,484,255</u>	<u>\$ 37,152,136</u>	<u>\$ 39,561,485</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, fines, and charges for services:					
General government	\$ 363,068	\$ 381,323	\$ 405,601	\$ 588,302	\$ 725,949
Public Safety	695,632	919,126	842,122	748,737	653,606
Emergency medical services	948,437	976,167	1,223,157	1,250,542	1,693,132
Other activities	260,053	399,142	394,360	155,378	-
Culture and recreation	-	-	-	-	73,359
Operating grants and contributions	-	16,179	99,359	233,899	273,122
Capital grants and contributions	500,163	724,994	454,010	463,568	1,065,726
Total governmental activities program revenues	<u>2,767,353</u>	<u>3,416,931</u>	<u>3,418,609</u>	<u>3,440,426</u>	<u>4,484,894</u>
Business-type activities:					
Charges for services:					
Water and Wastewater	9,411,060	11,034,905	12,160,485	11,744,692	12,121,383
Solid Waste	4,127,015	4,646,565	4,752,518	4,860,177	5,225,429
Airport	111,261	110,894	156,302	207,034	159,919
Capital grants and contributions	154,017	2,424,601	664,218	481,853	4,148,622
Total business-type activities program revenues	<u>13,803,353</u>	<u>18,216,965</u>	<u>17,733,523</u>	<u>17,293,756</u>	<u>21,655,353</u>
Total primary government program revenues	<u>\$ 16,570,706</u>	<u>\$ 21,633,896</u>	<u>\$ 21,152,132</u>	<u>\$ 20,734,182</u>	<u>\$ 26,140,247</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (22,093,399)	\$ (21,310,888)	\$ (21,078,322)	\$ (20,370,182)	\$ (20,035,943)
Business-type activities	1,638,846	4,609,022	3,746,199	3,952,228	6,614,705
Total primary government net expense	<u>\$ (20,454,553)</u>	<u>\$ (16,701,866)</u>	<u>\$ (17,332,123)</u>	<u>\$ (16,417,954)</u>	<u>\$ (13,421,238)</u>

Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit

**CITY OF WESLACO, TEXAS**  
**CHANGES IN NET POSITION- CONTINUED**  
**LAST FIVE FISCAL YEARS**  
**(accrual basis of accounting)**

Table II  
(page 2 of 2)

**GENERAL REVENUES AND OTHER CHANGES IN NET POSITION**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:					
Taxes:					
Ad valorem	\$ 9,632,751	\$ 9,710,670	\$ 9,823,287	\$ 9,767,217	\$ 10,352,897
Sales	9,864,624	10,578,320	11,182,267	11,441,937	8,779,266
Occupancy	358,390	336,419	382,934	419,960	384,439
Franchise and other	1,724,786	1,631,134	1,640,932	1,664,769	1,855,156
Intergovernmental	77,375	4,421	16,149	-	-
Investment earnings	64,147	66,619	89,278	130,602	31,839
Gain (loss) on sale/retirement of capital assets	100,339	116,255	(348,529)	56,720	-
Miscellaneous	301,972	249,246	226,739	377,674	232,759
Rescindment of contingency	550,000	-	-	-	-
Revaluation of Compensated Absences	-	191,261	-	-	-
Transfers	996,770	1,021,140	1,021,140	1,021,140	2,041,310
Total governmental activities	<u>23,671,154</u>	<u>23,905,485</u>	<u>24,034,197</u>	<u>24,880,019</u>	<u>23,677,666</u>
Business-type activities					
Investment earnings	109	13,629	19,609	4,013	1,350
Transfers	(996,770)	(1,021,140)	(1,021,140)	(1,021,140)	(2,041,310)
Total business-type activities	<u>(996,661)</u>	<u>(1,007,511)</u>	<u>(1,001,531)</u>	<u>(1,017,127)</u>	<u>(2,039,960)</u>
Total primary government	<u>\$ 22,674,493</u>	<u>\$ 22,897,974</u>	<u>\$ 23,032,666</u>	<u>\$ 23,862,892</u>	<u>\$ 21,637,706</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 1,577,755	\$ 2,594,597	\$ 2,955,875	\$ 4,509,837	\$ 3,641,723
Business-type activities	642,185	3,601,511	2,744,668	2,935,101	4,574,745
Total primary government	<u>\$ 2,219,940</u>	<u>\$ 6,196,108</u>	<u>\$ 5,700,543</u>	<u>\$ 7,444,938</u>	<u>\$ 8,216,468</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund					
Nonspendable	\$ -	\$ -	\$ 33,249	\$ 180,110	\$ 34,790
Restricted	57,391	65,791	696,765	-	-
Committed	-	-	-	466,288	466,288
Unassigned	779,427	1,627,107	4,738,640	6,478,642	8,523,908
Total general fund	<u>\$ 836,818</u>	<u>\$ 1,692,898</u>	<u>\$ 5,468,654</u>	<u>\$ 7,125,040</u>	<u>\$ 9,024,986</u>
All Other Governmental Funds					
Restricted	\$ 1,618,055	\$ 1,772,642	\$ 1,691,574	\$ 1,793,631	\$ 5,512,740
Assigned	-	-	-	-	1,250,000
Unrestricted, reported in:					
Special revenue funds	4,718,358	2,308,622	2,936,214	3,127,878	-
Capital projects funds	1,206,560	1,166,502	7,701,460	6,399,437	-
Total all other governmental funds	<u>\$ 7,542,973</u>	<u>\$ 5,247,766</u>	<u>\$ 12,329,248</u>	<u>\$ 11,320,946</u>	<u>\$ 6,762,740</u>

**CITY OF WESLACO, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST FIVE FISCAL YEARS**  
**(modified accrual basis of accounting)**

Table III  
(Page 1 of 2)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 9,710,637	\$ 10,011,483	\$ 9,932,967	\$ 9,932,967	\$ 10,550,931
Sales	10,578,320	11,182,267	11,441,937	11,441,937	8,779,266
Occupancy	336,419	382,934	419,960	419,960	384,439
Franchise and other	1,631,134	1,640,932	1,664,769	1,664,769	1,855,156
Charges for services	2,540,973	2,832,851	2,783,840	2,783,840	3,471,864
Program income	341,845	389,134	309,571	360,576	-
Intergovernmental	745,594	569,518	697,467	697,467	1,338,849
Licenses and permits	381,323	405,601	446,828	446,828	479,501
Investment income	66,619	89,278	124,587	130,602	31,839
Fines and forfeitures	772,752	668,891	636,486	636,486	523,767
Contributions	500	50	2,736	2,736	-
Miscellaneous	248,746	527,110	370,005	374,938	394,982
Proceeds from sales	124,435	56,950	56,729	56,720	-
Total revenues	<u>27,479,297</u>	<u>28,756,999</u>	<u>28,887,882</u>	<u>28,949,826</u>	<u>27,810,594</u>
<b>Expenditures</b>					
General government	3,797,404	3,697,885	4,737,764	4,617,587	5,991,720
Public Safety	10,327,350	10,699,897	10,483,329	10,483,329	10,476,065
Public Works	1,299,033	1,556,054	1,558,496	1,558,496	1,790,960
Health	84,348	85,956	-	-	-
Culture and recreation	1,447,298	1,428,512	1,420,314	1,311,421	1,376,551
Economic development	1,923,521	2,144,101	1,541,766	1,568,220	593,849
Nondepartmental	395,172	477,223	518,356	565,216	-
Capital outlay	2,416,513	823,384	2,265,321	2,390,421	4,692,755
Debt service					
Principal	2,004,577	2,526,603	2,711,315	2,711,314	2,418,462
Interest and fiscal charges	1,352,412	1,197,893	1,152,048	1,152,048	890,033
Total expenditures	<u>25,047,628</u>	<u>24,637,508</u>	<u>26,388,709</u>	<u>26,358,052</u>	<u>28,230,395</u>
Excess of revenues over (under) expenditures	2,431,669	4,119,491	2,499,173	2,591,774	(419,801)

Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit

**CITY OF WESLACO, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST FIVE FISCAL YEARS**  
**(modified accrual basis of accounting)**

Table III  
(Page 2 of 2)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Other Financing Sources (Uses)</b>					
Debt proceeds	\$ 1,155,000	\$ 22,157,515	\$ -	\$ -	\$ 658,299
Bond redemption	-	(14,630,000)	-	-	-
Debt issuance costs	(30,323)	(366,731)	-	-	-
380 Agreement expenditures	(780,562)	(581,949)	(960,189)	(738,139)	-
Accrued 380 Agreement Interest	(949,937)	-	-	-	-
Sales Tax rebates	(843,934)	(645,082)	(580,488)	(580,488)	-
Transfers in	-	-	-	-	2,419,014
Transfers out	(480,000)	(700,000)	(700,000)	(700,000)	(2,460,758)
<b>Total other financing sources (uses)</b>	<u>(1,929,756)</u>	<u>5,233,753</u>	<u>(2,240,677)</u>	<u>(2,018,627)</u>	<u>616,555</u>
<b>Net change in fund balances</b>	<u>\$ 501,913</u>	<u>\$ 9,353,244</u>	<u>\$ 258,496</u>	<u>\$ 573,147</u>	<u>\$ 196,754</u>
<b>Debt service as a percentage of noncapital expenditures</b>	14.8%	15.6%	16.0%	16.1%	14.1%

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 IV

<b>Fiscal Year Ended September 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	6,451,289	6,021,477	93.34%	373,939	6,395,416	99.13%
2007	6,982,074	6,555,427	93.89%	358,106	6,913,533	99.02%
2008	7,667,715	7,171,489	93.53%	425,812	7,597,301	99.08%
2009	8,920,936	8,518,972	95.49%	323,244	8,842,216	99.12%
2010	9,249,698	8,628,830	93.29%	536,479	9,165,309	99.09%
2011	9,310,540	8,704,523	93.49%	511,757	9,216,280	98.99%
2012	9,346,948	8,859,282	94.78%	378,986	9,238,268	98.84%
2013	9,559,563	9,095,317	95.14%	332,653	9,427,970	98.62%
2014	9,667,300	9,119,003	94.33%	370,369	9,489,372	98.16%
2015	9,952,186	9,682,174	97.29%	106,489	9,788,663	98.36%

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

Table V

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Tax-Exempt</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Overlapping Tax Rate</b>
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
2011	773,012,581	638,233,550	352,481,585	1,411,246,131	2.6978
2012	769,592,896	652,146,592	335,597,711	1,421,739,488	2.6978
2013	792,847,612	670,099,750	336,299,548	1,462,947,362	2.6996
2014	851,914,723	646,031,643	336,831,403	1,497,946,366	2.7113
2015	804,694,927	675,552,726	388,852,013	1,480,247,653	2.7113

Source: Hidalgo County Appraisal District

**CITY OF WESLACO, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
FISCAL YEAR 2015 AND 2006**

Table VI

<b>Taxpayer</b>	<b>2015</b>			<b>2006</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
H E Butt Grocery Company	\$ 37,499,123	1	2.53%	\$ 13,967,994	1	1.46%
H E B Weslaco Transportation	18,473,771	2	1.25%	-		
Clearview Weslaco LLP	16,021,025	3	1.08%	-		
Capcor Weslaco LTD	12,337,301	4	0.83%	-		
Wal-Mart Real Estate Business	11,637,270	5	0.79%	8,263,480	5	0.87%
AEP Texas Central Co	7,974,160	6	0.54%	8,375,670	3	
Wal-Mart Property Tax Dept	7,477,314	7	0.51%	-		
John Knox Villages	7,095,448	8	0.48%	8,363,858	4	0.88%
Weslaco Palm Plaza LTD	7,045,784	9	0.48%	-		
Lowe's Home Centers Inc	6,170,476	10	0.42%	-		
Verizon Southwest, Inc	-		-	8,549,710	2	0.90%
Reyna, Esequiel Jr. & Livia	-		-	5,778,221	6	0.61%
Foremost Paving Inc	-		-	5,450,620	7	0.57%
Home Depot, The #6577	-		-	5,155,869	8	0.54%
Caldwell, VSR Inc	-		-	5,129,287	9	0.54%
Ed Payne Motors, LLP	-		-	5,072,033	10	0.53%
	<u>\$ 131,731,672</u>		<u>8.90%</u>	<u>\$ 74,106,742</u>		<u>6.89%</u>

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

Fiscal Year	Tax Year	City Direct Rates		
		Maintenance and Operation	Interest and Sinking	(Per \$100) City
<b>PROPERTY TAX RATES</b>				
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
2011	2010	0.5049	0.1918	0.6967
2012	2011	0.5039	0.1928	0.6967
2013	2012	0.5016	0.1951	0.6967
2014	2013	0.5006	0.1861	0.6867
2015	2014	0.4866	0.1901	0.6767
<b>TAX LEVIES</b>				
2006	2005	0.0000	0.0000	6,451,289
2007	2006	0.0000	0.0000	6,982,074
2008	2007	0.0000	0.0000	7,667,715
2009	2008	0.0000	0.0000	8,920,936
2010	2009	0.0000	0.0000	9,249,698
2011	2010	0.0000	0.0000	9,310,540
2012	2011	0.0000	0.0000	9,346,948
2013	2012	0.0000	0.0000	9,559,563
2014	2013	0.0000	0.0000	9,667,300
2015	2014	0.0000	0.0000	9,952,186

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	0.1589	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	2.6468
1.1397	0.1498	0.5900	0.0700	0.0492	2.6984
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
1.1397	0.1507	0.5900	0.0733	0.0492	2.6996
1.1397	0.1500	0.5900	0.0957	0.0492	2.7113
1.1397	0.1850	0.5900	0.0957	0.0492	2.7363
17,881,783	33,514,193	112,523,012	7,944,984	7,816,538	186,131,799
16,140,097	37,903,742	125,028,182	8,251,877	8,624,663	202,930,635
19,199,929	41,255,266	142,503,382	11,181,038	12,290,736	234,098,066
20,312,260	41,861,054	155,425,414	16,982,072	13,321,253	256,822,989
20,544,560	41,736,459	162,197,402	18,748,048	13,910,184	266,386,351
19,795,607	37,953,268	161,779,404	18,803,344	13,870,003	261,512,166
20,111,115	38,191,930	148,860,948	18,910,655	13,752,694	249,174,290
21,597,467	43,100,124	150,274,322	19,409,051	13,901,594	257,842,121
21,552,277	42,899,924	165,736,613	25,956,088	14,279,092	280,091,294
23,002,324	54,881,207	171,956,770	27,107,682	14,792,577	301,692,746

**CITY OF WESLACO, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AT SEPTEMBER 30, 2015**

Table VIII

	Gross Debt Less Sinking Fund	Estimated Percentage Debt Applicable to City of Weslaco	City of Weslaco Share of Debt
City of Weslaco, Texas	\$ 23,116,250	100.00%	\$ 23,116,250
Weslaco Independent School District	69,296,000	79.71%	55,235,842
Hidalgo County	216,820,000	5.08%	11,014,456
Hidalgo County Drainage District #1	150,445,000	5.20%	7,823,140
South Texas Community College District	171,015,000	5.10%	<u>8,721,765</u>
			<u><u>\$ 105,911,453</u></u>
Percentage of Assessed Valuation			<u>6.310%</u>
Direct and Overlapping Debt Per Capita			<u>\$ 2,816.72</u>
Population:	<u>37,601</u>		
Assessed Valuation:	<u>1,511,951,489</u>		

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

Legal Debt Margin Calculation fo Fiscal Year 2015

Assessed value	\$ 1,511,951,489
Debt limit (10% of assessed value)	151,195,149
Debt applicable to limit:	
General obligation bonds	23,839,250
Less: Amount set aside	
for repayment of general	(798,285)
obligation debt	
Total net debt applicable to limit	23,040,965
Legal debt margin	\$ 128,154,184

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 92,227,149	\$ 99,815,209	\$ 110,057,628	\$ 127,480,023	\$ 133,153,378	\$ 141,124,613	\$ 142,173,949	\$ 139,051,427	\$ 159,911,825	\$ 151,195,149
Total net debt applicable to limit	22,852,031	27,872,725	27,092,739	25,851,763	24,605,645	24,605,645	21,684,025	26,487,380	24,605,645	23,040,965
Legal debt margin	\$ 69,375,118	\$ 71,942,484	\$ 82,964,889	\$ 101,628,260	\$ 108,547,733	\$ 116,518,968	\$ 120,489,924	\$ 112,564,047	\$ 135,306,180	\$ 128,154,184
Total net debt applicable to the limit as a percentage of debt limit	24.78%	27.92%	24.62%	20.28%	18.48%	17.44%	15.25%	19.05%	15.39%	0.00%

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  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**

Table X

<b>Fiscal Year</b>	<b>Utility Service Charges</b>	<b>Less: Operating Expenses</b>	<b>Plus: CIP Fee (1) Non-Operating</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
					<b>Principal</b>	<b>Interest</b>	
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
2011	8,789,754	6,094,985	621,415	3,316,184	542,298	64,930	5.46
2012	10,354,040	5,846,464	680,865	5,188,441	472,092	112,753	8.87
2013	11,475,677	6,655,622	684,808	5,504,863	480,224	97,652	9.53
2014	10,649,451	7,330,737	727,055	4,045,769	492,312	82,223	7.04
2015	11,372,511	6,702,152	703,986	5,374,345	532,148	65,993	8.99

(1) The Waterworks and Wastewater System Revenue Bonds, Series 1998 that were issued on September 23, 1998 in the amount of \$5,930,000. These bonds will be paid from 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 plan 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 .76.

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

Fiscal Year	General Bonded Debt			Water District Debt Assumed	Percentage of Actual Taxable Value of Property	Per Capita	Other Governmental Activities Debt	
	General Obligation Bonds	Certificates of Obligation					Capital Leases Payable	Compensated Absences
2011	620,800	23,223,916	-	-	1.69%	668.48	-	2,319,506
2012	419,200	21,776,008	-	-	1.56%	602.38	-	2,027,741
2013	208,000	26,443,550	-	-	1.82%	723.32	-	2,138,217
2014	-	24,894,102	-	-	1.66%	671.13	1,693,177	2,026,934
2015	2,006,250	21,110,000	-	-	1.56%	614.78	1,947,164	2,182,753

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Notes Payable			
2011	1,300,284	2,845,000	21,290,000	-	51,599,506	11.07%	3,468
2012	1,089,792	2,470,000	45,215,000	8,500,000	81,497,741	16.54%	5,261
2013	870,768	2,090,000	44,790,000	8,040,000	84,580,535	15.89%	5,414
2014	768,456	1,700,000	44,325,000	7,735,000	83,142,669	16.58%	5,304
2015	529,308	19,230,000	34,700,000	6,545,000	88,250,475	15.40%	5,630

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

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

Table XII

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Agriculture, Forestry, Fishing, Hunting	\$ -	\$ -	\$ -	\$ -	\$ 3,207
Construction	998,716	1,547,374	2,839,442	4,144,701	3,219,615
Manufacturing	908,666	1,043,977	944,415	1,374,389	2,222,116
Wholesale trade	9,751,237	10,052,972	12,488,875	12,138,082	11,505,002
Retail trade	274,769,984	296,818,500	317,956,827	321,405,175	331,306,451
Transportation and warehousing	1,417,200	1,311,262	1,637,871	303,218	276,655
Information	6,916,201	7,440,719	9,086,834	13,229,751	13,421,501
Finance and insurance	2,172,227	2,096,979	1,999,036	2,177,332	2,641,731
Real estate, rental and leasing	3,062,869	2,730,662	2,783,960	2,881,418	2,356,502
Professional, scientific and technical	891,767	1,136,202	1,072,369	838,393	989,140
Administration, support, waste management, and remediation	1,730,296	3,592,463	6,176,976	5,830,822	5,368,529
Educational services	17,608	38,083	57,033	60,791	166,539
Health care and social assistance	696,535	512,033	560,036	560,511	691,519
Arts, entertainment, and recreation	1,143,847	1,774,225	1,692,620	1,952,878	2,581,663
Accommodation and food services	70,735,449	76,342,659	82,835,766	86,549,881	96,841,186
Other services	8,923,286	9,623,843	10,287,220	10,073,577	10,221,189
Other	16,125	19,346	15,201	17,086	19,870
<b>Total</b>	<b>\$ 384,152,013</b>	<b>\$ 416,081,299</b>	<b>\$ 452,434,481</b>	<b>\$ 463,538,005</b>	<b>\$ 483,832,415</b>
City direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Texas State Comptroller

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

Table XIII

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>State Rate</b>	<b>Total Tax Rate</b>
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%
2012	2.00%	6.25%	8.25%
2013	2.00%	6.25%	8.25%
2014	2.00%	6.25%	8.25%
2015	2.00%	6.25%	8.25%

**CITY OF WESLACO, TEXAS**  
**MISCELLANEOUS STATISTICAL FACTS**  
**SEPTEMBER 30, 2015**

Table XIV

**Date of Incorporation :** 1919  
**Date of Adoption of City Charter:** December 14, 1927  
**Form of Government:** Commissioner-Manager  
**Area:** 14.72 Square Miles

**Miles of Street:**  
 Graded 1.65  
 Paved 223

**City:**  
 Number of City Employees 280  
 Number of Street Lights 1,600

**Miles of Sewers:**  
 Storm 96  
 Sanitary 213

**Municipal Water Plant:**  
 Number of Connections 11,468  
 Miles of Water Mains 129.6

**Building Permits:**  
 Permits Issued 1,998  
 Estimated Cost \$ 45,648,259

**Average Daily :** **Gallons**  
 Consumption 4,804,308  
 Daily Plant Capacity 7,900,000  
 Water Sold for Year 15,180,209

**Fire Protection:**  
 Number of Stations 3  
 Number of Employees 74  
 Number of Volunteers -

**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 Census 35,670

**Police Protection:**  
 Number of Sub-stations 1  
 Number of Stations 1  
 Number of Employees 62

**Number of Hospitals:** 1  
 233 Beds

**Recreation:**  
 Parks-Numbers of Acres 171.97  
 Skateboard Parks 1  
 Tennis Courts 6  
 Golf Courses 2  
 Swimming Pools 2  
 Parks 7

**Airports:** 1

**Education:**

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  
 First Christian Academy, Established 2006  
 Horizon Montessori II

Technology Education Charter High School  
 South Texas College  
 South Texas Vo-Tech  
 Valley Grande Institute for Academic Studies

Weslaco I.S.D. (Student Population 17,917)  
 High School 3  
 Alternative Schools 2  
 Middle Schools 4  
 Elementary Schools 11

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 XV

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
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%
2011	35,670	530,698,260	14,878	11.3%
2012	36,846	570,744,540	15,490	11.4%
2013	37,093	579,466,846	15,622	10.2%
2014	37,601	589,433,276	15,676	8.2%

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

**CITY OF WESLACO, TEXAS  
PRINCIPAL EMPLOYERS  
2015 AND 2008**

Table XVI

Employer	2015 *			2008 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Weslaco Independent School District	2,825	1	44.67%	2,817	1	43.99%
Knapp Medical Center	980	2	15.50%	1,000	2	15.62%
Woodcrafters	541	3	8.55%	592	3	9.24%
Wal-Mart	455	4	7.19%	260	7	4.06%
HEB (3 locations)	407	5	6.44%	407	4	6.36%
Payne Auto Group	330	6	5.22%	389	5	6.07%
City of Weslaco	280	7	4.43%	351	6	5.48%
Foremost Paving	193	8	3.05%	214	8	3.34%
Texas A & M	166	9	2.62%	168	10	2.62%
Internation Wood	147	10	2.33%	206	9	3.22%
<b>Total</b>	<b>6,324</b>		<b>100.00%</b>	<b>6,404</b>		<b>100.00%</b>

Source: Weslaco Economic Development Corporation

**CITY OF WESLACO, TEXAS**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**SEPTEMBER 30, 2015**

Table XVII

**Full-time Equivalent Employees as of September 30, 2015**

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	50	51	54	54	54	36	31	36	40	40
Public Safety	174	175	197	181	181	141	132	140	136	136
Public Works	28	29	29	29	29	25	37	22	42	42
Health & Welfare	3	3	3	3	3	2	1	2	2	2
Culture & Recreation	38	38	39	39	39	3	3	2	7	7
Refuse collection	17	17	17	17	17	4	3	3	1	1
Library	19	19	19	20	20	12	11	17	16	16
Water	23	23	24	19	19	23	22	31	22	22
Wastewater	9	9	8	10	10	0	0	14	11	11
Airport	4	4	4	4	4	4	4	3	3	3
Museum	2	2	2	2	2	0	0	0	0	0
<b>Total</b>	<b>367</b>	<b>370</b>	<b>396</b>	<b>378</b>	<b>378</b>	<b>250</b>	<b>244</b>	<b>270</b>	<b>280</b>	<b>280</b>

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# **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Weslaco, Texas' basic financial statements and have issued our report thereon dated May 17, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 that we consider to be significant deficiencies.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Weslaco, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002.

## **City of Weslaco, Texas' Response to Findings**

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

## **Purpose of this Report**

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



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
May 17, 2016

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Weslaco, Texas' ("the City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Weslaco, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

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## Report on Internal Control Over Compliance

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

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

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

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



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
May 17, 2016

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City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For the Year Ended September 30, 2015

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted?                           yes                      X   no

*Federal Awards*

Internal control over major programs:

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

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Grant
14.218	Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?                           yes                      X   no

City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
For the Year Ended September 30, 2015

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

**A. Significant Deficiencies in Internal Control**

**Schedule Reference Number: (2015-001) Maintenance of Capital Asset Listing**

Criteria: The capital assets of the City’s governmental activities are a major financial statement item of the City’s government-wide financial statements. It is important that the City maintain accurate capital asset listings, construction in progress schedules, and report accurate estimated useful lives of capital assets.

Condition Found: During our audit we were unable to obtain this information directly from the City finance department as it was requested. In addition, these schedules had not been updated to reflect current year activity in the City’s Incode system or other internally-generated reports.

Context: While performing audit procedures over capital assets, we noted that certain subsidiary reports had not been updated to reflect current year activity.

Effect: The lack of maintenance of an accurate capital asset listing could potentially result in misstatement of the City’s basic financial statements and applicable note disclosures.

Cause: The City was taking steps to obtain an independent third-party inventory assessment of all capital assets. As such, the City was pending results and applicable capital asset records were not updated during the fiscal year under audit.

Recommendation: We recommend that the City closely evaluate the results of this analysis and update applicable records to reflect this activity. We further recommend that the city develop a routine capital asset update to ensure accurate capital asset listings, construction in progress schedules, and estimated useful lives are reflected at year end.

City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
For the Year Ended September 30, 2015

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

**B. Compliance Findings**

**Schedule Reference Number: (2015-002) Quarterly Investment Reports**

Criteria:	Presentation of quarterly investment reports to the City commission is a requirement under the Public Funds Investment Act.
Condition Found:	During our review of the City's investment policy and applicable requirements under the Public Funds Investment Act, we noted that there was no evidence to indicate that the City's quarterly investment reports were presented to the Commission for approval.
Context:	During review of applicable state compliance requirements, we noted that certain compliance requirements were not met.
Effect:	The non-compliance could potential expose the City to certain investment risk if quarterly investment reports are not presented and monitored by the City Commission
Cause:	This was an oversight by management due to recent turnover at the Finance Director position.
Recommendation:	We recommend the Finance Director follow up with reports that have not been presented and provide the reports going forward to the Commissioners on a timely basis.

City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
For the Year Ended September 30, 2015

**Section III – Federal Award Findings and Questioned Costs**

**None reported.**

City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended September 30, 2015

**PROGRAM DESCRIPTION**

**CORRECTIVE ACTION PLAN**

**Reference Number: (2015-001)**

**Maintenance of Capital Asset Listing**

General

The City did not maintain accurate capital as listings, or construction in progress schedules. These schedules were not updated to reflect current year activity.

Corrective Action Plan:

The Finance Department has undertaken steps to obtain an independent third-party inventory of all capital assets, including GASB 34 analysis. The agreement also includes the purchase of an inventory maintenance software program. Finance will utilize the results of the inventory to make all necessary adjustments to the accounting software asset records. In addition, Finance staff has received training in maintaining and routinely updating the inventory software to keep track of additions, deletions and construction in progress.

**Reference Number: (2015-002)**

**Presentation of Quarterly Investment Reports**

General

There was no evidence to indicate that the City's quarterly investment reports were presented to the Commission for approval.

Corrective Action Plan:

Management concurs and will ensure that quarterly investment reports are caught up from prior quarters and provided on a timely basis going forward.

City of Weslaco, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS**  
For the Year Ended September 30, 2015

**Not applicable.**

**There were no findings reported in previous year.**

City of Weslaco., Texas  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>Federal Awards</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Department of Commerce Community Development Block Grant	14.218		\$ 348,116
<b>U.S. Department of Federal Aviation Administration</b>			
Passed through Texas Department of Transportation Aviation Division Airport Improvement Grant	20.106	CSJ 1121WESLA	14,428
Airport Improvement Grant	20.106	CSJ 1321WESLA	<u>3,650,908</u>
Total passed through Texas Department of Transportation Aviation Division			3,665,336
<b>U.S. Department of Homeland Security</b>			
Passed through the Texas Department of Public Safety Texas Department of Public Safety Homeland Security Grant Program	97.067		137,661
Texas Department of Public Safety Division Disaster Grants- Public Assistance	97.036		<u>15,086</u>
Total passed through Texas Department of Public Safety			<u>152,747</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
Equitable Sharing Program	16.922		94,637
Drug Enforcement Administration	16.810		12,531
Federal Bureau of Investigation- Violence Task Force	16.300		13,038
Federal Bureau of Investigation- U.S. Marshall Task Force	16.813		<u>11,684</u>
Total U.S. Department of Justice			131,890
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,298,089</u>

City of Weslaco, Texas  
**NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS**  
Year Ended September 30, 2015

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Weslaco, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund Types are accounted for using a current financial resources measurement focus. Federal grant funds are generally accounted for in Special Revenue Funds, a component of the Governmental Fund Type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Government Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.