

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WESLACO, TEXAS

For the Fiscal Year Ended September 30, 2016

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
City Officials
September 30, 2016

Mayor	David Suarez
Mayor Pro-tem	Gerardo "Jerry" Ta Folla
Commissioners	Leo Munoz Greg Kerr Olga Noriega Letty Lopez Josh Pedraza
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 Huerta
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.
Library Director	Arnold Becho
Aviation Director	Andrew Munoz

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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. Pena, III, Commissioner, District 6

Mike R. Perez, City Manager

March 21, 2017

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

The Comprehensive Annual Financial Report (the CAFR) of the City of Weslaco, Texas (The City) for the fiscal year ended September 30, 2016, 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.

Carr, Riggs & Ingram, LLC, have issued an unmodified ("clean") opinion of the City of Weslaco's financial statements for the year ended September 30, 2016. 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 39,474. 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 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 medical and 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 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 1 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 30th, the end of the City's fiscal year. The appropriated budget is prepared by fund and function (e.g., public safety). 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 96 as part of 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 110 and 123.

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 continues to experience growth. Property values increased in comparison to the prior year. Sales tax figures were more sluggish due in part to monetary pressures in Mexico. It should be noted, however, that while the decrease in sales tax was experienced Valley-wide, the effect on Weslaco was minimal in comparison to other cities.

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 September 2016, the rate was 6.2 percent, in comparison to 6.4 percent average last year. The largest employer continues to be the Weslaco Independent School District with 2,603 employees.

Based on reduced unemployment levels and the City's improved financial position, S&P Global Ratings raised Weslaco's bond rating to "AA-" from "A+", the highest in the City's history. Weslaco also maintains a credit rating of A2 from Moody's.

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 33% of total General Fund Revenues. The goal is to maintain at least 25%. The unrestricted fund balance at September 30, 2016 exceeded the goal, so the practice of transferring excess revenue to the Capital Improvements Fund was continued. This fund, established in 2015, allows the City to self-fund improvements while decreasing dependence on debt financing.

Another long-term measure taken was to prepare a five-year budget, taking the City's financial planning out to Fiscal Year 2021. The budget includes a multi-year Capital Improvement Plan to provide for self-funding of streets and sidewalks, park and drainage improvements, an expansion to the library, a new north side fire station, plus a new central public safety complex for both police and fire. There are also much needed improvements to water and sewer 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 reduced the tax rate by one cent during Fiscal Year 2014, 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, but at the close of the year, it was determined that circumstances merited another one cent decrease, and the rate was lowered to \$0.6667 for Fiscal Year 2017.

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 considering the number of participants, contribution rates, and projected investment earnings, 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 benefit plan in the state-wide Texas Municipal Retirement System (TMRS). The City of Weslaco contributes based on a 2 to 1 ratio. 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,

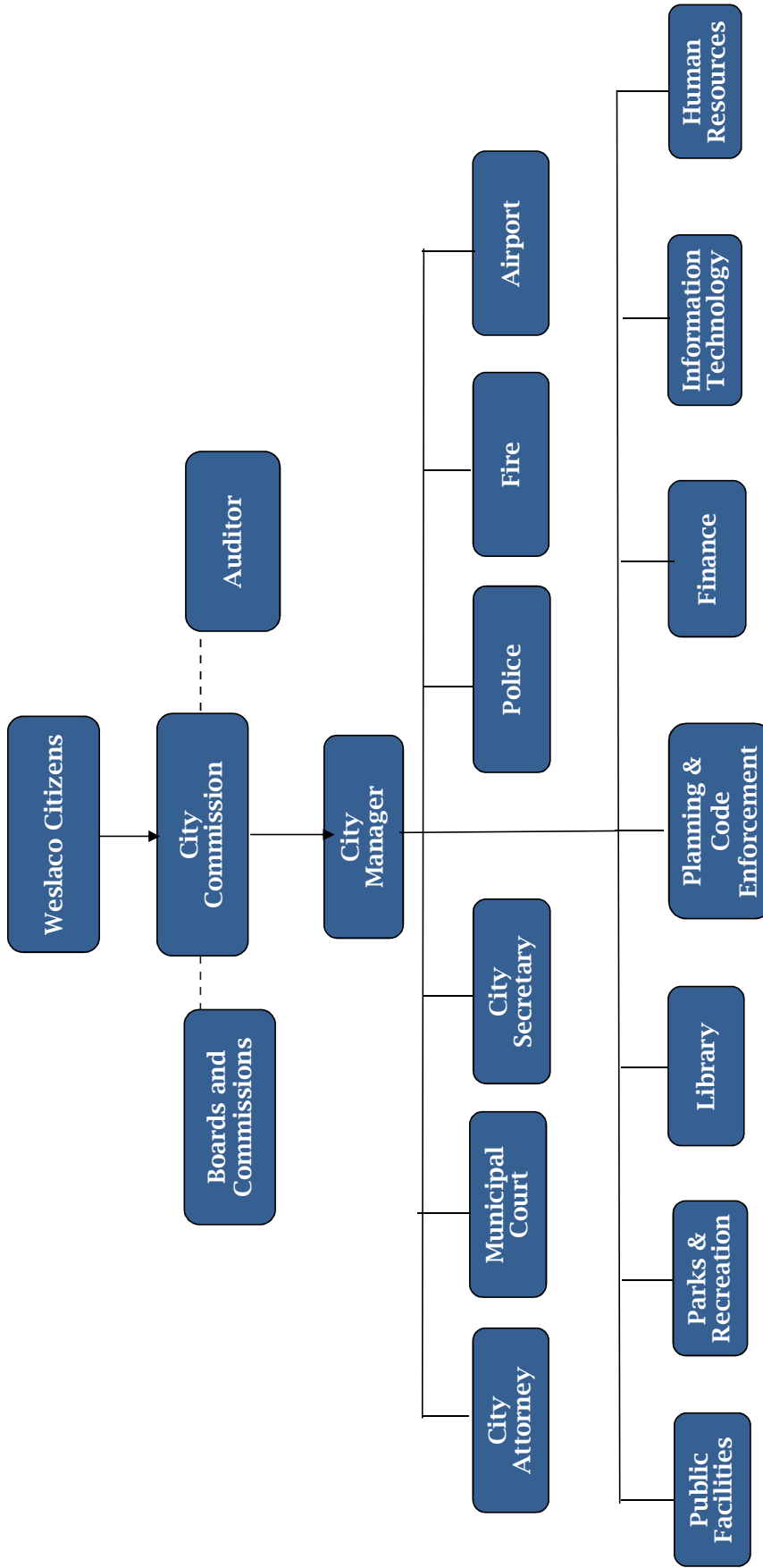


Mike R. Perez
City Manager



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, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Weslaco Economic Development Corporation, which is the only aggregate discretely presented component unit and represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit.

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 did not audit the financial statements of the Weslaco Economic Development Corporation, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Weslaco Economic Development Corporation, is based solely on the report of the other auditors. 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.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas, as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 25 through 34 and 96 through 98 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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The other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information and 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, additional supplementary information, 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, 2015 were audited by other auditors and their report thereon dated May 17, 2016 expressed an unmodified opinion on those financial statements. Their report, as of the same date, on other supplementary information related to 2015 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, 2015 as a whole. As discussed in Note 20 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 2016 financial statements, we also audited the adjustments described in Note 20 that were applied to restate the 2015 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 2015 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 2015 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 March 21, 2017, 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 the City of Weslaco, Texas' internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Harlingen, Texas
March 21, 2017

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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, 2016. 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 \$484,573 as a result of this year's operations, with governmental and business-type activities contributing about evenly to the increase. Net position from governmental activities increased \$35,213, while net position from business-type activities increased \$449,360. This reflects a modest 0.7% increase to total net position.

- **Governmental Activities – Revenues and Expenses Compared to Last Year –** Total revenues decreased about \$82,000 from last year, with sales tax showing a moderate decrease of \$96,743 or 1%. Property tax collections increased by \$911,155, and franchise taxes saw an increase of \$37,929. Expenses increased about \$3.2M or 12.9% more than last year. This was the result of increases of \$1.84M in public safety, \$482,390 in public works, and \$401,881 in culture and recreation.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year-** Total revenues saw a decrease of \$4.2M from last year, mostly due to the effect of a \$3.7M grant contribution which boosted FYE 2015 totals. Charges for all services decreased by \$1.8M. Expenses saw an increase of about 11% or \$1.09M in water and wastewater services, while solid waste expenses saw a decrease of about 4.6% or \$200,077. Expenses from airport services rose slightly with an increase of about \$19,605, or about 3%.

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.

City of Weslaco, Texas
Management's Discussion and Analysis
September 30, 2016

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 37-39 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 eight 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 five 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, debt service 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 40-43 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 44-47 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 48-49 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 51 of this report.

In fiscal year 2016, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72, Fair Value Measurement and Application*
- *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- *Statement No. 79, Certain External Investment Pools and Pool Participants*

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GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

GASB Statement No. 73 extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

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 \$71,905,312 at the close of the most recent fiscal year.

On September 30, 2016, the City had an outstanding bonds balance of \$76,161,260, excluding \$4,335,000 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.

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Table 1, below illustrates a comparative summary of the City's statement of net position at September 30, 2016 and 2015.

Table 1
City of Weslaco, Texas - Net Position

	Primary Government					
	Governmental Activities		Business-type Activities		Total	Total
	Restated					
	2016	2015	2016	2015	2016	2015
Current assets	\$ 17,614,975	\$ 20,134,731	\$ 11,270,385	\$ 15,788,130	\$ 28,885,360	\$ 35,922,861
Capital assets, net	51,305,227	49,602,791	96,539,951	95,691,430	147,845,178	145,294,221
Total assets	68,920,202	69,737,522	107,810,336	111,479,560	176,730,538	181,217,082
Deferred outflows of resources- deferred charge	280,268	-	769,479	-	1,049,747	-
Deferred outflows of resources- pensions	3,416,094	636,909	331,007	113,642	3,747,101	750,551
Total deferred outflows of resources	3,696,362	636,909	1,100,486	113,642	4,796,848	750,551
Total assets and deferred outflows of resources	\$ 72,616,564	\$ 70,374,431	\$ 108,910,822	\$ 111,593,202	\$ 181,527,386	\$ 181,967,633
Current liabilities	\$ 2,615,934	\$ 3,139,195	\$ 2,309,268	\$ 3,082,223	\$ 4,925,202	\$ 6,221,418
Non-current liabilities						
Due within one year	2,596,259	2,482,995	2,863,475	3,093,424	5,459,734	5,576,419
Due in more than one year	27,784,398	29,300,648	58,881,241	61,346,235	86,665,639	90,646,883
Municipal net pension liability	6,916,687	3,097,838	894,319	552,737	7,811,006	3,650,575
Firemen's net pension liability	4,588,953	4,214,004	-	-	4,588,953	4,214,004
Total liabilities	44,502,231	42,234,680	64,948,303	68,074,619	109,450,534	110,309,299
Deferred inflows of resources- pensions	140,989	201,620	30,551	35,975	171,540	237,595
Net position						
Net investment in capital assets	23,122,052	20,001,901	39,969,259	38,975,364	63,091,311	58,977,265
Restricted	1,211,727	1,787,280	1,212,612	1,623,104	2,424,339	3,410,384
Unrestricted	3,639,565	6,148,950	2,750,097	2,884,140	6,389,662	9,033,090
Total liabilities, deferred inflows of resources and net position	\$ 72,616,564	\$ 70,374,431	\$ 108,910,822	\$ 111,593,202	\$ 181,527,386	\$ 181,967,633

Governmental Activities

The property tax levy increased by \$1,042,985 (10.48%) 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.

City of Weslaco, Texas
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Sales tax rebates amounted to \$11,530,414 for the year with a decrease of \$265,520 or 2.25% 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 \$484,336 in the General Fund, mostly 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.

Table 2, below presents the cost of each of the City's programs, as well as the revenues generated to support those programs. The difference between the two is the change in net position.

Table 2
City of Weslaco, Texas - Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government		Percent
	Restated		2016	2015	Restated		
	2016	2015			2016	2015	
Program Revenues:							
Charges for services	\$ 3,003,349	\$ 3,146,046	\$ 15,714,796	\$ 17,506,731	\$ 18,718,145	\$ 20,652,777	42.15%
Operating grants and contributions	484,336	273,122	-	-	484,336	273,122	1.09%
Capital grants and contributions	571,469	1,065,726	1,658,319	4,148,622	2,229,788	5,214,348	5.02%
General revenues							
Property taxes	11,264,052	10,352,897	-	-	11,264,052	10,352,897	25.37%
Non property taxes	10,927,519	11,018,861	-	-	10,927,519	11,018,861	24.61%
Unrestricted investment earnings	60,217	31,839	1,513	1,350	61,730	33,189	0.14%
Other income	<u>721,662</u>	<u>232,759</u>	<u>-</u>	<u>-</u>	<u>721,662</u>	<u>232,759</u>	<u>1.63%</u>
Total revenues	27,032,604	26,121,250	17,374,628	21,656,703	44,407,232	47,777,953	100.00%
Expenses:							
General government	\$ 7,793,661	\$ 7,475,817	\$ -	\$ -	\$ 7,793,661	\$ 7,475,817	17.74%
Public safety	13,374,018	11,530,338	-	-	13,374,018	11,530,338	30.45%
Emergency medical services	137,335	101,226	-	-	137,335	101,226	0.31%
Public works	3,409,500	2,927,110	-	-	3,409,500	2,927,110	7.76%
Culture and recreation	2,195,306	1,793,425	-	-	2,195,306	1,793,425	5.00%
Interest on long-term debt	1,134,675	1,009,379	-	-	1,134,675	1,009,379	2.58%
Water and sewer services	-	-	11,042,489	9,955,440	11,042,489	9,955,440	25.14%
Solid waste services	-	-	4,147,973	4,348,050	4,147,973	4,348,050	9.44%
Airport	-	-	<u>687,702</u>	<u>668,097</u>	<u>687,702</u>	<u>668,097</u>	<u>1.58%</u>
Total expenses	28,044,495	24,837,295	15,878,164	14,971,587	43,922,659	39,808,882	100.00%
Change in net position							
before transfers	(1,011,891)	1,283,955	1,496,464	6,685,116	484,573	7,969,071	
Transfers in (out)	<u>1,047,104</u>	<u>2,041,310</u>	<u>(1,047,104)</u>	<u>(2,041,310)</u>	<u>-</u>	<u>-</u>	
Change in net position	35,213	3,325,265	449,360	4,643,806	484,573	7,969,071	
Net position, beginning	<u>27,938,131</u>	<u>24,612,866</u>	<u>43,482,608</u>	<u>38,838,802</u>	<u>71,420,739</u>	<u>63,451,668</u>	
Net position, ending	<u>\$ 27,973,344</u>	<u>\$ 27,938,131</u>	<u>\$ 43,931,968</u>	<u>\$ 43,482,608</u>	<u>\$ 71,905,312</u>	<u>\$ 71,420,739</u>	

Business-Type Activities

Business-type activities accounted for 61.10% of the City of Weslaco's net position. Water and sewer rates remained the same as the prior year. There was also no change in solid waste collection fees.

The net position of the Water and Wastewater Fund decreased by \$497,681 from current year operations. Operating revenues decreased by \$1,261,024 and operating expenses increased by \$118,229, mostly due to investments in infrastructure improvements and maintenance.

The net position of the Solid Waste Fund decreased by \$20,156 from current year operations. Operating revenues decreased by \$499,979 and operating expenses decreased by \$325,827.

The net position of the Airport Fund increased by \$967,197, due mostly to capital grants of \$1,220,436. The Airport Fund receives revenues from fuel sales, hangar rentals, and grants. Any shortfalls are subsidized by the General Fund. Short of that grant and subsidies from the General Fund, the Airport would have experienced an operating loss of \$504,411. 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 \$14,024,995. Approximately 57% of this total amount, or \$7,939,293 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. This represents 35.6% of operating expenditures. 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 \$7,939,293. 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 32.4% of the total general fund expenditures, while total fund balance represents 33% 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 Commission maintained the tax rate at \$0.6767 for the 2015 tax year levy.
- The sales tax revenues decreased by 2.25% from the prior year. This decrease can be attributed at least in part to volatility in the peso valuation, which was common in cities throughout the Rio Grande Valley.

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The debt service fund has a total fund balance of \$540,114, all of which is restricted for the repayment of debt service. The scheduled tax supported debt service payments for fiscal year 2016 was \$2,698,629, including interest paid of \$854,610.

The City Commission utilized diligent thought and attention when preparing the 2015-2016 budget. However, circumstances arose which required the expenditure of additional funds that were not foreseen prior to the commencement of the fiscal year. One such occurrence was a storm event that caused major flooding and damage to property in the City in October 2015. In response, the City incurred some expenses that exceeded the adopted budget for items such as high capacity pumps and hoses to assist in drainage, and costs for response to the event such as overtime and repairs. Regardless of the negative variances in budget to actual comparison, the fund balances were sufficient to absorb the additional expenditures without adversely affecting required reserves.

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 \$879,875, which was a decrease of \$58,723 from last year. Operating revenues decreased by \$1,261,024 and operating expenses increased by \$118,229. Thus operating income decreased by \$1.3M compared to last year.

The unrestricted net position for the Solid Waste Fund amounted to \$2,269,575 at the end of the year, a small increase of \$1,444 from the prior year. Operating revenue saw a decrease of \$499,979 from last year, while operating expenses also decreased by \$325,827. It should be noted that the decrease in net position of \$20,156 was affected by transfers of \$625,750 to other funds.

The unrestricted net position for the Airport Fund amounted to \$(399,353). 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, 2016, amounts to \$147,845,178 (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 1.76% (a .89% increase for business-type activities, and 3.43% increase for governmental activities).

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Management's Discussion and Analysis
September 30, 2016

Table 3
City of Weslaco, Texas - Capital Assets

	Primary Government					
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land, water and service rights	\$ 3,925,705	\$ 3,925,705	\$ 2,551,870	\$ 2,551,870	\$ 6,477,575	\$ 6,477,575
Infrastructure	7,629,307	7,629,307	-	-	7,629,307	7,629,307
Buildings and improvements	17,371,818	17,371,818	1,679,646	1,679,646	19,051,464	19,051,464
Equipment	12,092,972	11,316,605	8,738,182	8,688,537	20,831,154	20,005,142
Improvements	42,853,948	37,188,685	74,693,645	69,642,578	117,547,593	106,831,263
Capital leases	3,274,824	2,559,544	-	-	3,274,824	2,559,544
Construction in progress	<u>1,724,505</u>	<u>4,351,205</u>	<u>48,178,598</u>	<u>49,737,356</u>	<u>49,903,103</u>	<u>54,088,561</u>
Totals at historical cost	88,873,079	84,342,869	135,841,941	132,299,987	224,715,020	216,642,856
Accumulated depreciation	<u>(37,567,852)</u>	<u>(34,740,078)</u>	<u>(39,301,990)</u>	<u>(36,608,555)</u>	<u>(76,869,842)</u>	<u>(71,348,633)</u>
	<u>\$ 51,305,227</u>	<u>\$ 49,602,791</u>	<u>\$ 96,539,951</u>	<u>\$ 95,691,432</u>	<u>\$ 147,845,178</u>	<u>\$ 145,294,223</u>

Additional information on the City of Weslaco's capital assets can be found in Note 5 on page 68 of this report.

Long-Term Debt

At year end of the current fiscal year, the City of Weslaco had total bonded debt outstanding of \$76,161,260, excluding \$4,335,000 in the component unit. Of this amount \$75,291,260 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 was upgraded from an "A+" rating from Standard and Poor's to an "AA-" in May of 2016, the City's highest rating to date. Moody's rates the City at an "A2" for general obligation debt, from its review in March of 2015.

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 11.86% 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 6 on page 70 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The employment rate for the City of Weslaco is currently 93.8%, compared to 92.9% a year ago. This rate compares to the state's average employment rate of 95.8%.

City of Weslaco, Texas
Management's Discussion and Analysis
September 30, 2016

- The City Commission maintained the property tax rate at \$0.6767 per \$100 for the 2015 tax year, or fiscal year ending September 30, 2016. 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 to evaluate the tax rate each year and determine if a decrease is warranted. 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>	140,269	82,431	39,474	84,497	74,273
<i>Valuation</i>	\$8,514,432,544	\$3,869,983,856	\$1,661,026,259	\$3,857,167,020	\$2,592,116,495
City	\$0.4763	\$0.4988	\$0.6767	\$0.5350	\$0.6540
Drainage	0.0951	0.0951	0.0951	0.0951	0.0951
Hidalgo County	0.5900	0.5900	0.5900	0.5900	0.5900
STC	0.1850	0.1850	0.1850	0.1850	0.1850
ISD	1.1550	1.3672	1.1397	1.2398	1.3992
STISD	0.0492	0.0492	0.0492	0.0492	0.0492
Total	\$2.5506	\$2.7853	\$2.7357	\$2.6941	\$2.9725

Note: Population figures are 2015 estimates obtained from the U.S. Census Bureau.
Valuation represents 2015 Certified Estimate as reported by the Hidalgo County Appraisal district for the tax year 2015.
Tax rates are for the tax year 2015 and were obtained from the Hidalgo County Appraisal District.

At the close of the fiscal year ending September 30, 2016, it was determined that circumstances merited a one cent decrease, thus lowering the tax rate to \$0.6667 for fiscal year 2017.

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.

BASIC

FINANCIAL STATEMENTS

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CITY OF WESLACO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 12,740,406	\$ 2,476,817	\$ 15,217,223	\$ 3,151,439
Cash and cash equivalents- restricted	347,095	5,740,996	6,088,091	925,042
Investments, restricted	-	-	-	695,256
Receivables, net	4,072,133	2,761,689	6,833,822	225,478
Internal balances	292,406	(292,406)	-	-
Notes receivables	-	-	-	2,900,177
Prepaid bond insurance costs	65,669	305,567	371,236	-
Other prepaid items	91,233	-	91,233	-
Inventories	6,034	277,721	283,755	-
Assets held for resale	-	-	-	402,734
Capital assets not being depreciated	13,279,517	50,730,468	64,009,985	40,458
Capital assets, net of depreciation	38,025,710	45,809,483	83,835,193	1,944,587
Total assets	68,920,203	107,810,335	176,730,538	10,285,171
Deferred Outflows of Resources				
Deferred charge on refunding	280,268	769,479	1,049,747	-
Deferred outflows related to pensions	3,416,094	331,007	3,747,101	-
Total Deferred Outflows of Resources	3,696,362	1,100,486	4,796,848	-
Total Assets and Deferred Outflows of Resources	\$ 72,616,565	\$ 108,910,821	\$ 181,527,386	\$ 10,285,171
Liabilities				
Accounts payable	\$ 1,204,082	\$ 1,848,493	\$ 3,052,575	\$ 16,943
Accrued expenses	1,284,408	460,774	1,745,182	68,344
Unearned revenue	127,445	-	127,445	-
Non-current liabilities:				
Due within one year	2,596,259	2,850,500	5,446,759	678,189
Due in more than one year	27,784,398	58,894,216	86,678,614	3,922,867
Municipal net pension liability	6,916,687	894,319	7,811,006	-
Firemen's net pension liability	4,588,953	-	4,588,953	-
Total Liabilities	44,502,232	64,948,302	109,450,534	4,686,343
Deferred Inflows of Resources				
Deferred inflows related to pensions	140,989	30,551	171,540	-
Total Deferred Inflows of Resources	140,989	30,551	171,540	-
Net Position				
Net investment in capital assets	23,122,052	39,969,259	63,091,311	878,306
Restricted for:				
Debt service	790,929	982,614	1,773,543	695,256
Special revenue funds	420,798	-	420,798	-
Capital projects	-	229,998	229,998	925,042
Project development	-	-	-	60,000
Unrestricted	3,639,565	2,750,097	6,389,662	3,040,224
Total Net Position	27,973,344	43,931,968	71,905,312	5,598,828
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 72,616,565	\$ 108,910,821	\$ 181,527,386	\$ 10,285,171

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, 2016**

Functions/programs	Expenses	Program Revenues		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 7,793,661	\$ 714,548	\$ -	\$ -
Public safety	13,374,018	853,586	484,336	-
Emergency medical services	137,335	1,350,052	-	-
Public works	3,409,500	-	-	571,469
Culture and recreation	2,195,306	85,163	-	-
Interest on long-term debt	1,134,675	-	-	-
Total governmental activities	28,044,495	3,003,349	484,336	571,469
Business-type activities:				
Water and Wastewater services	11,042,489	10,806,055	-	409,766
Solid waste services	4,147,973	4,725,450	-	28,117
Airport	687,702	183,291	-	1,220,436
Total business-type activities	15,878,164	15,714,796	-	1,658,319
Total primary government	\$ 43,922,659	\$ 18,718,145	\$ 484,336	\$ 2,229,788
Component Unit:				
General government and administration	\$ 296,336	\$ -	\$ -	\$ -
Property management	280,963	95,833	-	-
Promotion and development	301,113	-	37,823	-
Development services	737,232	-	-	-
Interest on long-term debt	176,489	-	-	-
Total componen unit	\$ 1,792,133	\$ 95,833	\$ 37,823	\$ -

General Revenues:

Taxes:
Ad valorem
Sales
Occupancy
Franchise and other
Investment earnings
Gain (loss) on Sale/Retirement
of captial assets
Miscellaneous
Other financing sources
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 statemer

Net (Expenses) Revenue And Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (7,079,113)	\$ -	\$ (7,079,113)	\$ -
(12,036,096)	-	(12,036,096)	-
1,212,717	-	1,212,717	-
(2,838,031)	-	(2,838,031)	-
(2,110,143)	-	(2,110,143)	-
(1,134,675)	-	(1,134,675)	-
(23,985,341)	-	(23,985,341)	-
-	173,332	173,332	-
-	605,594	605,594	-
-	716,025	716,025	-
-	1,494,951	1,494,951	-
(23,985,341)	1,494,951	(22,490,390)	-
\$ -	\$ -	\$ -	\$ (296,336)
-	-	-	(185,130)
-	-	-	(263,290)
-	-	-	(737,232)
-	-	-	(176,489)
			(1,658,477)
11,264,052	-	11,264,052	-
8,682,523	-	8,682,523	2,894,175
351,911	-	351,911	-
1,893,085	-	1,893,085	-
60,217	1,513	61,730	95,923
-	-	-	11,949
721,662	-	721,662	23,538
-	-	-	-
1,047,104	(1,047,104)	-	-
24,020,554	(1,045,591)	22,974,963	3,025,585
35,213	449,360	484,573	1,367,108
28,254,589	43,482,608	71,737,197	4,231,720
(316,458)	-	(316,458)	-
27,938,131	43,482,608	71,420,739	4,231,720
\$ 27,973,344	\$ 43,931,968	\$ 71,905,312	\$ 5,598,828

**CITY OF WESLACO, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016**

	General Fund	Debt Service Fund	2013 Certificate of Obligation Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,467,193	\$ 462,585	\$ 2,310,614	\$ 2,479,801	\$ 12,720,193
Cash and cash equivalents- restricted	347,095	-	-	-	347,095
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes	902,474	317,427	-	-	1,219,901
Sales taxes	862,805	-	-	-	862,805
Ambulance fees	758,685	-	-	-	758,685
Other	460,927	439	690,063	79,313	1,230,742
Due from other funds	292,406	10,478	-	-	302,884
Prepaid items	31,358	-	-	34,311	65,669
Inventories	6,034	-	-	-	6,034
Total Assets	\$ 11,128,977	\$ 790,929	\$ 3,000,677	\$ 2,593,425	\$ 17,514,008
Liabilities					
Accounts payable	\$ 1,013,290	\$ -	\$ 2,856	\$ 187,936	\$ 1,204,082
Accrued salaries and payroll taxes	262,708	-	-	-	262,708
Other liabilities	687,037	-	-	-	687,037
Due to other funds	10,478	-	-	-	10,478
Payable from restricted assets	242,209	-	-	-	242,209
Unearned revenue	127,445	-	-	-	127,445
Total Liabilities	2,343,167	-	2,856	187,936	2,533,959
Deferred Inflows of Resources					
Unavailable revenue- ad valorem taxes	704,239	250,815	-	-	955,054
Total Deferred Inflows of Resources	704,239	250,815	-	-	955,054
Fund Balances					
Nonspendable	37,392	-	-	34,311	71,703
Restricted	104,886	540,114	2,997,821	420,798	4,063,619
Assigned	-	-	-	1,950,380	1,950,380
Unassigned	7,939,293	-	-	-	7,939,293
Total Fund Balances	8,081,571	540,114	2,997,821	2,405,489	14,024,995
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,128,977	\$ 790,929	\$ 3,000,677	\$ 2,593,425	\$ 17,514,008

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, 2016**

	Governmental Activities
Total fund balance-governmental funds	\$ 14,024,995
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 governmental funds.	955,054
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund balance sheet. This is the amount of governmental assets \$83,804,557, net of accumulated depreciation totaling \$(33,954,218). Not included in this amount are internal service fund assets of \$1,454,888.	49,850,339
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.	(92,454)
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	91,233
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of certain internal service funds are included in the governmental activities statement of net position.	558,140
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.	(29,183,428)
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 (\$6,916,687), a deferred resource outflows in the amount of \$3,416,094, and a deferred resource inflow in the amount of (\$140,989). This resulted in an increase/(decrease) in net position by (\$3,641,582)	(3,641,582)
Included in the noncurrent assets/(liabilities) is the recognition of the City Firemen'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)	(4,588,953)
Net position of governmental activities	\$ 27,973,344

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, 2016**

	General Fund	Debt Service Fund	2013 Certificate of Obligation Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 9,214,051	\$ 2,059,228	\$ -	\$ -	\$ 11,273,279
Nonproperty taxes	10,575,608	-	-	351,911	10,927,519
Fees and charges	1,644,414	-	-	-	1,644,414
Fines and forfeitures	698,250	-	-	-	698,250
Licenses and permits	493,175	-	-	-	493,175
Intergovernmental	484,336	-	571,469	-	1,055,805
Investment income	37,225	22,992	-	-	60,217
Miscellaneous	874,273	-	-	14,899	889,172
Total Revenues	24,021,332	2,082,220	571,469	366,810	27,041,831
Expenditures					
General government	6,133,070	-	-	-	6,133,070
Public safety	12,164,792	-	-	500	12,165,292
Public works	2,069,936	-	2,295	32,633	2,104,864
Culture and recreation	1,337,716	-	-	371,483	1,709,199
Economic development	589,640	-	-	-	589,640
Capital outlay	1,695,934	-	1,558,983	1,275,294	4,530,211
Debt service:					
Principal	505,761	1,844,019	-	39,837	2,389,617
Interest and fees	8,739	777,055	-	800	786,594
Advance refunding escrow	-	77,555	-	-	77,555
Total Expenditures	24,505,588	2,698,629	1,561,278	1,720,547	30,486,042
Excess (deficiency) of revenues over expenditures	(484,256)	(616,409)	(989,809)	(1,353,737)	(3,444,211)
Other financing sources (uses):					
Proceeds from captial lease	-	-	-	715,281	715,281
Proceeds from bond refunding	-	3,735,000	-	-	3,735,000
Premium on bond	-	701,808	-	-	701,808
Payment to escrow agent	-	(4,392,713)	-	-	(4,392,713)
Transfers in	798,276	-	-	1,410,149	2,208,425
Transfers out	(1,257,435)	-	-	(28,886)	(1,286,321)
Total other financing sources (uses)	(459,159)	44,095	-	2,096,544	1,681,480
Net change in fund balances	(943,415)	(572,314)	(989,809)	742,807	(1,762,731)
Fund balances at beginning of year	9,024,986	1,112,428	3,987,630	1,662,682	15,787,726
Fund balances at end of year	\$ 8,081,571	\$ 540,114	\$ 2,997,821	\$ 2,405,489	\$ 14,024,995

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, 2016**

	Governmental Activities
Net change in fund balances-total governmental fund:	\$ (1,762,731)
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 and reported as depreciation expense. This is the amount by which depreciation (\$2,387,852) exceeded capital outlay \$4,530,211 in the current period.	2,142,359
The change in compensated absences of \$390,129 payable during the year is reported as an increase to expenditures in the statement of activities but not in the governmental funds.	(390,129)
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.	(715,281)
The change in accrued interest on long-term debt provides decreases long-term liabilities in the statement of net position.	22,587
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.	19,459
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.	(9,227)
Repayment of bond, capital lease principal, and liabilities under chapter 380 agreements are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,389,619
Internal Service funds are used by management to charge the costs of certain activities. The net revenue (loss) of the internal service funds is reported with governmental activities.	(340,921)
Governmental funds report the issuance of debt refundings as an other financing source and use but in governmental activities the issuance of debt is recorded as a long-term liability. The effect of removing the bond proceeds of \$(3,735,000), the bond premium of \$(701,808), removing the refunded debt of \$4,190,000, and recording the deferred outflow on bond refunding of \$280,268 from the statement of activities is to increase the overall change in net position.	33,460
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 12/31/11 caused the change in ending net position to increase in the amount of \$14,162. 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 \$(350,886). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$(1,042,309). The result of these changes is to increase/(decrease) the change in net position by \$(979,033).	(979,033)
The City's reported Firemen's net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(374,949).	(374,949)
Change in net position of governmental activities:	\$ 35,213

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, 2016**

	Business-Type Activities				Governmental Activities
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Totals	Internal Service Fund
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,970,359	\$ 506,358	\$ 100	\$ 2,476,817	\$ 20,213
Cash and cash equivalents- restricted	5,510,998	-	229,998	5,740,996	-
Receivables, net of allowances for uncollectibles	2,046,896	666,580	48,213	2,761,689	-
Due from other funds	-	2,000,000	-	2,000,000	-
Inventories	246,367	-	31,354	277,721	-
Prepaid items	305,567	-	-	305,567	-
Total current assets	10,080,187	3,172,938	309,665	13,562,790	20,213
Non-current assets					
Land	665,175	421,247	1,465,448	2,551,870	-
Buildings	362,324	668,781	648,541	1,679,646	-
Equipment	6,296,998	1,908,927	532,257	8,738,182	4,997,658
Improvements	-	-	-	-	70,864
Infrastructure	65,610,780	64,461	9,018,404	74,693,645	-
Construction-in-progress	45,854,088	-	2,324,510	48,178,598	-
	118,789,365	3,063,416	13,989,160	135,841,941	5,068,522
Accumulated depreciation	(32,532,971)	(2,544,136)	(4,224,883)	(39,301,990)	(3,613,634)
Total non-current assets, net	86,256,394	519,280	9,764,277	96,539,951	1,454,888
Total assets	96,336,581	3,692,218	10,073,942	110,102,741	1,475,101
Deferred outflows of resources					
Deferred outflows related to pensions	260,257	9,820	60,930	331,007	-
Deferred charge on refunding	769,479	-	-	769,479	-
Total deferred outflows of resources	1,029,736	9,820	60,930	1,100,486	-
Total assets and deferred outflows of resources	\$ 97,366,317	\$ 3,702,038	\$ 10,134,872	\$ 111,203,227	\$ 1,475,101

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, 2016**

	Business-Type Activities				Governmental Activities
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Totals	Internal Service Fund
Liabilities					
Current Liabilities:					
Accounts payable	\$ 1,405,888	\$ 357,118	85,487	\$ 1,848,493	\$ -
Accrued salaries and other liabilities	164,916	-	3,689	168,605	-
Due to other funds	2,007,509	552	284,345	2,292,406	-
Current portion of long term debt	2,850,500	-	-	2,850,500	392,567
Accrued interest on bonds	292,169	-	-	292,169	-
Total current liabilities	6,720,982	357,670	373,521	7,452,173	392,567
Noncurrent liabilities:					
Compensated absences	66,175	1,324	41,361	108,860	-
Customer deposits	1,020,942	-	-	1,020,942	-
Revenue bonds payable, net of unamortized premiums	57,228,336	-	-	57,228,336	-
Note payable	-	-	-	-	524,394
Landfill closure	-	536,078	-	536,078	-
Net pension liability	753,850	17,859	122,610	894,319	-
Total noncurrent liabilities	59,069,303	555,261	163,971	59,788,535	524,394
Total liabilities	65,790,285	912,931	537,492	67,240,708	916,961
Deferred inflows of resources					
Deferred inflows related to pensions	27,841	252	2,458	30,551	-
Total deferred inflows of resources	27,841	252	2,458	30,551	-
Net Position					
Net investment of capital assets	29,685,702	519,280	9,764,277	39,969,259	537,927
Restricted for:					
Revenue bond retirement	982,614	-	-	982,614	-
Construction	-	-	229,998	229,998	-
Unrestricted	879,875	2,269,575	(399,353)	2,750,097	20,213
Total net position	31,548,191	2,788,855	9,594,922	43,931,968	558,140
Total liabilities, deferred inflows of resources, and net position	\$ 97,366,317	\$ 3,702,038	\$ 10,134,872	\$ 111,203,227	\$ 1,475,101

**CITY OF WESLACO, TEXAS
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Business Type Activities				Governmental
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Total	Internal Service Fund
Operating Revenues:					
Water services	\$ 5,530,588	\$ -	\$ -	\$ 5,530,588	\$ -
Sewer services	4,365,116	-	-	4,365,116	-
Charges for services	-	4,665,969	182,461	4,848,430	-
Miscellaneous	260,669	59,481	830	320,980	-
Total operating revenues	10,156,373	4,725,450	183,291	15,065,114	-
Operating Expenses:					
Personal services	869,544	46,361	138,078	1,053,983	-
Other services and charges	2,498,476	44,874	164,832	2,708,182	-
Supplies	208,160	1,774	188,089	398,023	-
Contractual services	2,669,732	4,033,364	-	6,703,096	-
Depreciation	2,475,129	21,600	196,703	2,693,432	439,923
Miscellaneous	-	-	-	-	-
Total operating expenses	8,721,041	4,147,973	687,702	13,556,716	439,923
Operating income (loss)	1,435,332	577,477	(504,411)	1,508,398	(439,923)
Non-operating revenues (expenses)					
Investment income	1,513	-	-	1,513	-
Capital Improvement fees	649,682	-	-	649,682	-
Capital grants	409,766	28,117	1,220,436	1,658,319	-
Interest expense	(2,321,448)	-	-	(2,321,448)	(25,998)
Total non-operating revenues (expenses)	(1,260,487)	28,117	1,220,436	(11,934)	(25,998)
Income (loss) before transfers	174,845	605,594	716,025	1,496,464	(465,921)
Transfers in (out)					
Transfers in	-	-	251,172	251,172	125,000
Transfers out	(672,526)	(625,750)	-	(1,298,276)	-
Total transfers	(672,526)	(625,750)	251,172	(1,047,104)	125,000
Change in net position	(497,681)	(20,156)	967,197	449,360	(340,921)
Net position- beginning	32,045,872	2,809,011	8,627,725	43,482,608	1,351,730
Prior period adjustment	-	-	-	-	(452,669)
Net position- beginning, as adjusted	32,045,872	2,809,011	8,627,725	43,482,608	899,061
Net position- ending	\$ 31,548,191	\$ 2,788,855	\$ 9,594,922	\$ 43,931,968	\$ 558,140

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, 2016

	Business Type Activities				Governmental
	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	Total	Internal Service Fund
Cash flows from operating activities					
Cash received from customers	\$ 11,655,181	\$ 5,059,836	\$ 151,311	\$ 16,866,328	\$ -
Payments to suppliers	(6,579,169)	(3,881,652)	(182,502)	(10,643,323)	-
Payments to employees	(1,580,618)	(35,779)	(199,753)	(1,816,150)	-
Net cash provided (used) by operating activities	3,495,394	1,142,405	(230,944)	4,406,855	-
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	251,172	251,172	125,000
Transfers to other funds	(672,526)	(625,750)	-	(1,298,276)	-
Net cash provided (used) by noncapital financing activities	(672,526)	(625,750)	251,172	(1,047,104)	125,000
Cash flows from capital and related financing activities					
Purchase of capital assets	(2,214,064)	-	(107,453)	(2,321,517)	-
Refunding bonds issued	15,750,000	-	-	15,750,000	-
Premium on refunding bonds	3,209,943	-	-	3,209,943	-
Payment to refunded bond escrow agent	(18,335,000)	-	-	(18,335,000)	-
Interest paid on bonds	(2,530,890)	-	-	(2,530,890)	-
Interest paid on notes	-	-	-	-	(25,998)
Retirement of notes	-	-	-	-	(318,628)
Retirement of bonds	(3,075,280)	-	-	(3,075,280)	-
Landfill closure costs	-	(38,414)	-	(38,414)	-
Capital grants	409,766	28,117	-	437,883	-
Capital improvement fees	649,682	-	-	649,682	-
Net cash provided (used) by capital and related financing activities	(6,135,843)	(10,297)	(107,453)	(6,253,593)	(344,626)
Cash flow from investing activities:					
Interest on cash and investments	1,513	-	-	1,513	-
Net cash provided (used) by investing activities	1,513	-	-	1,513	-
Net increase (decrease) in cash and cash equivalents	(3,311,462)	506,358	(87,225)	(2,892,329)	(219,626)
Cash and cash equivalents, beginning of year	10,792,819	-	317,323	11,110,142	239,839
Cash and cash equivalents, end of year	<u>\$ 7,481,357</u>	<u>\$ 506,358</u>	<u>\$ 230,098</u>	<u>\$ 8,217,813</u>	<u>\$ 20,213</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,435,332	\$ 577,477	\$ (504,411)	\$ 1,508,398	\$ (439,923)
Adjustments to reconcile income (loss) from operations to net cash from operating activities					
Depreciation	2,475,129	21,600	196,703	2,693,432	439,923
(Increase) decrease in accounts receivables	1,004,788	334,386	(31,980)	1,307,194	-
(Increase) decrease in inventories	(56,619)	-	18,543	(38,076)	-
(Increase) decrease in prepaids	84,716	-	-	84,716	-
(Increase) decrease in due from other funds	485,027	-	-	485,027	-
(Increase) decrease in deferred outflows related to pensions	(928,641)	(8,458)	(49,745)	(986,844)	-
Decrease (increase) in accounts payable	(1,027,038)	293,301	74,977	(658,760)	-
Decrease (increase) in accrued expenses	(64,341)	-	(3,908)	(68,249)	-
Decrease (increase) in due to other funds	(203,860)	(86,483)	76,899	(213,444)	-
Decrease (increase) in customer deposits	8,993	-	-	8,993	-
Decrease (increase) in compensated absences	23,932	(474)	(63,497)	(40,039)	-
Decrease (increase) in net pension liability	262,138	11,235	56,558	329,931	-
Decrease (increase) in deferred inflows related to pensions	(4,162)	(179)	(1,083)	(5,424)	-
Total adjustments	2,060,062	564,928	273,467	2,898,457	439,923
Net cash provided (used) by operations	\$ 3,495,394	\$ 1,142,405	\$ (230,944)	\$ 4,406,855	\$ -
<i>Supplemental disclosure of noncash activities</i>					
<i>Contributed capital assets from Txdot</i>	\$ -	\$ -	\$ 1,220,436	\$ 1,220,436	\$ -

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, 2016**

	Pension Trust fund	Private-purpose Trust fund
	Firemen's Relief and Retirement	Marion Booth Endowment Fund
Assets		
Cash	\$ 83,726	\$ 10,922
Investments, at fair value:		
Certificates of deposit	-	480,537
Equities	6,329,384	-
Corporate bonds	661,529	-
Money market mutual funds	626,450	-
Municipal bonds	1,485,059	-
Total Assets	\$ 9,186,148	\$ 491,459
 Liabilities		
Accounts payable	\$ -	\$ 1,429
Total Liabilities	-	1,429
 Net Position		
Net position held in trust for pension benefits and other purposes	9,186,148	490,030
Total Net Position	9,186,148	490,030
Total Liabilities and Net Position	\$ 9,186,148	\$ 491,459

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

CITY OF WESLACO, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Pension Trust fund	Private-purpose Trust fund
	Firemen's Relief and Retirement	Marion Booth Endowment Fund
Additions		
Contributions		
Employer contributions	\$ 440,112	\$ -
Plan member contributions	425,463	-
	865,575	-
Investment income		
Net appreciation in fair value of investments	621,209	-
Interest and dividends	184,497	2,973
	805,706	2,973
Less investment expense	(52,747)	-
Net investment income (loss)	752,959	2,973
Total additions	1,618,534	2,973
Deductions		
Benefits paid	520,186	-
Refunds of contributions	125,110	-
Administrative expenses	42,299	2,729
	687,595	2,729
Net change in fiduciary net position	930,939	244
Net Position, beginning of year	8,255,209	489,786
Net position, end of year	\$ 9,186,148	\$ 490,030

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 Financial Statements
September 30, 2016

NOTE 1 - 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).

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. 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 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.

NOTE 1 - 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 its 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 14 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.

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.

NOTE 1 - 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:

NOTE 1 - 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.

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.

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.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

“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.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

In fiscal year 2016, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

GASB Statement No. 73 extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. Currently the City does not have any pension plans that are not administered through a trust.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

There was no material impact on the City’s financial statements as a result of the implementation of Statements mentioned above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgetary Control

The City Charter established 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.

Upon receipt of the budget estimates, the Commission holds a public hearing on the proposed budget. Information about the Budget is then published in the official newspaper of the City.

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.

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.

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).

Current year appropriations lapse at year-end. Budgeted amounts are as originally adopted or as amended by the City Commission through September 30, 2016. 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.

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

Cash and Cash Equivalents

All fund types consider cash and cash 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Prepaid Items

Expenditures made to third party vendors for goods and services that will benefit periods beyond September 30, 2016 are recorded as prepaid items, in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

Inventories are valued at cost, which approximates market value, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Short-Term Inter-fund Receivables and Payables/Internal Balances

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

Interfund Transfers

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.

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 Financial Statements
September 30, 2016

NOTE 1 - 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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities column. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the period incurred. Bond insurance costs are considered as prepaid items.

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

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.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 13.

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 13.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

Investments are carried at fair value as defined in GASB Statement 72 “Fair Value Measurement and Application”. Consistent with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the City’s Firemen’s Relief and Retirement Fund Investments a detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements.

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.

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.

Reclassification

The financial statements for the fiscal year ended September 30, 2015 have been reclassified to conform with the presentation of the financial statements for the fiscal year ended September 30, 2016.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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.

Expenditures over Appropriations

At September 30, 2016, expenditures in the following departments exceeded appropriations:

General government	\$(718,746)
Public safety	(855,285)
Capitalized items	(740,378)
Interest and fees	(8,739)

General Government – settlements of pending litigation exceeded budgeted amounts. In addition, response to a major flooding event caused overages in overtime and other charges.

Public Safety – overtime for fire and police was in excess of budgeted amounts, in part due to the emergency response to the October flooding. Other overtime to address security for special events was not budgeted for.

Capitalized items – multiple capitalized expenditures were authorized to ensure all departments were adequately supplied with tools and equipment needed to address critical needs in the City. Some expenditures were addressed in budget amendments, but not all of them.

Interest and fees – interest expense associated with some capital leases were not budgeted for.

NOTE 3 – 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, 2016. At year-end, the respective bank balance totaled \$21,755,741. 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.

NOTE 3 – DEPOSITS AND INVESTMENTS - Continued

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.

A reconciliation of cash and investments follows:

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>1 or less</u>	<u>Greater than 1 year</u>
Primary Government			
Cash and cash equivalents	\$16,557,618	\$16,557,618	\$ -
TexPool	<u>4,747,696</u>	<u>4,747,696</u>	<u>-</u>
	<u>\$21,305,314</u>	<u>\$21,305,314</u>	<u>\$ -</u>
Component Unit			
Cash and cash equivalents	\$ 4,076,481	\$ 4,076,481	\$ -
Certificates of deposit	695,256	695,256	-
Land available for sale	<u>402,734</u>	<u>402,734</u>	<u>-</u>
	<u>\$5,174,471</u>	<u>\$5,174,471</u>	<u>\$ -</u>

A reconciliation of cash and investments follows:

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Cash	\$ 9,440,169	\$1,029,358	\$10,469,527	\$3,151,439
Restricted cash	347,095	5,740,996	6,088,091	925,042
Cash equivalents – TexPool	<u>3,300,237</u>	<u>1,447,459</u>	<u>4,747,696</u>	<u>-</u>
	<u>\$13,087,501</u>	<u>\$8,217,813</u>	<u>\$21,305,314</u>	<u>\$4,076,481</u>
Investments				
Certificates of deposit	\$ -	\$ -	\$ -	\$ 695,256
Land available for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,734</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,097,990</u>

See Note 6 for components of cash restrictions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

NOTE 3 – DEPOSITS AND INVESTMENTS - Continued

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations. The investment policy states that the dollar weighted average maturity of 12 months or less will be calculated using the stated final maturity date of each security.

Credit Risk

As of September 30, 2016 the investments in TexPool investment pools were rated AAAM by Standard and Poor's.

The City's investment policy limits authorized investments to certain Texas government investments pools, obligations of or guaranteed by the U. S. and State of Texas and their agencies thereof, certificates of deposit of Texas banks and fully collateralized repurchase agreements.

Public Funds Investment Pools

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

As of the September 30, 2016, all of the City's external investment pools meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized costs; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 3 – 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, 2016. The composition of these investments is as follows:

	<u>Fair Value</u>
Equities	\$6,329,384
Fixed income	
Money market mutual funds	626,450
Municipal bonds	1,485,059
Corporate bonds	<u>661,529</u>
Total fixed income	<u>2,773,038</u>
Total investments	<u>\$9,102,422</u>

The Firemen’s fund has adopted the provisions of GASB Statement 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under generally accepted accounting principles. A summary of the hierarchy is as follows:

Level 1 inputs are quoted prices in active markets for identical assets	\$8,440,893
Level 2 inputs are significant other observable inputs	<u>661,529</u>
Total investments	<u>\$9,102,422</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.

NOTE 3 – DEPOSITS AND INVESTMENTS - Continued

Firemen’s Relief and Retirement Fund Investments - Continued

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.

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 4 - RECEIVABLES

Receivables at September 30, 2016, consist of the following:

	Primary Government										Component Unit		
	Governmental					Business-type						Total Primary Government	Economic Development Corporation
	2013		Debt Certificate of Obligation Construction Fund	Non-major Funds	Total	Water and Wastewater	Solid Waste	Airport Fund	Total				
	General Fund	Service Fund											
Property taxes	\$1,258,456	\$460,697	\$ -	\$ -	\$1,719,153	\$ -	\$ -	\$ -	\$ -	\$1,719,153	\$ -		
Hotel/Motel taxes	-	-	-	72,881	72,881	-	-	-	-	72,881	-		
Trade	346,024	-	-	-	346,024	3,018,755	1,215,459	16,938	4,251,152	4,597,176	-		
Ambulance fees	2,828,358	-	-	-	2,828,358	-	-	-	-	2,828,358	-		
Sales taxes	862,805	-	-	-	862,805	-	-	-	-	862,805	-		
Other governments	<u>138,901</u>	<u>439</u>	<u>690,063</u>	<u>6,432</u>	<u>835,835</u>	<u>99,356</u>	<u>-</u>	<u>31,275</u>	<u>130,631</u>	<u>966,466</u>	<u>225,478</u>		
Gross receivables	5,434,544	461,136	690,063	79,313	6,665,056	3,118,111	1,215,459	48,213	4,381,783	11,046,839	225,478		
Less allowance for uncollectibles	<u>(2,449,653)</u>	<u>(143,270)</u>	<u>-</u>	<u>-</u>	<u>(2,592,923)</u>	<u>(1,071,215)</u>	<u>(548,879)</u>	<u>-</u>	<u>(1,620,094)</u>	<u>(4,213,017)</u>	<u>-</u>		
Net total receivable	<u>\$2,984,891</u>	<u>\$317,866</u>	<u>\$690,063</u>	<u>\$79,313</u>	<u>\$4,072,133</u>	<u>\$2,046,896</u>	<u>\$666,580</u>	<u>\$48,213</u>	<u>\$2,761,689</u>	<u>\$6,833,822</u>	<u>\$225,478</u>		

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 4 - 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, 2016:

Loan to AC/DC Signs	\$ 58,776
Loan to SESA	20,000
Loan to Downtown Properties	90,228
Loan to CiL Properties	145,101
Promissory note from LRGVDC (building sale)	1,450,999
Promissory note from SDI Weslaco Holdings, Inc.	<u>1,135,073</u>
Total notes receivable	<u>\$2,900,177</u>

Total note receivable from SDI Weslaco Holdings, LLC (SDI) was \$2,213,255 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 \$2,213,255 of the \$3,300,000 project. In the current year, the City of Weslaco paid \$236,035 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, 2016.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 is as follows:

	Restated Beginning Balance	Additions	Transfers/ Reclassification	Retirements	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,925,705	\$ -	\$ -	\$ -	\$ 3,925,705
380 agreements infrastructure	7,629,307	-	-	-	7,629,307
Construction in progress	<u>4,351,205</u>	<u>2,465,246</u>	<u>(5,091,946)</u>	-	<u>1,724,505</u>
Total capital assets not being depreciated	<u>15,906,217</u>	<u>2,465,246</u>	<u>(5,091,946)</u>	-	<u>13,279,517</u>
Capital assets being depreciated					
Buildings	17,371,818	-	-	-	17,371,818
Equipment	11,316,605	776,367	-	-	12,092,972
Improvements	37,188,685	573,317	5,091,946	-	42,853,948
Capital Leases	<u>2,559,544</u>	<u>715,281</u>	-	-	<u>3,274,825</u>
	<u>68,436,652</u>	<u>2,064,965</u>	<u>5,091,946</u>	-	<u>75,593,563</u>
Less accumulated depreciation for					
Building	6,512,346	434,295	-	-	6,946,641
Equipment	6,507,435	703,798	-	-	7,211,233
Improvements	21,267,628	1,210,929	-	-	22,478,557
Capital Leases	<u>452,669</u>	<u>478,752</u>	-	-	<u>931,421</u>
Total accumulated depreciation	<u>34,740,078</u>	<u>2,827,774</u>	-	-	<u>37,567,852</u>
Total capital asset being depreciated, net	<u>33,696,574</u>	<u>(762,809)</u>	<u>5,091,946</u>	-	<u>38,025,710</u>
Governmental Activities, capital assets, net	<u>\$49,602,791</u>	<u>\$1,702,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$51,305,227</u>

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

Governmental activities	
General government	\$ 785,175
Public Safety	290,330
Emergency Medical Services	137,335
Public Works	1,196,471
Culture and Recreation	<u>418,463</u>
	<u>\$2,827,774</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 5 – CAPITAL ASSETS - Continued

	Restated Beginning Balance	Additions	Transfers/ Reclassification	Retirements	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 2,551,870	\$ -	\$ -	\$ -	\$ 2,551,870
Construction in progress	<u>49,737,356</u>	<u>3,421,922</u>	<u>(4,980,680)</u>	<u>-</u>	<u>48,178,598</u>
Total capital assets not being depreciated	<u>52,289,226</u>	<u>3,421,922</u>	<u>(4,980,680)</u>	<u>-</u>	<u>50,730,468</u>
Capital assets being depreciated					
Buildings	1,679,646	-	-	-	1,679,646
Equipment	8,688,538	56,531	-	(6,887)	8,738,182
Improvements	<u>69,642,578</u>	<u>70,387</u>	<u>4,980,680</u>	<u>-</u>	<u>74,693,645</u>
Total capital assets being depreciated	<u>80,010,762</u>	<u>126,918</u>	<u>4,980,680</u>	<u>(6,887)</u>	85,111,473
Less accumulated depreciation for					
Building	1,284,391	22,732	-	-	1,307,123
Equipment	7,286,802	314,815	-	(6,887)	7,594,730
Improvements	<u>28,037,365</u>	<u>2,362,772</u>	<u>-</u>	<u>-</u>	<u>30,400,137</u>
Total accumulated depreciation	<u>36,608,558</u>	<u>(2,700,319)</u>	<u>4,980,680</u>	<u>-</u>	<u>39,301,990</u>
Total capital asset being depreciated, net	<u>43,402,204</u>	<u>(2,573,401)</u>	<u>-</u>	<u>-</u>	<u>45,809,483</u>
Business-type activities capital assets, net	<u>\$95,691,430</u>	<u>\$ 848,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$96,539,951</u>

Depreciation expense was charged as direct expense to business-type functions of the primary government as follows:

Business-type activities	
Water and wastewater	\$2,482,016
Solid waste	21,600
Airport	<u>196,703</u>
Total depreciation expense – business-type activities	<u>\$2,700,319</u>

Component Unit	Restated Beginning Balance	Additions	Retirements	Transfers/ Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 19,709	\$ -	\$ -	\$ -	\$ 19,709
Construction in progress	<u>9,049</u>	<u>11,700</u>	<u>-</u>	<u>-</u>	<u>20,749</u>
	28,758	11,700	-	-	40,458
Capital assets, being depreciated:					
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	-	-	-	2,348,354
Less accumulated depreciation	<u>335,075</u>	<u>69,279</u>	<u>-</u>	<u>-</u>	<u>404,354</u>
Total capital assets, being depreciated, net	<u>2,013,866</u>	<u>(69,279)</u>	<u>-</u>	<u>-</u>	<u>1,944,587</u>
Governmental activities, capital assets, net	<u>\$2,042,624</u>	<u>\$ (57,579)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,985,045</u>

Depreciation of \$69,279 was charged to general government functions.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6 – LONG-TERM DEBT

Business-Type Activities Bonded Debt

Business-type activities bonded debt as of September 30, 2016 is as follows:

\$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%	\$ 100,000
\$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%	404,029
\$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%.	870,000
\$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%.	4,810,000
\$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.	9,075,000
\$15,750,000 Limited Tax Refunding Bonds, Series 2016, dated June 7, 2016, due in annual installments varying from \$290,000 to \$2,280,000 through February 15, 2027, bearing interest rates of 4.00%-5.00%.	<u>15,750,000</u>
Total Business-Type Activities Bonded Debt	<u>\$55,344,029</u>

Governmental Activities Bonded Debt

Governmental activities bonded debt as of September 30, 2016 is as follows:

\$6,105,000 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%	\$ 400,000
\$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%	1,532,231
\$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%.	8,705,000

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6 – LONG-TERM DEBT - Continued

\$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%. \$ 6,445,000

\$3,735,000 Limited Tax Refunding Bonds, Series 2016, dated June 7, 2016, due in annual installments varying from \$265,000 to \$530,000 through February 15, 2027, bearing interest rates of 4.00%-5.00%. 3,735,000

Total Governmental Activities Bonded Debt \$20,817,231

Capital Leases

\$1,901,245 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. \$ 916,961

\$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. 243,039

\$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. 264,234

\$525,000 Frost Municipal Lease agreement dated January 28, 2016. The terms of the capital lease include annual payments of \$60,288 beginning October 2016. The lease was used to purchase a fire truck. 525,000

\$190,281 Frost Municipal lease agreement dated January 28, 2016. The terms of the capital lease include annual payments of \$39,837 beginning February 2016. The lease was used to purchase an ambulance and other vehicle. 150,444

Total Governmental Activities Capital Lease Debt \$2,099,678

Component Unit Bonded Debt

Component Unit bonded debt as of September 30, 2016 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%. \$ 840,000

\$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% 280,000

\$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

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE F – LONG-TERM DEBT - Continued

\$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% 1,925,000
 Total Revenue Bonds \$4,335,000

Notes Payable

A note dated December 22, 2015 and payable to Texas National for \$283,000. The terms of the note include principal and interest payments of \$3,012 beginning January 22, 2016, continuing monthly thereafter until November 22, 2022, when the entire balance, including principal and interest will be due and payable. The interest rate is a fixed 5.00%. The note is secured by 17.12 acres in the industrial park. 266,056

Total Component Unit Revenue Bonds and Notes Payable \$4,601,056

Transactions for the year ended September 30, 2016 are summarized as follows:

	Balance October 1	Issues or Additions	Payments or Expenditures	Balance September 30	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 2,006,250	\$ -	\$ 474,019	\$ 1,532,231	\$ 494,500
Certifications of Obligation	21,110,000	3,735,000	5,560,000	19,285,000	1,485,000
Capital leases	1,873,225	715,281	488,828	2,099,678	616,759
Bond premium	516,810	701,808	46,957	1,171,661	-
380 Agreement Infrastructure	4,094,605	-	375,400	3,719,205	-
Compensated absences	2,182,753	1,286,168	896,039	2,572,882	-
Municipal net pension liability	3,097,838	3,818,849	-	6,916,687	-
Firemen's net pension liability	<u>4,214,004</u>	<u>374,949</u>	-	<u>4,588,953</u>	-
Total Governmental Activities	<u>39,095,485</u>	<u>10,632,055</u>	<u>7,841,243</u>	<u>41,886,297</u>	<u>2,596,259</u>
Business-Type Activities					
General Obligation Bonds	529,308	-	125,279	\$ 404,029	130,500
Revenue Bonds Payable	1,290,000	-	420,000	870,000	430,000
Certificates of Obligation	52,640,000	15,750,000	19,130,000	49,260,000	100,000
Bond discount	(15,476)	-	(15,476)	-	-
Bond premium	1,699,140	3,209,943	174,277	4,734,806	-
Tax notes	6,545,000	-	1,735,000	4,810,000	2,190,000
Compensated absences	165,245	55,686	112,071	108,860	-
Customer deposits	1,011,949	8,993	-	1,020,942	-
Landfill closure	574,493	-	38,414	536,079	-
Municipal net pension liability	<u>552,737</u>	<u>341,582</u>	-	<u>894,319</u>	-
Total Business-Type Activities	<u>64,992,396</u>	<u>19,366,204</u>	<u>21,719,565</u>	<u>62,639,035</u>	<u>2,850,500</u>
Total Primary Government	<u>\$104,087,881</u>	<u>\$29,998,259</u>	<u>\$29,560,808</u>	<u>\$104,525,332</u>	<u>\$ 5,446,759</u>
Component Unit					
Revenue bonds	\$ 4,965,000	\$ -	\$ 630,000	\$ 4,335,000	\$ 655,000
Notes payable	<u>344,817</u>	<u>283,000</u>	<u>361,761</u>	<u>266,056</u>	<u>23,189</u>
Total Component Unit	<u>\$ 5,309,817</u>	<u>\$ 283,000</u>	<u>\$ 991,761</u>	<u>\$ 4,601,056</u>	<u>\$ 678,189</u>

NOTE 6 – LONG-TERM DEBT - Continued

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, 2016.

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, 2016.

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, 2016.

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

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. The balance of defeased debt outstanding as of September 30, 2016 amounted to \$22,525,000 and was a result of the current year refunding described below.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6 – LONG-TERM DEBT - Continued

Revenue Bonds Refunding

The City issued \$19,485,000 Limited Tax Refunding Bonds, Series 2016 to advance refund a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City. The advance refunding was authorized to refund \$4,190,000 and \$18,335,000 of the *Series 2007 Tax and Waterworks and Sewer System Surplus Revenue Certifications of Obligation* in governmental and business type activities, respectively.

The bonds are collateralized by property taxes levied against all taxable property within the limits prescribed by law and are further secured by net revenues from the operation of the City's combined waterworks and sewer system. The bonds will be repaid over a 11 year period, which began February 15, 2017 and carry interest rates at 4.00%-5.00% with interest payment dates of February 15 and August 15. The refunding was undertaken to take advantage of favorable interest rates. The cash flow requirement of the refunded bonds, prior to the refunding, was \$29,839,945 from September 30, 2016 through February 15, 2027. The cash flow requirements of the 2016 refunding bonds are \$26,242,267 for the same period. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,597,678.

Bond Authorized and Unissued

At September 30, 2016, the City had no General Obligations Bonds and Revenue Bonds which were authorized and unissued.

The following table summarizes the restricted cash and investments as of September 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Component Unit</u>
Restricted				
Cash and cash equivalents				
Cash restricted for construction	\$104,886	\$3,507,442	\$3,612,328	\$925,042
Cash restricted for PEG fee collection	242,209	-	242,209	-
Cash restricted for bond retirement	-	982,614	982,614	-
Cash restricted for customer utility deposits	-	1,020,942	1,020,942	-
Cash in escrow	<u>-</u>	<u>229,998</u>	<u>229,998</u>	<u>-</u>
Total	<u>\$347,095</u>	<u>\$5,740,996</u>	<u>\$6,088,091</u>	<u>\$925,042</u>
Investments				
Restricted for bond reserve	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$695,256</u>

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

General Obligation Bonds

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
General obligation Bonds						
2017	\$ 495,500	\$39,795	\$ 535,295	\$130,500	\$10,503	\$141,003
2018	510,324	24,220	534,544	134,676	6,392	141,068
2019	<u>527,407</u>	<u>8,155</u>	<u>535,562</u>	<u>138,853</u>	<u>2,152</u>	<u>141,005</u>
	<u>\$1,533,231</u>	<u>\$72,170</u>	<u>\$1,605,401</u>	<u>\$404,029</u>	<u>\$19,047</u>	<u>\$423,076</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6 – LONG-TERM DEBT - Continued

Certificates of Obligations

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 1,485,000	\$ 674,250	\$ 2,159,250	\$ 100,000	\$ 2,224,182	\$ 2,324,182
2018	1,375,000	638,675	2,013,675	-	2,224,182	2,224,182
2019	1,415,000	595,450	2,010,450	1,710,000	2,216,932	3,926,932
2020	2,000,000	542,425	2,542,425	3,075,000	2,127,582	5,202,582
2021	2,055,000	482,947	2,537,947	3,200,000	2,001,682	5,201,682
2022-2026	6,945,000	1,563,837	8,508,837	18,175,000	7,812,990	25,987,990
2027-2031	2,895,000	643,800	3,538,800	16,800,000	3,691,714	20,491,714
2032-2036	<u>1,115,000</u>	<u>84,250</u>	<u>1,199,250</u>	<u>6,200,000</u>	<u>470,908</u>	<u>6,670,908</u>
Total	<u>\$19,285,000</u>	<u>\$5,225,634</u>	<u>\$24,510,634</u>	<u>\$49,260,000</u>	<u>\$22,770,172</u>	<u>\$72,030,172</u>

Revenue Bonds

	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ending September 30,			
2017	\$ 430,000	\$ 20,895	\$450,895
2018	<u>440,000</u>	<u>7,018</u>	<u>447,018</u>
Total	<u>\$ 870,000</u>	<u>\$ 27,913</u>	<u>\$897,913</u>

Tax Notes

	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ending September 30,			
2017	\$2,190,000	\$132,276	\$2,322,276
2018	<u>2,620,000</u>	<u>72,050</u>	<u>2,692,050</u>
Total	<u>\$4,810,000</u>	<u>\$204,326</u>	<u>\$5,014,326</u>

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

Year Ending September 30,	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 655,000	\$137,116	\$ 23,189	\$ 12,951	\$ 828,256
2018	675,000	113,204	24,392	11,748	824,344
2019	690,000	89,566	25,657	10,483	815,706
2020	720,000	65,139	26,963	9,177	821,279
2021	740,000	39,847	28,388	7,752	815,987
2023 and beyond	<u>855,000</u>	<u>27,265</u>	<u>137,467</u>	<u>7,607</u>	<u>1,027,339</u>
Total	<u>\$4,335,000</u>	<u>\$472,137</u>	<u>\$266,056</u>	<u>\$ 59,718</u>	<u>\$5,132,911</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6 – LONG-TERM DEBT - Continued

The following is a schedule of the future minimum lease payments under capital leases as of September 30, 2016:

Capital Leases

Year Ending September 30	Governmental Activities					Total
	Frost		Kansas State	Frost	Frost	
	<u>Municipal Lease</u>	<u>Municipal Lease</u>	<u>Bank Lease</u>	<u>Municipal Lease</u>	<u>Municipal Lease</u>	
2017	\$418,565	\$ 69,313	\$ 69,968	\$ 60,288	\$ 39,836	\$ 657,970
2018	418,564	69,134	69,968	60,288	39,837	657,791
2019	104,641	69,134	69,969	60,288	39,837	343,869
2020	-	45,805	69,968	60,288	39,837	215,898
2021	-	-	-	60,288	-	60,288
2022-2026	-	-	-	<u>301,438</u>	-	<u>301,438</u>
Total minimum lease payments	941,770	253,386	279,873	602,878	159,347	2,237,254
Less the amount representing interest	<u>(24,809)</u>	<u>(10,348)</u>	<u>(15,638)</u>	<u>(77,878)</u>	<u>(8,903)</u>	<u>(137,576)</u>
Present value of net minimum lease payments	<u>\$916,961</u>	<u>\$243,038</u>	<u>\$264,235</u>	<u>\$ 525,000</u>	<u>\$150,444</u>	<u>\$2,099,678</u>

NOTE 7 - 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, 2016 was levied using a rate of \$.6767 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.

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.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 7 - PROPERTY TAX - Continued

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, 2015, were 96.10% 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, 2016, 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 Financial Statements
September 30, 2016

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at September 30, 2016 consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund				Total
	General Fund	Water and Wastewater Fund	Solid Waste Fund	Airport Fund	
General Fund	\$ -	\$ 7,508	\$ 552	\$284,345	\$ 292,406
Debt Service Fund	10,478	-	-	-	10,478
Solid Waste fund	-	<u>2,000,000</u>	-	-	<u>2,000,000</u>
	<u>\$10,478</u>	<u>\$2,007,508</u>	<u>\$3,552</u>	<u>\$284,345</u>	<u>\$2,302,883</u>

Interfund balances are due to timing on cash transfers and to cover deficits at year end. These are expected to be funded once reimbursement is received in the respective funds. There is a long-term advance from the Solid Waste Fund to the Water and Wastewater fund adopted by resolution in September 2015 to be repaid within a five year period.

NOTE 9 – OPERATING TRANSFERS

Operating transfers at September 30, 2016 consisted of the following:

Transfer Out Funds	Transfer in Funds				Total
	General Fund	Other Governmental Fund	Airport Fund	Internal Service Fund	
General Fund	\$ -	\$ 881,263	\$251,172	\$125,000	\$1,257,435
Other Governmental Funds (Forf/Seizure)	-	28,886	-	-	28,886
Water and Wastewater Fund	672,526	-	-	-	672,526
Solid Waste Fund	125,750	500,000	-	-	625,750
Internal Service Fund	-	-	-	-	-
	<u>\$798,276</u>	<u>\$1,410,149</u>	<u>\$251,172</u>	<u>\$125,000</u>	<u>\$2,584,597</u>

Transfers to the capital improvement fund and firemen’s equipment replacement fund were made in accordance with ordinances to fund City projects and replace old equipment. In addition, there was a transfer out of the general fund to assist the airport fund with local share for TxDOT 1121 WESL project. There was also a transfer from the general fund to the internal service fund to fund the capital lease payments on different capital lease assets used in the City. There was a transfer from Forfeiture Funds to cover the cost of one patrol officer, as adopted in the budget.

NOTE 10 – DEFINED BENEFIT - 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.

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.

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	159
Active employees	<u>209</u>
	<u>513</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.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 10 – DEFINED BENEFIT - PENSION PLAN – TMRS - Continued

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 6.59% and 6.22% in calendar 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$613,090 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 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:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 30, 2010 through December 30, 2014. 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 2015 valuation.

After the Asset Allocation Study analysis and experience investigation study the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 10 – DEFINED BENEFIT - PENSION PLAN – TMRS - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
 Total	 <u>100.0%</u>	

Discount Rate

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

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 10 – 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, 2016 is as follows:

	Increase (Decrease)		
	(a)	(b)	(a) – (b)
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$37,578,375	\$33,927,800	\$3,650,575
Changes for the year			
Service cost	1,184,809	-	1,184,809
Interest	2,603,802	-	2,603,802
Change in benefit terms	-	-	-
Difference between expected/actual experience	734,282	-	734,282
Changes of assumptions	828,135	-	828,135
Contributions – employer	-	561,365	(561,365)
Contributions – employee	-	611,176	(611,176)
Net investment income	-	50,055	(50,055)
Benefit payments, including refunds of employee contributions	(1,947,228)	(1,947,228)	-
Administrative expenses	-	(30,493)	30,493
Other charges	-	(1,506)	1,506
Net changes	<u>3,403,800</u>	<u>(756,631)</u>	<u>4,160,431</u>
Balance at December 31, 2015	<u>\$40,982,175</u>	<u>\$33,171,169</u>	<u>\$7,811,006</u>

Net pension liability amounts are allocated between the governmental activities and business-type activities in the statement of net position by \$6,916,687 and \$894,319, 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 6.75%, as well as what the City’s net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City’s net pension liability	<u>\$13,739,773</u>	<u>\$7,811,006</u>	<u>\$2,965,683</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 10 – 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, 2016 the City recognized pension expense in the amount of \$1,696,904. At September 30, 2016 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)	\$ 556,056	\$171,540
Changes in actuarial assumptions	627,131	-
Differences between projected and actual investment earnings (net of current year amortization)	2,112,707	-
Contributions subsequent to the measurement date	<u>451,207</u>	<u>-</u>
Total	<u>\$3,747,101</u>	<u>\$171,540</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 13 for the allocation of deferred outflows/inflows of resources related to pensions.

\$451,207 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 ended September 30, 2017. 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 September 30,	
2017	\$862,416
2018	862,416
2019	889,040
2020	510,482

NOTE 11 – 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.	31
Current employees	<u>66</u>
Total	<u>97</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.

NOTE 11 – 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, 2016, 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, 2016
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	7.25%
Projected salary increases	5.5%
Includes inflation at	2.5%
Cost of living adjustments	none

There were no changes to methods since the prior valuation. The mortality assumption was updated to the RP-2014 mortality tables projected back to 2006 with mortality improvement scale MP-2014 and forward on a generational basis with scale MP-2016.

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 September 30, 2016 are summarized in the following table:

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 11 – FIREMEN’S PENSION PLAN - Continued

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return (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 7.25%. The projection of cash flows used to determine the discount rate assumed that the City contribution would equal 12.00% of payroll and that member contributions would equal 12% of compensation. 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, 2016 is as follows:

	<u>Increase (Decrease)</u>		
	(a)	(b)	(a) – (b)
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability(Asset)</u>
Balance at September 30, 2015	\$12,469,213	\$8,255,209	\$4,214,004
Changes for the year			
Service cost	421,208	-	421,208
Interest	848,579	-	848,579
Change in benefit terms	427,638	-	427,638
Difference between expected/actual experience	479,811	-	479,811
Changes of assumptions	(226,052)	-	(226,052)
Contributions – employer	-	440,112	(440,112)
Contributions – employee	-	425,463	(425,463)
Net investment income	-	755,912	(755,912)
Benefit payments, including refunds of employee contributions	(645,296)	(645,296)	-
Administrative expenses	-	(45,252)	45,252
Net changes	<u>1,305,888</u>	<u>930,939</u>	<u>374,949</u>
Balance at September 30, 2016	<u>\$13,775,101</u>	<u>\$9,186,148</u>	<u>\$4,588,953</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 11 – 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	\$6,730,390	\$4,588,953	\$2,847,151

For the year ended September 30, 2016 the city recognized pension expense in the amount of \$374,949.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

Other Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years the Internal Revenue code specified that the plan’s assets were the property of the City until paid or made available to participants, subject only on an equal basis to the claims of the City’s general creditors. A 1996 federal law now requires all assets and income of the Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

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

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 Financial Statements
September 30, 2016

NOTE 13 - 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>
Deferred outflows of resources			
Deferred outflows related to pension	\$3,416,094	\$ 331,007	\$3,747,101
Deferred outflow related to deferred Charge on refunding	<u>280,268</u>	<u>769,479</u>	<u>1,049,747</u>
Total deferred outflows of resources	<u>\$3,696,362</u>	<u>\$1,100,486</u>	<u>\$4,796,848</u>

In addition to deferred outflows of resources the governmental activities reported \$127,445 in unearned revenue related to a combination of advanced grant funds and deposits received on park dedication fees.

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 \$140,989 and \$30,551, 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, 2016 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	\$704,239	\$250,815	\$955,054	\$ -
Unavailable revenues – notes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,900,177</u>
Total deferred inflows of resources	<u>\$704,239</u>	<u>\$250,815</u>	<u>\$955,054</u>	<u>\$2,900,177</u>

NOTE 14 - 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 Financial Statements
September 30, 2016

NOTE 15 - 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, \$536,078 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 \$536,078. 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, 2016. The post-closure costs include lab tests, gas monitoring, leachate disposal and general monitoring maintenance during its inactive status.

NOTE 16 – COMMITMENTS

At September 30, 2016, the City had ongoing commitments related to the following:

<u>Project</u>	<u>Original Amount</u>	<u>Expensed</u>	<u>Remaining Commitment</u>
Governmental Activities			
Street projects	\$ 1,207,592	\$ 709,545	\$ 498,047
Boys and Girls Club	<u>1,197,232</u>	<u>1,014,960</u>	<u>182,272</u>
	<u>\$ 2,404,824</u>	<u>\$ 1,724,505</u>	<u>\$ 680,319</u>
Business-Type Activities			
Urban County/CDBG Water Projects	\$ 1,119,639	\$ 534,506	\$ 585,133
Water Treatment Plant Expansion	48,040,534	43,614,855	4,425,679
6 th Street Waterline Improvement	507,836	389,140	118,696
Border Avenue Waterline Project	315,000	312,959	2,042
Airport Runway Extension (WESLA 1121)	1,081,375	734,296	347,079
Airport Drainage Study (WESLA 1421)	175,450	49,127	126,323
Airport Runway Extension (WESLA 1621)	<u>2,806,900</u>	<u>815,232</u>	<u>1,991,668</u>
	<u>\$54,046,734</u>	<u>\$46,450,115</u>	<u>\$7,596,619</u>

Construction in progress amounts for which project contracts have not been finalized are not reflected in the schedule.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 16 – COMMITMENTS – Continued

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

<u>Incentives</u>	<u>Paid in Commitment</u>	<u>Paid in Prior Year</u>	<u>Balance Current Year</u>	<u>Due</u>
Mayan-Kahn's Grill	\$ 150,000	\$ 75,000	\$ 25,000	\$ 50,000
Motion Industries	56,000	36,000	15,000	5,000
Mission Foods	60,000	37,500	10,000	12,500
Wal-Mart Neighborhood	900,000	150,000	125,000	625,000
Payne Auto Group (GMC)	275,000	165,000	55,000	55,000
Payne Auto Group (Chevy)	275,000	165,000	55,000	55,000
Payne Auto Group (Ford)	275,000	82,500	55,000	137,500
Hermes Trading Co.	192,000	154,500	37,500	-
Mid Valley Trailer Repair	116,750	-	116,750	-
BPMP (Chick-Fil-A/Blue Wave)	<u>500,000</u>	<u>100,000</u>	<u>-</u>	<u>400,000</u>
Total monetary incentives	<u>\$2,799,750</u>	<u>\$965,500</u>	<u>\$494,250</u>	<u>\$1,340,000</u>

Subsequent year balances of \$1,340,000 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.

NOTE 17 - 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. The City has purchased group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City has 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 18 - 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 ended September 30, 2016 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.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 18 - CONTINGENT LIABILITIES

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 19 - 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENT

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

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

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

<u>Agreement</u>	<u>Total Payments</u>	<u>Payments</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Balance</u>
SDI Weslaco Holdings, LLC	\$3,300,000	\$1,208,244	\$338,645	\$1,753,111
HEB Grocery Company, LP	3,530,000	1,615,698	-	1,914,302
Lowe's Home Center, INC.	<u>222,870</u>	<u>134,323</u>	<u>36,755</u>	<u>51,792</u>
Total	<u>\$7,052,870</u>	<u>\$2,958,265</u>	<u>\$375,400</u>	<u>\$3,719,205</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 \$10,500,000. These are to be reimbursed over ten years, beginning April 1, 2011. Total amount reimbursed sales tax proceeds to date is \$3,492,393, of which \$589,640 is current proceeds reimbursed. Total rebates balance owed is \$7,007,607.

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 20 - RESTATEMENT OF NET POSITION / PRIOR PERIOD ADJUSTMENT

Prior year depreciation expense was not recorded in the internal service fund. The prior year has been restated to account for the prior period adjustment for unrecorded depreciation expense. The effect of the adjustment was a decrease to beginning net position in the amount of \$452,669. In addition, the prior period has been restated to account for adjustment of accumulated depreciation of governmental activities. The effect of the adjustment was to increase beginning net position in the amount of \$136,211. The net effect of the two adjustments was a decrease to beginning net position in the amount of \$316,458.

NOTE 21 – FUND BALANCES

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

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

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

Unassigned – the unassigned fund balance has no constraints.

	General Fund	Debt Service	2013 Certificates of Obligation Construction Fund	Other Governmental Funds	Total	Component Unit
Nonspendable						
Inventories	\$ 6,034	\$ -	\$ -	\$ -	\$ 6,034	\$ -
Prepaid items	<u>31,358</u>	<u>-</u>	<u>-</u>	<u>34,311</u>	<u>65,669</u>	<u>-</u>
	37,392	-	-	34,311	71,703	-
Restricted for						
Street improvements and other capital Projects	-	-	2,997,821	-	2,997,821	-
Tourism	-	-	-	406,434	406,434	-
Library activities	-	-	-	14,364	14,364	-
Debt service	-	540,114	-	-	540,114	-
Public safety	<u>104,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,886</u>	<u>-</u>
Restricted total	104,886	540,114	2,997,821	420,798	4,063,619	-
Assigned						
Assigned for fire equipment replacement	-	-	-	265,626	265,626	-
Assigned for capital projects	-	-	-	1,684,754	1,684,754	-
Assigned for development projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	-	-	-	1,950,380	1,950,380	-
Unassigned						
	<u>7,939,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,939,293</u>	<u>-</u>
	<u>\$8,081,571</u>	<u>\$540,114</u>	<u>\$2,997,821</u>	<u>\$2,405,489</u>	<u>\$14,024,995</u>	<u>\$ -</u>

City of Weslaco, Texas
Notes to Financial Statements
September 30, 2016

NOTE 22 – NET POSITION

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
Net investment in capital assets:			
Capital assets, net of accumulated depreciation	\$51,305,227	\$96,539,951	\$ -
Less related liabilities	(28,183,175)	(60,078,134)	-
Plus unexpended bond proceeds	<u>-</u>	<u>3,507,442</u>	-
Net investment in capital assets	23,122,052	39,969,259	-
 Restricted net position consists of the following:			
Debt service	790,929	982,614	-
Tourism	406,434	-	-
Library activities	14,364	-	-
Capital projects	<u>-</u>	<u>229,998</u>	-
Restricted net position	1,211,727	1,212,612	-
 Unrestricted net position	<u>3,639,565</u>	<u>2,750,097</u>	-
 Total net position	<u>\$27,973,344</u>	<u>\$43,931,968</u>	<u>\$ -</u>

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**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, 2016**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 8,764,320	\$ 8,764,320	\$ 9,214,051	\$ 449,731
Nonproperty taxes	10,390,878	10,390,878	10,575,608	184,730
Fees and charges	1,664,100	1,664,100	1,644,414	(19,686)
Fines and forfeitures	521,900	521,900	698,250	176,350
Licenses and permits	455,545	455,545	493,175	37,630
Intergovernmental	371,224	371,224	484,336	113,112
Investment income	14,508	14,508	37,225	22,717
Miscellaneous	249,700	256,986	874,273	617,287
Total Revenues	<u>22,432,175</u>	<u>22,439,461</u>	<u>24,021,332</u>	<u>1,581,871</u>
Expenditures				
Current:				
General government	5,422,324	5,414,323	6,133,070	(718,747)
Public safety	11,212,312	11,309,507	12,164,792	(855,285)
Public works	2,304,512	2,304,512	2,069,936	234,576
Culture and recreation	1,315,784	1,350,484	1,337,716	12,768
Economic development	750,000	750,000	589,640	160,360
Capital outlay	717,100	955,556	1,695,934	(740,378)
Debt service:				
Principal	700,000	700,000	505,761	194,239
Interest and fees	-	-	8,739	(8,739)
Total Expenditures	<u>22,422,032</u>	<u>22,784,382</u>	<u>24,505,588</u>	<u>(1,721,206)</u>
Deficiency of revenues over expenditures	10,143	(344,921)	(484,256)	(139,335)
Other financing sources (uses):				
Transfers in	2,941,310	3,012,310	798,276	(2,214,034)
Transfers out	(2,429,000)	(2,480,172)	(1,257,435)	1,222,737
Total other financing sources (uses)	<u>512,310</u>	<u>532,138</u>	<u>(459,159)</u>	<u>(991,297)</u>
Net change in fund balances	<u>\$ 522,453</u>	<u>\$ 187,217</u>	(943,415)	<u>\$ (1,130,632)</u>
Fund balances at beginning of year, as adjusted			<u>9,024,986</u>	
Fund balances at end of year			<u>\$ 8,081,571</u>	

City of Weslaco, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
September 30,

	Municipal City		Fire	
	2016	2015	2016	2015
Total Pension Liability				
Service cost	\$1,184,809	\$ 1,162,103	\$ 421,208	\$ 398,097
Interest (on the total pension liability)	2,603,802	2,504,972	848,579	845,051
Changes of benefit terms	-	-	427,638	-
Difference between expected and actual experience	734,282	(303,648)	479,811	-
Changes of assumptions	828,135	-	(226,052)	-
Benefit payments, including refunds of employee contributions	<u>(1,947,228)</u>	<u>(1,978,636)</u>	<u>(645,296)</u>	<u>(833,923)</u>
Net change in total pension liability	3,403,800	1,384,791	1,305,888	409,225
Total pension liability – beginning	<u>37,578,375</u>	<u>36,193,584</u>	<u>12,469,213</u>	<u>12,059,988</u>
Total pension liability – ending (a)	<u>\$40,982,175</u>	<u>\$37,578,375</u>	<u>\$13,775,101</u>	<u>\$12,469,213</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 561,365	\$ 542,202	\$ 440,112	\$ 394,360
Contributions – employee	611,176	591,732	425,463	388,865
Net investment income	50,055	1,882,469	755,912	(127,198)
Benefit payments, including refunds of employee contributions	(1,947,228)	(1,978,636)	(645,296)	(833,923)
Administrative expense	(30,493)	(19,657)	(45,252)	(85,190)
Other	<u>(1,506)</u>	<u>(1,616)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(756,631)	1,106,494	930,939	(263,086)
Plan fiduciary net position – beginning	<u>33,927,800</u>	<u>32,911,306</u>	<u>8,255,209</u>	<u>8,518,295</u>
Plan fiduciary net position – ending (b)	<u>\$33,171,169</u>	<u>\$33,927,800</u>	<u>\$ 9,186,148</u>	<u>\$8,255,209</u>
Net Pension Liability – Ending (a) – (b)	<u>\$ 7,811,006</u>	<u>\$ 3,650,575</u>	<u>\$ 4,588,953</u>	<u>\$4,214,004</u>
Plan fiduciary net position as a percentage of total pension liability	80.49%	90.29%	66.7%	66.20%
Covered employee payroll	\$8,731,090	\$8,453,317	\$3,545,525	\$3,119,208
Net pension liability as a percentage of covered employee payroll	89.46%	43.19%	129.4%	135.10%

City of Weslaco, Texas
Schedule of Contributions
For the Fiscal Year Ended September 30,

	<u>Municipal City</u>		<u>Fire</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Actually determined contribution	\$ 613,090	\$ 562,443	\$ 425,463	\$ 379,251
Contributions in relation to actuarially determined contribution	<u>(613,090)</u>	<u>(562,443)</u>	<u>440,112</u>	<u>(394,360)</u>
Contribution deficiency (excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u>(14,649)</u>	\$ <u>(15,109)</u>
Covered employee payroll	\$9,710,623	\$8,538,660	\$3,545,525	\$3,119,208
Contributions as a percentage of covered employee payroll	6.31%	6.59%	12.4%	12.64%

City of Weslaco, Texas
Notes to Schedule of Contributions
September 30, 2016

TMRS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	1) Granted 30% ad hoc COLA. 2) Granted 50% ad hoc USC with transfer.

FIREMEN’S PENSION

Contributions to the fund are based on negotiations between the members and the City rather than an actuarially determined rate. The funding policy of the Weslaco Firemen’s Relief and Retirement Fund requires contributions from both the City and the firefighters. The City’s contribution rate is currently 12.0% of member payroll for firefighters. Each active member contributes 12.0% of member payroll.

The longevity benefit was increased to \$130 per month, there was a one-term COLA increase for retirees that retired between 2000-2010, and the surviving spouse benefit was increased from 66.67% to 100% for death of an active member only. There have been no other plan changes since the prior valuation.

There were no changes to methods since the prior valuation. The mortality assumption was updated to the RP-2014 mortality tables projected back to 2006 with mortality improvement scale MP-2014 and forward on a generational basis with Scale MP-2016. The voluntary firefighters are no longer being valued as they are not expected to accrue additional service. There have been no other assumption changes since the prior valuation.

City of Weslaco, Texas
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2016

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

For the fiscal year ended September 30, 2016, expenditures in the following departments exceeded appropriations:

General government	\$(718,746)
Public safety	\$(855,285)
Capital outlay	\$(740,378)
Interest and fees	\$(8,739)

General Government – settlements of pending litigation exceeded budgeted amounts. In addition, response to a major flooding event caused overages in overtime and other charges.

Public Safety – overtime for fire and police was in excess of budgeted amounts, in part due to the emergency response to the October flooding. Other overtime to address security for special events was not budgeted for.

Capitalized items – multiple capitalized expenditures were authorized to ensure all departments were adequately supplied with tools and equipment needed to address critical needs in the City. Some expenditures were addressed in budget amendments, but not all of them.

Interest and fees – interest expense associated with some capital leases were not budgeted for.

**OTHER SUPPLEMENTARY
INFORMATION**

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City of Weslaco, Texas
Non-Major Governmental Fund Statements and Component Unit
September 30, 2016

Special revenue fund: **Hotel/Motel Tax Fund** was established to account for monies collected from local hotel occupancy taxes. The funds are used for expenditures that enhance and promote tourism and benefit the convention and hotel industry.

Special revenue fund: **Library Fund** was established to account for monies that have been collected from the sole use of the city's Library through fund raising donations from various charitable organizations.

Capital project fund: **Fire Department Equipment Replacement fund** is used to fund an apparatus replacement program for all fire and emergency medical services.

Capital project fund: **2003 Certificate of Obligation Construction Fund** was established to account for improvements to streets, parks, downtown, and the City's landfill and cemetery.

Capital Project Fund: **Capital Improvement Fund** was established as a self-funding mechanism for capital improvements to streets, parks, buildings and other long-term capital improvements.

Weslaco Economic Development Corporation (EDC): The five-member board of directors is appointed by the City Commission. The EDC is authorized to administer the distribution of the proceeds of any development bonds issued and the proceeds of certain development sales taxes received on behalf of the City. The EDC's operational and capital budget must be approved by the City Commission.

**CITY OF WESLACO, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

	Special Revenue Funds		Capital Projects Fund				Total Non Major Governmental Funds
	Hotel/ Motel Tax	Library Fund	Fire Department Equipment Replacement Fund	2003 Certificate of Obligation Construction Fund	Capital Improvement Program Fund		
Assets							
Cash and Cash Investments	\$ 328,311	\$ 14,364	\$ 265,626	\$ -	\$ 1,871,500		\$ 2,479,801
Accounts Receivable	79,313	-	-	-	-		79,313
Prepaid expenditures	-	-	-	-	34,311		34,311
Total Assets	\$ 407,624	\$ 14,364	\$ 265,626	\$ -	\$ 1,905,811		\$ 2,593,425
Liabilities							
Accounts Payable	\$ 1,190	\$ -	\$ -	\$ -	\$ 186,746		\$ 187,936
Total Liabilities	1,190	-	-	-	186,746		187,936
Fund Balances							
Nonspendable	-	-	-	-	34,311		34,311
Restricted	406,434	14,364	-	-	-		420,798
Assigned	-	-	265,626	-	1,684,754		1,950,380
Total Fund Balance	406,434	14,364	265,626	-	1,719,065		2,405,489
Total Liabilities and Fund Balances	\$ 407,624	\$ 14,364	\$ 265,626	\$ -	\$ 1,905,811		\$ 2,593,425

CITY OF WESLACO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue Funds		Capital Projects Funds				Total Non Major Governmental Funds
	Hotel/ Motel Tax	Library Fund	Fire Department Equipment Replacement Fund	2003 Certificate of Obligation Construction Fund	Capital Improvement Program Fund		
Revenues							
Nonproperty taxes	\$ 351,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,911
Miscellaneous	14,899	-	-	-	-	-	14,899
Total Revenue	366,810	-	-	-	-	-	366,810
Expenditures							
Public safety	-	-	-	-	500	-	500
Public works	-	-	-	-	32,633	-	32,633
Culture and recreation	329,808	-	-	-	41,675	-	371,483
Capital outlay	-	-	715,281	-	560,013	-	1,275,294
Debt service:							
Principal	-	-	39,837	-	-	-	39,837
Interest and fees	-	-	800	-	-	-	800
Total Expenditures	329,808	-	755,918	-	634,821	-	1,720,547
Excess (deficiency) of revenues over expenditures	37,002	-	(755,918)	-	(634,821)	-	(1,353,737)
Other financing sources (uses)							
Capital lease proceeds	-	-	715,281	-	-	-	715,281
Transfers in	-	-	306,263	-	1,103,886	-	1,410,149
Transfers out	-	-	-	(28,886)	-	-	(28,886)
Total other financing sources (uses)	-	-	1,021,544	(28,886)	1,103,886	-	2,096,544
Net change in fund balances	37,002	-	265,626	(28,886)	469,065	-	742,807
Fund balances- beginning of year	369,432	14,364	-	28,886	1,250,000	-	1,662,682
Fund balances at end of year	\$ 406,434	\$ 14,364	\$ 265,626	\$ -	\$ 1,719,065	\$ -	2,405,489

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 7,467,193	\$ 7,676,517
Cash and cash equivalents- restricted	347,095	1,122,595
Receivables (net of allowance for uncollectibles)		
Ad valorem taxes	902,474	860,706
Sales taxes	862,805	816,521
Ambulance fees	758,685	752,391
Other	460,927	524,778
Due from other funds	292,406	232,343
Prepaid items	31,358	-
Inventories	6,034	34,790
	\$ 11,128,977	\$ 12,020,641
Liabilities		
Accounts payable	\$ 1,013,290	\$ 1,221,078
Accrued salaries and payroll taxes	262,708	317,426
Other liabilities	687,037	525,760
Due to other funds	10,478	32,246
Payable from restricted assets	242,209	206,320
Unearned revenue	127,445	19,600
	2,343,167	2,322,430
Deferred Inflows of Resources		
Unavailable revenue- ad valorem taxes	704,239	673,225
	704,239	673,225
Fund Balances		
Nonspendable	37,392	34,790
Restricted	104,886	466,288
Unassigned	7,939,293	8,523,908
	8,081,571	9,024,986
	\$ 11,128,977	\$ 12,020,641
	\$ 11,128,977	\$ 12,020,641

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

	2016	2015
Revenues		
Property taxes	\$ 9,214,051	\$ 7,586,388
Nonproperty taxes	10,575,608	10,634,422
Fees and charges	1,644,414	3,471,864
Fines and forfeitures	698,250	523,767
Licenses and permits	493,175	479,501
Intergovernmental	484,336	273,123
Investment income	37,225	20,372
Miscellaneous	874,273	390,917
Total Revenues	24,021,332	23,380,354
Expenditures		
General government	6,133,070	5,991,720
Public safety	12,164,792	10,476,065
Public works	2,069,936	1,790,960
Culture and recreation	1,337,716	1,118,457
Economic development	589,640	593,849
Capital outlay	1,695,934	1,243,679
Debt service:		
Principal	505,761	640,610
Interest and fees	8,739	2,382
Total Expenditures	24,505,588	21,857,722
Excess (deficiency) of revenues over expenditures	(484,256)	1,522,632
Other financing sources (uses):		
Capital lease proceeds	-	658,299
Transfers in	798,276	1,169,014
Transfers out	(1,257,435)	(2,460,758)
Total other financing sources (uses)	(459,159)	(633,445)
Net change in fund balances	(943,415)	889,187
Fund balances at beginning of year	9,024,986	8,135,799
Fund balances at end of year	\$ 8,081,571	\$ 9,024,986

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 328,311	\$ 264,777
Accounts receivable	79,313	132,475
Total assets	\$ 407,624	\$ 397,252
Liabilities		
Accounts payable	\$ 1,190	\$ 27,820
Total liabilities	1,190	27,820
Fund balance		
Restricted	406,434	369,432
Total fund balance	406,434	369,432
Total liabilities and fund balance	\$ 407,624	\$ 397,252

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,

	2016	2015
Revenues		
Nonproperty taxes	\$ 351,911	\$ 384,439
Miscellaneous	14,899	-
	Total revenues	384,439
	366,810	384,439
Expenditures		
Culture and recreation	329,808	258,094
	Total expenditures	258,094
	329,808	258,094
Net change in fund balances	37,002	126,345
Fund balances at beginning of year	369,432	243,087
Fund balances at end of year	\$ 406,434	\$ 369,432

**CITY OF WESLACO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
HOTEL MOTEL TAX
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Nonproperty taxes	\$ 362,000	\$ 362,000	\$ 351,911	\$ (10,089)
Miscellaneous	520	520	14,899	14,379
	<u>362,520</u>	<u>362,520</u>	<u>366,810</u>	<u>4,290</u>
Expenditures				
Culture and recreation	<u>256,283</u>	<u>440,013</u>	<u>329,808</u>	110,205
Net change in fund balances	<u>\$ 106,237</u>	<u>\$ (77,493)</u>	\$ 37,002	<u>\$ 114,495</u>
Fund balances at beginning of year			<u>369,432</u>	
Fund balances at end of year			<u>\$ 406,434</u>	

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 14,364	\$ 14,364
Total assets	\$ 14,364	\$ 14,364
Liabilities	\$ -	\$ -
Total liabilities	-	-
Fund balance		
Restricted	14,364	14,364
Total fund balances	14,364	14,364
Total liabilities and fund balance	\$ 14,364	\$ 14,364

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,

	2016	2015
Revenues	\$ -	\$ -
Expenditures	-	-
Net change in fund balances	-	-
Fund balances at beginning of year	14,364	14,364
Fund balances at end of year	\$ 14,364	\$ 14,364

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

	2016	2015
Assets		
Cash and cash equivalents	\$ -	\$ 28,886
Total assets	\$ -	\$ 28,886
Liabilities	\$ -	\$ -
Total liabilities	-	-
Fund balance		
Restricted	-	28,886
Total fund balances	-	28,886
Total liabilities and fund balance	\$ -	\$ 28,886

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

	2016	2015
Revenues	\$ -	\$ -
Expenditures	-	-
Excess (deficiency) of revenues over expenditures	-	-
Other financing sources (uses):		
Transfers out	(28,886)	-
Total other financing sources (uses)	(28,886)	-
Net change in fund balances	(28,886)	-
Fund balances at beginning of year	28,886	28,886
Fund balances at end of year	\$ -	\$ 28,886

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 2,310,614	\$ 4,108,715
Accounts receivable	690,063	781,298
Due from other funds	-	208,056
	Total assets	\$ 5,098,069
	\$ 3,000,677	\$ 5,098,069
Liabilities		
Accounts payable	\$ 2,856	\$ 706,150
Due to other funds	-	404,289
	Total liabilities	1,110,439
	2,856	1,110,439
Fund balance		
Restricted	2,997,821	3,987,630
	Total fund balances	3,987,630
	\$ 3,000,677	\$ 5,098,069
Total liabilities and fund balance		

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

	2016	2015
Revenues		
Intergovernmental	\$ 571,469	\$ 1,065,726
Investment income	-	429
	571,469	1,066,155
Total revenues	571,469	1,066,155
Expenditures		
Public works	2,295	-
Capital outlay	1,558,983	3,449,076
	1,561,278	3,449,076
Total expenditures	1,561,278	3,449,076
Net change in fund balances	(989,809)	(2,382,921)
Fund balances at beginning of year	3,987,630	6,370,551
Fund balances at end of year	\$ 2,997,821	\$ 3,987,630

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,871,500	\$ 1,250,000
Prepaid items	34,311	-
Total assets	\$ 1,905,811	\$ 1,250,000
Liabilities		
Accounts payable	\$ 186,746	\$ -
Total liabilities	186,746	-
Fund balance		
Nonspendable	34,311	-
Assigned	1,684,754	1,250,000
Total fund balances	1,719,065	1,250,000
Total liabilities and fund balance	\$ 1,905,811	\$ 1,250,000

**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,**

	2016	2015
Revenues	\$ -	\$ -
Expenditures		
Public safety	500	-
Public works	32,633	-
Culture and recreation	41,675	-
Capital outlay	560,013	-
	634,821	-
Total expenditures	634,821	-
Excess (deficiency) of revenues over expenditures	(634,821)	-
Other financing sources (uses):		
Transfers in	1,103,886	1,250,000
	469,065	1,250,000
Net change in fund balances	469,065	1,250,000
Fund balances at beginning of year	1,250,000	-
Fund balances at end of year	\$ 1,719,065	\$ 1,250,000

CITY OF WESLACO, TEXAS
FIRE DEPARTMENT EQUIPMENT REPLACEMENT FUND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30,

	2016	2015
Assets		
Cash and cash equivalents	\$ 265,626	\$ -
Total Assets	\$ 265,626	\$ -
Liabilities	\$ -	\$ -
Total Liabilities	-	-
Fund Balance		
Assigned	265,626	-
Total Liabilities and Fund Balance	\$ 265,626	\$ -

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

	2016	2015
Revenues	\$ -	\$ -
Expenditures		
Capital outlay	715,281	-
Debt service:		
Principal	39,837	-
Interest and fees	800	-
Total Expenditures	755,918	-
Excess (deficiency) of revenues over expenditures	(755,918)	-
Other financing sources (uses):		
Transfers in	306,263	-
Capital lease proceeds	715,281	-
Total other financing sources (uses)	1,021,544	-
Net change in fund balances	265,626	-
Fund balances at beginning of year	-	-
Fund balances at end of year	\$ 265,626	\$ -

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 462,585	\$ 1,024,137
Receivables (net of allowance for uncollectibles)		
Ad valorem taxes	317,427	362,388
Other	439	-
Due from other funds	10,478	16,959
Total assets	\$ 790,929	\$ 1,403,484
 Liabilities	 \$ -	 \$ -
Total liabilities	-	-
 Deferred inflows of resources		
Unavailable revenue- ad valorem taxes	250,815	291,056
Total deferred inflows of resources	250,815	291,056
 Fund balance		
Restricted	540,114	1,112,428
Total liabilities, deferred inflows of resources and fund balances	\$ 790,929	\$ 1,403,484

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

	2016	2015
Revenues		
Property taxes	\$ 2,059,228	\$ 2,964,543
Investment income	22,992	11,038
Miscellaneous	-	4,065
	2,082,220	2,979,646
Expenditures		
Debt service:		
Principal	1,844,019	1,777,852
Interest and fees	777,055	887,651
Advance refunding escrow	77,555	-
	2,698,629	2,665,503
Excess (deficiency) of revenues over expenditures	(616,409)	314,143
Other financing sources (uses):		
Proceeds from bond refunding	3,735,000	-
Premium on bond	701,808	-
Payment to escrow agent	(4,392,713)	-
	44,095	-
Net change in fund balance	(572,314)	314,143
Fund balances at beginning of year	1,112,428	798,285
Fund balances at end of year	\$ 540,114	\$ 1,112,428

**CITY OF WESLACO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 2,068,006	\$ 2,068,006	\$ 2,059,228	\$ (8,778)
Investment income	9,400	9,400	22,992	13,592
Total revenues	<u>2,077,406</u>	<u>2,077,406</u>	<u>2,082,220</u>	<u>4,814</u>
Expenditures				
Debt service:				
Principal	1,777,852	1,777,852	1,844,019	(66,167)
Interest and fees	877,839	877,839	777,055	100,784
Advance refunding escrow	600	600	77,555	(76,955)
Total expenditures	<u>2,656,291</u>	<u>2,656,291</u>	<u>2,698,629</u>	<u>42,338</u>
Excess (deficiency) of revenues over expenditures	(578,885)	(578,885)	(616,409)	(37,524)
Other financing sources (uses):				
Proceeds from bond refunding	-	-	3,735,000	3,735,000
Premium on bond	-	-	701,808	701,808
Payment to escrow agent	-	-	(4,392,713)	(4,392,713)
Total other financing sources (uses)	-	-	<u>44,095</u>	<u>44,095</u>
Net change in fund balances	<u>\$ (578,885)</u>	<u>(578,885)</u>	<u>\$ (572,314)</u>	<u>\$ 6,571</u>
Fund balances at beginning of year			<u>1,112,428</u>	
Fund balances at end of year			<u>\$ 540,114</u>	

**CITY OF WESLACO, TEXAS
WATER AND WASTEWATER FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30,**

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,970,359	\$ 2,467,054
Cash and cash equivalents- restricted	5,510,998	8,325,765
Receivables, net of allowances for uncollectibles	2,046,896	3,051,684
Due from other funds	-	485,027
Inventories	246,367	189,748
Prepaid items	305,567	390,283
	10,080,187	14,909,561
Non-current assets		
Land	665,175	665,175
Buildings	362,324	362,324
Equipment	6,296,998	6,253,953
Infrastructure	65,610,780	64,899,591
Construction-in-progress	45,854,088	44,394,258
	118,789,365	116,575,301
Accumulated depreciation	(32,532,971)	(30,057,842)
	86,256,394	86,517,459
	Total non-current assets, net	86,517,459
	Total assets	96,336,581
Deferred outflows of resources		
Deferred outflows related to pensions	260,257	101,095
Deferred charge on refunding	769,479	-
	1,029,736	101,095
	Total deferred outflows of resources	101,095
	Total assets and deferred outflows of resources	\$ 101,528,115
	\$ 97,366,317	\$ 101,528,115

**CITY OF WESLACO, TEXAS
WATER AND WASTEWATER FUNDS
COMPARATIVE STATEMENTS OF NET POSITION- CONTINUED
SEPTEMBER 30,**

	<u>2016</u>	<u>2015</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,405,888	\$ 2,432,926
Accrued salaries and other liabilities	164,916	229,257
Due to other funds	2,007,509	2,211,369
Current portion of long term debt	2,850,500	3,079,975
Accrued interest on bonds	292,169	338,116
	<hr/>	<hr/>
Total current liabilities	6,720,982	8,291,643
Noncurrent liabilities:		
Compensated absences	66,175	42,243
Customer deposits	1,020,942	1,011,949
Revenue bonds payable, net of unamortized premiums & discounts	57,228,336	59,612,693
Net pension liability	753,850	491,712
	<hr/>	<hr/>
Total noncurrent liabilities	59,069,303	61,158,597
	<hr/>	<hr/>
Total liabilities	65,790,285	69,450,240
Deferred inflows of resources		
Deferred inflows related to pensions	27,841	32,003
	<hr/>	<hr/>
Total deferred inflows of resources	27,841	32,003
Net Position		
Net investment of capital assets	29,685,702	29,801,393
Restricted for:		
Revenue bond retirement	982,614	1,305,881
Unrestricted	879,875	938,598
	<hr/>	<hr/>
Total net position	31,548,191	32,045,872
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 97,366,317</u>	<u>\$ 101,528,115</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>2016</u>	<u>2015</u>
Operating revenues:		
Water services	\$ 5,530,588	\$ 6,505,602
Sewer services	4,365,116	4,614,508
Miscellaneous	260,669	297,287
	<hr/>	<hr/>
Total operating revenues	10,156,373	11,417,397
Operating expenses:		
Personal services	869,544	1,711,225
Other services and charges	2,498,476	2,145,193
Supplies	208,160	818,568
Contractual services	2,669,732	1,378,560
Depreciation	2,475,129	2,549,266
	<hr/>	<hr/>
Total operating expenses	8,721,041	8,602,812
Operating income (loss)	1,435,332	2,814,585
Non-operating revenues (expenses)		
Investment income	1,513	1,350
Capital Improvement fees	649,682	703,986
Capital grants	409,766	348,116
Interest expense	(2,321,448)	(2,718,188)
Transfers	(672,526)	-
	<hr/>	<hr/>
Total non-operating revenues (expenses)	(1,933,013)	(1,664,736)
Change in net position	(497,681)	1,149,849
Net position- beginning	32,045,872	30,896,023
	<hr/>	<hr/>
Net position- ending	<u>\$ 31,548,191</u>	<u>\$ 32,045,872</u>

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

	2016	2015
Cash flows from operating activities		
Cash received from customers	\$ 11,655,181	\$ 11,693,516
Payments to suppliers	(6,579,169)	(5,213,845)
Payments to employees	(1,580,618)	(1,702,263)
Net cash provided (used) by operating activities	3,495,394	4,777,408
Cash flows from noncapital financing activities		
Transfers to other funds	(672,526)	-
Net cash provided (used) by noncapital financing activities	(672,526)	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,214,064)	(7,982,656)
Refunding bonds issued	15,750,000	-
Premium on refunding bonds	3,209,943	-
Payment to refunded bond escrow agent	(18,335,000)	-
Interest paid on bonds	(2,530,890)	(2,766,084)
Retirement of bonds	(3,075,280)	(2,577,489)
Capital grants	409,766	348,116
Capital improvement fees	649,682	703,986
Net cash provided (used) by capital and related financing activities	(6,135,843)	(12,274,127)
Cash flow from investing activities:		
Interest on cash and investments	1,513	1,350
Net cash provided (used) by investing activities	1,513	1,350
Net increase (decrease) in cash and cash equivalents	(3,311,462)	(7,495,369)
Cash and cash equivalents, beginning of year	10,792,819	18,288,188
Cash and cash equivalents, end of year	<u>\$ 7,481,357</u>	<u>\$ 10,792,819</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,435,332	\$ 2,814,585
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	2,475,129	2,549,266
(Increase) decrease in accounts receivables	1,004,788	(874,228)
(Increase) decrease in inventories	(56,619)	(95,924)
(Increase) decrease in prepaids	84,716	25,130
(Increase) decrease in due from other funds	485,027	(80,590)
(Increase) decrease in deferred outflows related to pensions	(928,641)	(46,191)
Decrease (increase) in accounts payable	(1,027,038)	(1,885,181)
Decrease (increase) in accrued expenses	(64,341)	48,849
Decrease (increase) in due to other funds	(203,860)	2,205,615
Decrease (increase) in customer deposits	8,993	74,355
Decrease (increase) in compensated absences	23,932	(39,888)
Decrease (increase) in net pension liability	262,138	49,607
Decrease (increase) in deferred inflows related to pensions	(4,162)	32,003
Total adjustments	<u>2,060,062</u>	<u>1,962,823</u>
Net cash provided (used) by operations	<u>\$ 3,495,394</u>	<u>\$ 4,777,408</u>

**CITY OF WESLACO, TEXAS
SOLID WASTE FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30,**

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 506,358	\$ -
Receivables, net of allowances for uncollectibles	666,580	1,000,966
Due from other funds	2,000,000	2,000,000
Total current assets	3,172,938	3,000,966
Non-current assets		
Land	421,247	421,247
Buildings	668,781	668,781
Equipment	1,908,927	1,908,927
Infrastructure	64,461	64,461
	3,063,416	3,063,416
Accumulated depreciation	(2,544,136)	(2,522,536)
Total non-current assets, net	519,280	540,880
Total assets	3,692,218	3,541,846
Deferred outflows of resources		
Deferred outflows related to pensions	9,820	1,362
Total deferred outflows of resources	9,820	1,362
Total assets and deferred outflows of resources	\$ 3,702,038	\$ 3,543,208
Liabilities		
Current liabilities:		
Accounts payable	357,118	\$ 63,817
Due to other funds	552	87,035
Total current liabilities	357,670	150,852
Noncurrent liabilities:		
Compensated absences	1,324	1,798
Landfill closure	536,078	574,492
Net pension liability	17,859	6,624
Total noncurrent liabilities	555,261	582,914
Total liabilities	912,931	733,766
Deferred inflows of resources		
Deferred inflows related to pensions	252	431
Total deferred inflows of resources	252	431
Net position		
Net investment in capital assets	519,280	540,880
Unrestricted	2,269,575	2,268,131
Total net position	2,788,855	2,809,011
Total liabilities, deferred inflows of resources, and net position	\$ 3,702,038	\$ 3,543,208

**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>2016</u>	<u>2015</u>
Operating Revenues:		
Charges for services	\$ 4,665,969	\$ 5,142,108
Miscellaneous	59,481	83,321
	<hr/>	<hr/>
Total operating revenues	4,725,450	5,225,429
Operating Expenses:		
Personal services	46,361	32,526
Other services and charges	44,874	52,713
Supplies	1,774	7,074
Contractual services	4,033,364	4,338,264
Depreciation	21,600	43,223
	<hr/>	<hr/>
Total operating expenses	4,147,973	4,473,800
Operating income (loss)	577,477	751,629
Non-operating revenues (expenses)		
Capital grants	28,117	27,327
	<hr/>	<hr/>
Total non-operating revenues (expenses)	28,117	27,327
Income (loss) before transfers	605,594	778,956
Transfers in (out)		
Transfers (out)	(625,750)	(750,000)
	<hr/>	<hr/>
Total transfers	(625,750)	(750,000)
Change in net position	(20,156)	28,956
Net position- beginning	2,809,011	2,780,055
	<hr/>	<hr/>
Net position- ending	\$ 2,788,855	\$ 2,809,011
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from customers	\$ 5,059,836	\$ 2,976,186
Payments to suppliers	(3,881,652)	(4,310,523)
Payments to employees	(35,779)	(32,526)
Net cash provided (used) by operating activities	<u>1,142,405</u>	<u>(1,366,863)</u>
Cash flows from noncapital financing activities		
Transfers to other funds	(625,750)	(750,000)
Net cash provided (used) by noncapital financing activities	<u>(625,750)</u>	<u>(750,000)</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(22,000)
Landfill closure costs	(38,414)	(45,522)
Capital grants	28,117	27,327
Net cash provided (used) by capital and related financing activities	<u>(10,297)</u>	<u>(40,195)</u>
 Net increase (decrease) in cash and cash equivalents	 506,358	 (2,157,058)
 Cash and cash equivalents, beginning of year	 -	 <u>2,157,058</u>
 Cash and cash equivalents, end of year	 <u>\$ 506,358</u>	 <u>\$ -</u>
 Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 577,477	\$ 751,629
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	21,600	43,223
(Increase) decrease in accounts receivables	334,386	(249,721)
(Increase) decrease in due from other funds	-	(2,000,000)
(Increase) decrease in deferred outflows related to pensions	(8,458)	(622)
Increase (decrease) in accounts payable	293,301	494
Increase (decrease) in due to other funds	(86,483)	87,035
Increase (decrease) in compensated absences	(474)	-
Increase (decrease) in net pension liability	11,235	668
Increase (decrease) in deferred inflows related to pensions	(179)	431
Total adjustments	<u>564,928</u>	<u>(2,118,492)</u>
 Net cash provided (used) by operations	 <u>\$ 1,142,405</u>	 <u>\$ (1,366,863)</u>

**CITY OF WESLACO, TEXAS
AIRPORT FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30,**

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 100	\$ 100
Cash and cash equivalents- restricted	229,998	317,223
Receivables, net of allowances for uncollectibles	48,213	16,233
Inventories	31,354	49,897
Total current assets	<u>309,665</u>	<u>383,453</u>
Non-current assets		
Land	1,465,448	1,465,448
Buildings	648,541	648,541
Equipment	532,257	525,658
Infrastructure	9,018,404	4,678,526
Construction-in-progress	2,324,510	5,343,098
	<u>13,989,160</u>	<u>12,661,271</u>
Accumulated depreciation	(4,224,883)	(4,028,180)
Total non-current assets, net	<u>9,764,277</u>	<u>8,633,091</u>
Total assets	<u>10,073,942</u>	<u>9,016,544</u>
Deferred outflows of resources		
Deferred outflows related to pensions	60,930	11,185
Total deferred outflows of resources	<u>60,930</u>	<u>11,185</u>
Total assets and deferred outflows of resources	<u>\$ 10,134,872</u>	<u>\$ 9,027,729</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 85,487	\$ 10,510
Accrued salaries and other liabilities	3,689	7,597
Due to other funds	284,345	207,446
Total current liabilities	<u>373,521</u>	<u>225,553</u>
Noncurrent liabilities:		
Compensated absences	41,361	104,858
Net pension liability	122,610	66,052
Total noncurrent liabilities	<u>163,971</u>	<u>170,910</u>
Total liabilities	<u>537,492</u>	<u>396,463</u>
Deferred inflows of resources		
Deferred inflows related to pensions	2,458	3,541
Total deferred inflows of resources	<u>2,458</u>	<u>3,541</u>
Net Position		
Net investment of capital assets	9,764,277	8,633,091
Restricted for:		
Construction	229,998	317,223
Unrestricted	(399,353)	(322,589)
Total net position	<u>9,594,922</u>	<u>8,627,725</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,134,872</u>	<u>\$ 9,027,729</u>

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

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Charges for services	\$ 182,461	\$ 159,666
Miscellaneous	830	253
Total operating revenues	<u>183,291</u>	<u>159,919</u>
Operating expenses:		
Personal services	138,078	183,280
Other services and charges	164,832	207,004
Supplies	188,089	82,430
Depreciation	196,703	195,383
Total operating expenses	<u>687,702</u>	<u>668,097</u>
Operating income (loss)	(504,411)	(508,178)
Non-operating revenues (expenses)		
Capital contributions	1,220,436	3,773,179
Total non-operating revenues (expenses)	<u>1,220,436</u>	<u>3,773,179</u>
Income (loss) before transfers	716,025	3,265,001
Transfers in (out)		
Transfers in	251,172	200,000
Total transfers in (out)	<u>251,172</u>	<u>200,000</u>
Change in net position	967,197	3,465,001
Net position- beginning	<u>8,627,725</u>	<u>5,162,724</u>
Net position- ending	<u>\$ 9,594,922</u>	<u>\$ 8,627,725</u>

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

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from customers	\$ 151,311	\$ 170,308
Payments to suppliers	(182,502)	(298,545)
Payments to employees	(199,753)	(179,604)
Net cash provided (used) by operating activities	<u>(230,944)</u>	<u>(307,841)</u>
Cash flows from noncapital financing activities		
Transfers from other funds	251,172	200,000
Net cash provided (used) by noncapital financing activities	<u>251,172</u>	<u>200,000</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(107,453)	(297,815)
Net cash provided (used) by capital and related financing activities	<u>(107,453)</u>	<u>(297,815)</u>
Net increase (decrease) in cash and cash equivalents	(87,225)	(405,656)
Cash and cash equivalents, beginning of year	317,323	722,979
Cash and cash equivalents, end of year	<u>\$ 230,098</u>	<u>\$ 317,323</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (504,411)	\$ (508,178)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	196,703	195,383
(Increase) decrease in accounts receivables	(31,980)	(5,180)
(Increase) decrease in inventories	18,543	(12,014)
(Increase) decrease in deferred outflows related to pensions	(49,745)	(5,111)
Increase (decrease) in accounts payable	74,977	(8,491)
Increase (decrease) in accrued expenses	(3,908)	2,831
Increase (decrease) in due to other funds	76,899	11,394
Increase (decrease) in compensated absences	(63,497)	12,495
Increase (decrease) in net pension liability	56,558	5,489
Increase (decrease) in deferred inflows related to pensions	(1,083)	3,541
Total adjustments	<u>273,467</u>	<u>200,337</u>
Net cash provided (used) by operations	<u>\$ (230,944)</u>	<u>\$ (307,841)</u>
<i>Supplemental disclosure of noncash activities</i>		
<i>Contributed capital assets from Txdot</i>	<u>\$ 1,220,436</u>	<u>\$ 3,773,179</u>

**CITY OF WESLACO, TEXAS
INTERNAL SERVICE FUND- EQUIPMENT REPLACEMENT FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30,**

	2016	Restated 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 20,213	\$ 239,839
Total current assets	20,213	239,839
Non-current assets		
Equipment	4,997,658	4,997,659
Improvements	70,864	70,864
Accumulated depreciation	5,068,522 (3,613,634)	5,068,523 (3,173,712)
Total non-current assets, net	1,454,888	1,894,811
Total assets	\$ 1,475,101	\$ 2,134,650
Liabilities		
Current liabilities:		
Current portion of long term debt	\$ 392,567	\$ 318,628
Total current liabilities	392,567	318,628
Noncurrent liabilities:		
Note payable	524,394	916,961
Total noncurrent liabilities	524,394	916,961
Total liabilities	916,961	1,235,589
Net Position		
Net investment of capital assets	537,927	659,222
Unrestricted	20,213	239,839
Total net position	558,140	899,061
Total liabilities and net position	\$ 1,475,101	\$ 2,134,650

**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,**

	<u>2016</u>	<u>Restated 2015</u>
Operating Revenues	\$ -	\$ -
Operating Expenses:		
Other services and charges	-	38,455
Depreciation	439,923	452,669
Total operating expenses	<u>439,923</u>	<u>491,124</u>
Operating income (loss)	(439,923)	(491,124)
Non-operating revenues (expenses)		
Interest expense	<u>(25,998)</u>	<u>(34,916)</u>
Income (loss) before transfers	(465,921)	(526,040)
Transfers in (out)		
Transfers in	<u>125,000</u>	<u>591,744</u>
Change in net position	(340,921)	65,704
Net position- beginning	<u>899,061</u>	<u>833,357</u>
Net position- ending	<u>\$ 558,140</u>	<u>\$ 899,061</u>

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

	2016	Restated 2015
Cash flows from operating activities		
Payments to suppliers	\$ -	\$ (442,892)
Net cash provided (used) by operating activities	-	(442,892)
Cash flows from noncapital financing activities		
Transfers from other funds	125,000	591,744
Net cash provided (used) by noncapital financing activities	125,000	591,744
Cash flows from capital and related financing activities		
Note proceeds	-	-
Purchase of capital assets	-	-
Retirement of notes	(318,628)	(383,649)
Interest paid on notes	(25,998)	(34,915)
Net cash provided (used) by capital and related financing activities	(344,626)	(418,564)
 Net increase (decrease) in cash and cash equivalents	 (219,626)	 (269,712)
Cash and cash equivalents, beginning of year	239,839	509,551
Cash and cash equivalents, end of year	\$ 20,213	\$ 239,839
 Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (439,923)	\$ (491,124)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	439,923	452,669
Increase (decrease) in accounts payable	-	-
Increase (decrease) in due to other funds	-	(404,437)
Total adjustments	439,923	48,232
 Net cash provided (used) by operations	 \$ -	 \$ (442,892)

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash	\$ 83,726	\$ 369,256
Investments, at fair value:		
Equities	6,329,384	5,743,723
Corporate bonds	661,529	553,252
Money market mutual funds	626,450	177,758
Municipal bonds	1,485,059	1,453,238
Total assets	<u>\$ 9,186,148</u>	<u>\$ 8,297,227</u>
Liabilities		
Accounts payable	\$ -	\$ 42,018
Total liabilities	-	42,018
Net position		
Net position held in trust for pension benefits	<u>9,186,148</u>	<u>8,255,209</u>
Total net position	<u>9,186,148</u>	<u>8,255,209</u>
Total liabilities and net position	<u>\$ 9,186,148</u>	<u>\$ 8,297,227</u>

**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,**

	2016	2015
Additions		
Contributions		
Employer contributions	\$ 440,112	\$ 394,360
Plan member contributions	425,463	388,865
	865,575	783,225
Investment income		
Net appreciation/(depreciation) in fair value of investments	621,209	(259,471)
Interest and dividends	184,497	186,034
	805,706	(73,437)
Less investment expense	(52,747)	(53,761)
	752,959	(127,198)
Total additions	1,618,534	656,027
Deductions		
Benefits paid	520,186	457,812
Refunds of contributions	125,110	376,111
Administrative expenses	42,299	85,190
	687,595	919,113
Net change in fiduciary net position	930,939	(263,086)
Net Position, beginning of year	8,255,209	8,518,295
Net position, end of year	\$ 9,186,148	\$ 8,255,209

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 10,922	\$ 489,786
Investments, at fair value:		
Certificates of deposit	480,537	-
Total assets	\$ 491,459	\$ 489,786
Liabilities		
Accounts payable	1,429	\$ -
Due to other funds	-	-
Total liabilities	1,429	-
Net position		
Net position held in trust for other purposes	490,030	489,786
Total net position	490,030	489,786
Total liabilities and net position	\$ 491,459	\$ 489,786

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,

	2016	2015
Additions		
Interest and dividends	\$ 2,973	\$ 3,681
Total additions	2,973	\$ 3,681
Deductions		
Administrative expenses	2,729	-
Total deductions	2,729	-
Net change in fiduciary net position	244	3,681
Net Position, beginning of year	489,786	486,105
Net position, end of year	\$ 490,030	\$ 489,786

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 3,151,439	\$ 2,253,620
Restricted assets:		
Cash and cash equivalents	925,042	930,383
Certificate of deposit	695,256	695,256
Accounts receivable	225,478	211,486
Assets held for resale	402,734	82,870
Long-term note receivables	<u>2,900,177</u>	<u>3,419,121</u>
Total Assets	<u>\$ 8,300,126</u>	<u>\$ 7,592,736</u>
Liabilities		
Accounts payable	60,693	63,050
Accrued salaries and payroll taxes	<u>5,926</u>	<u>8,247</u>
Total Liabilities	66,619	71,297
Deferred Inflows of Resources		
Unavailable revenue- non-current receivables	<u>2,900,177</u>	<u>3,419,121</u>
Total deferred inflows of resources	2,900,177	3,419,121
Fund Balances		
Restricted for:		
Debt service	695,256	695,256
Project development	60,000	60,000
Capital projects	925,042	930,383
Unassigned	<u>3,653,032</u>	<u>2,416,679</u>
Total Fund Balances	<u>5,333,330</u>	<u>4,102,318</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,300,126</u>	<u>\$ 7,592,736</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>2016</u>	<u>2015</u>
Revenues		
Nonproperty taxes	\$ 2,894,175	\$ 2,926,422
Program income	421,640	225,688
Investment income	95,923	103,477
Miscellaneous	5,843	55,692
	<hr/>	<hr/>
Total Revenues	3,417,581	3,311,279
Expenditures		
Development Services	1,303,456	1,919,215
Capital outlay	11,700	9,049
Debt service:		
Principal	974,066	755,627
Interest and fees	180,347	208,580
	<hr/>	<hr/>
Total Expenditures	2,469,569	2,892,471
Excess (deficiency) of revenues over expenditures	948,012	418,808
Other financing sources (uses):		
Note proceeds	283,000	-
	<hr/>	<hr/>
Net change in fund balances	1,231,012	418,808
Fund balances at beginning of year	4,102,318	3,683,510
	<hr/>	<hr/>
Fund balances at end of year	<u>\$ 5,333,330</u>	<u>\$ 4,102,318</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, 2016**

Fund balances of governmental funds	\$	5,333,330
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		1,985,045
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		2,900,177
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.		(18,668)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(4,601,056)</u>
Net position of governmental activities	\$	<u>5,598,828</u>

**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, 2016**

Net change in fund balances \$ 1,231,012

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 (\$69,279) exceeded capital outlay \$11,700 in the current period. (57,579)

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (518,944)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in treatment of long-term debt and related items. Long term principal payments (\$974,066) exceeded note proceeds (\$283,000). 691,066

Notional principal amount derived from interest rate swap agreement. 17,695

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 (3,858) being calculated for bonds and notes payable. 3,858

Change in net position of governmental activities: \$ 1,367,108

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

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**SUPPLEMENTAL STATEMENTS
AND SCHEDULES**

**CITY OF WESLACO, TEXAS
SCHEDULE OF TAXES RECEIVABLE -BY FUNDS
AT SEPTEMBER 30, 2016**

Year	Total	General Fund		I & S Fund	
		%	Amount	%	Amount
2005 & Prior	\$ 343,380	Various	\$ 216,887	Various	\$ 126,493
2006	59,995	72.41%	43,442	27.59%	16,553
2007	67,727	73.96%	50,093	26.04%	17,634
2008	73,464	74.78%	54,937	25.22%	18,527
2009	77,928	73.95%	57,627	26.05%	20,301
2010	88,749	72.47%	64,317	27.53%	24,432
2011	95,435	72.33%	69,025	27.67%	26,410
2012	117,095	72.00%	84,304	28.00%	32,791
2013	155,412	72.90%	113,294	27.10%	42,118
2014	207,583	71.91%	149,268	28.09%	58,315
2015	432,385	82.16%	355,262	17.84%	77,123
	<u>1,719,153</u>		<u>1,258,456</u>		<u>460,697</u>
Less					
Allowances for uncollectible	(499,252)		(355,982)		(143,270)
Net Amount	<u>\$ 1,219,901</u>		<u>\$ 902,474</u>		<u>\$ 317,427</u>

**CITY OF WESLACO, TEXAS
ANALYSIS OF TAX COLLECTIONS, ADJUSTMENTS,
AND ALLOCATION TO FUNDS
OCTOBER 1, 2015 TO SEPTEMBER 30, 2016**

TAX COLLECTIONS AND ADJUSTMENTS

Year	Uncollected 10/1/15	Current Assessments & Correction	Collections	Adjustments	Uncollected 9/30/16
2005 & Prior	\$ 368,659	\$ -	\$ 15,901	\$ (9,378)	\$ 343,380
2006	71,521	-	4,693	(6,833)	59,995
2007	74,471	-	6,317	(427)	67,727
2008	84,003	-	9,990	(549)	73,464
2009	91,047	-	12,427	(692)	77,928
2010	102,992	-	12,225	(2,018)	88,749
2011	127,717	-	25,971	(6,311)	95,435
2012	149,025	-	31,926	(4)	117,095
2013	220,857	-	59,272	(6,173)	155,412
2014	396,974	-	176,225	(13,166)	207,583
2015	-	10,995,171	10,641,806	79,019	432,385
Total	\$ 1,687,266	\$ 10,995,171	\$ 10,996,753	\$ 33,468	\$ 1,719,153

ALLOCATION TO FUNDS

Year	Collections	General Fund		I & S Fund	
		%	\$	%	\$
2005 & Prior	\$ 15,902	Various	\$ 10,358	Various	\$ 5,543
2006	4,693	72.41%	3,398	27.59%	1,295
2007	6,317	73.96%	4,672	26.04%	1,645
2008	9,990	74.78%	7,471	25.22%	2,519
2009	12,426	73.95%	9,189	26.05%	3,237
2010	12,224	72.47%	8,859	27.53%	3,365
2011	25,971	72.33%	18,784	27.67%	7,187
2012	31,926	72.00%	22,986	28.00%	8,940
2013	59,272	72.90%	43,209	27.10%	16,063
2014	176,226	71.90%	126,720	28.10%	49,506
2015	10,641,806	82.16%	8,743,674	17.84%	1,898,132
Total	\$ 10,996,753		\$ 8,999,320		\$ 1,997,432

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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, 2016**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 400,000
2017	4.250%	\$ 8,500	\$ -	\$ 400,000	-
Total		<u>\$ 8,500</u>	<u>\$ -</u>	<u>\$ 400,000</u>	

CITY OF WESLACO, TEXAS
GENERAL OBLIGATION REFUNDING BONDS SERIES 2010
(TARGET SAVINGS)
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2016					\$ 1,532,231
2017	3.100%	\$ 23,730	\$ 16,065	\$ 494,500	1,037,731
2018	3.100%	16,065	8,155	510,324	527,407
2019	3.100%	8,155	-	527,407	-
Total		<u>\$ 47,950</u>	<u>\$ 24,220</u>	<u>\$ 1,532,231</u>	

**CITY OF WESLACO, TEXAS
LIMITED TAX REFUNDING BONDS, SERIES 2012
AS OF SEPTEMBER 30, 2016**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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>\$ 512,372</u>	<u>\$ 391,662</u>	<u>\$ 8,705,000</u>	

**CITY OF WESLACO, TEXAS
TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2013
AS OF SEPTEMBER 30, 2016**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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>\$ 1,565,150</u>	<u>\$ 1,565,150</u>	<u>\$ 6,445,000</u>	

**CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
LIMITED TAX REFUNDING BONDS, SERIES 2016
AS OF SEPTEMBER 30, 2016**

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 3,735,000
2017	2.00%	\$ 86,750	\$ 86,750	\$ -	3,735,000
2018	2.00%	86,750	84,100	265,000	3,470,000
2019	5.00%	84,100	77,350	270,000	3,200,000
2020	5.00%	77,350	70,225	285,000	2,915,000
2021	5.00%	70,225	62,850	295,000	2,620,000
2022	5.00%	62,850	54,975	315,000	2,305,000
2023	5.00%	54,975	46,725	330,000	1,975,000
2024	5.00%	46,725	35,350	455,000	1,520,000
2025	5.00%	35,350	23,350	480,000	1,040,000
2026	5.00%	23,350	10,600	510,000	530,000
2027	4.00%	10,600	-	530,000	-
Total		<u>\$ 639,025</u>	<u>\$ 552,275</u>	<u>\$ 3,735,000</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2007
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 100,000
2017	4.250%	\$ 2,125	\$ -	\$ 100,000	-
Total		\$ 2,125	\$ -	\$ 100,000	

CITY OF WESLACO, TEXAS
GENERAL OBLIGATION REFINANCING BONDS SERIES 2010
(TARGET SAVINGS)
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2016					\$ 403,327
2017	3.100%	\$ 6,263	\$ 4,240	\$ 130,500	272,827
2018	3.100%	4,240	2,152	134,676	138,151
2019	3.100%	2,152	-	138,151	-
Total		<u>\$ 12,655</u>	<u>\$ 6,392</u>	<u>\$ 403,327</u>	

CITY OF WESLACO, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payment		Principal Due 1-Dec	Outstanding 30-Sep
		1-Dec	1-Jun		
2016					\$ 870,000
2017	3.190%	\$ 13,877	\$ 7,018	\$ 430,000	440,000
2018	3.190%	7,018	-	440,000	-
Total		<u>\$ 20,895</u>	<u>\$ 7,018</u>	<u>\$ 870,000</u>	

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		
2016					\$ 4,810,000
2017	2.750%	\$ 66,138	\$ 66,138	\$ 2,190,000	2,620,000
2019	2.750%	36,025	36,025	2,620,000	-
Total		<u>\$ 102,163</u>	<u>\$ 102,163</u>	<u>\$ 4,810,000</u>	

CITY OF WESLACO, TEXAS
TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2012
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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	-
Total		<u>\$ 5,678,656</u>	<u>\$ 5,678,656</u>	<u>\$ 24,335,000</u>	

**CITY OF WESLACO, TEXAS
TAX AND REVENUE CERTIFICATE NOTE, SERIES 2014
AS OF SEPTEMBER 30, 2016**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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%	33,875	33,875	1,355,000	-
Total		<u>\$ 3,001,630</u>	<u>\$ 3,001,630</u>	<u>\$ 9,075,000</u>	

CITY OF WESLACO, TEXAS
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE
LIMITED TAX REFUNDING BONDS, SERIES 2016
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 15,750,000
2017	5.000%	\$ 382,350	\$ 382,350	\$ -	15,750,000
2018	5.000%	382,350	382,350	-	15,750,000
2019	5.000%	382,350	375,100	290,000	15,460,000
2020	5.000%	375,100	334,850	1,610,000	13,850,000
2021	5.000%	334,850	292,350	1,700,000	12,150,000
2022	5.000%	292,350	247,850	1,780,000	10,370,000
2023	5.000%	247,850	201,100	1,870,000	8,500,000
2024	5.000%	201,100	151,975	1,965,000	6,535,000
2025	5.000%	151,975	100,100	2,075,000	4,460,000
2026	5.000%	100,100	45,600	2,180,000	2,280,000
2027	4.000%	45,600	-	2,280,000	-
Total		<u>\$ 2,895,975</u>	<u>\$ 2,513,625</u>	<u>\$ 15,750,000</u>	

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE REFUNDING BONDS
SERIES 2011A
AS OF SEPTEMBER 30, 2016

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

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS
SERIES 2011B
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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>\$ 86,976</u>	<u>\$ 62,208</u>	<u>\$ 1,290,000</u>	

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS
SERIES 2012
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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>\$ 44,850</u>	<u>\$ 33,930</u>	<u>\$ 840,000</u>	

CITY OF WESLACO, TEXAS
ECONOMIC DEVELOPMENT SALES TAX REVENUE REFUNDING BONDS
SERIES 2013
AS OF SEPTEMBER 30, 2016

Fiscal Year	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
		15-Feb	15-Aug		
2016					\$ 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>\$ 135,320</u>	<u>\$ 102,595</u>	<u>\$ 1,925,000</u>	

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STATISTICAL SECTION

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

TABLE I

	Fiscal Year Ending September 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 23,122,052	\$ 20,001,901	\$ 11,915,869	\$ 6,236,897	\$ 13,564,135	\$ 14,042,568	\$ 12,006,633	\$ 9,749,470	\$ 438,179	\$ (5,007,449)
Restricted	1,211,727	1,787,280	11,967,344	13,059,262	5,760,438	6,259,134	6,455,866	8,335,324	6,474,762	11,810,520
Unrestricted	3,639,565	6,148,950	729,653	9,294,414	4,806,131	1,330,224	1,591,672	1,568,080	535,440	2,123,912
Total governmental activities net position	\$ 27,973,344	\$ 27,938,131	\$ 24,612,866	\$ 28,590,573	\$ 24,130,704	\$ 21,631,926	\$ 20,054,171	\$ 19,652,874	\$ 7,448,381	\$ 8,926,983
Business-type activities										
Net investment in capital assets	\$ 39,969,259	\$ 38,975,364	\$ 34,020,461	\$ 12,912,376	\$ (1,310,318)	\$ 25,204,572	\$ 21,631,773	\$ 11,808,483	\$ 6,190,908	\$ 2,905,484
Restricted	1,212,612	1,623,104	2,019,837	19,656,819	27,959,653	1,054,121	4,875,514	14,231,044	20,642,296	23,249,701
Unrestricted	2,750,097	2,884,140	2,798,504	3,095,455	5,769,530	2,533,841	1,479,750	1,076,733	(971,432)	463,253
Total business-type activities net position	\$ 43,931,968	\$ 43,482,608	\$ 38,838,802	\$ 35,664,650	\$ 32,418,865	\$ 28,792,534	\$ 27,987,037	\$ 27,116,260	\$ 25,861,772	\$ 26,618,438
Primary Government										
Net investment in capital assets	\$ 63,091,311	\$ 58,977,265	\$ 45,936,330	\$ 19,149,273	\$ 12,253,817	\$ 39,247,140	\$ 33,638,406	\$ 21,557,953	\$ 6,629,087	\$ (2,101,965)
Restricted	2,424,339	3,410,384	13,987,181	32,716,081	33,720,091	7,313,255	11,331,380	22,566,368	27,117,058	35,060,221
Unrestricted	6,389,662	9,033,090	3,528,157	12,391,770	10,575,661	3,864,065	3,071,422	2,644,813	(435,992)	2,587,165
Total primary government net position	\$ 71,905,312	\$ 71,420,739	\$ 63,451,668	\$ 64,257,124	\$ 56,549,569	\$ 50,424,460	\$ 48,041,208	\$ 46,769,134	\$ 33,310,153	\$ 35,545,421

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 year 2015 Governmental Activities net position has been restated to reflect prior period adjustments described in Note T to the financial statements.
Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 7,793,661	\$ 7,475,817	\$ 4,699,927	\$ 4,077,130	\$ 4,079,035	\$ 4,426,526	\$ 4,307,902	\$ 3,710,070	\$ 2,618,476	\$ 4,773,130
Public safety	13,374,018	11,530,338	10,217,398	10,714,272	10,195,023	11,562,667	12,676,095	12,486,600	13,173,159	10,602,820
Emergency medical service	137,335	101,226	269,969	332,102	462,305	398,347	343,818	-	-	443,243
Health	-	-	-	90,067	88,459	104,426	132,612	127,044	135,502	130,130
Public works	3,409,500	2,927,110	3,056,584	3,039,309	2,626,866	2,669,907	1,870,276	1,843,346	1,567,815	2,147,216
Culture and recreation	2,195,306	1,793,425	1,660,311	1,692,154	1,693,692	1,144,997	2,486,171	2,484,004	1,815,439	1,650,424
Development services	-	-	2,724,236	3,364,499	3,256,023	3,101,439	3,358,829	4,994,533	1,847,396	3,249,338
Interest on long-term debt	1,134,675	1,009,379	1,182,183	1,187,398	2,326,416	1,452,443	1,478,830	1,488,868	5,735,318	1,425,639
Total governmental activities expenses	28,044,495	24,837,295	23,810,608	24,496,931	24,727,819	24,860,752	26,654,533	27,134,465	26,893,105	24,421,940
Business-type activities:										
Water and Wastewater	11,042,489	9,955,440	8,687,380	9,435,022	9,054,734	7,768,721	7,433,263	7,662,631	10,726,658	6,392,983
Solid Waste	4,147,973	4,348,050	4,117,588	4,044,683	4,047,757	3,863,097	3,517,000	3,468,755	3,480,521	3,083,417
Airport	687,702	668,097	536,560	507,619	505,452	532,689	532,828	564,958	1,092,428	565,703
Total business-type activities expenses	15,878,164	14,971,587	13,341,528	13,987,324	13,607,943	12,164,507	11,483,091	11,696,344	15,299,607	10,042,103
Total primary government expenses	\$ 43,922,659	\$ 39,808,882	\$ 37,152,136	\$ 38,484,255	\$ 38,335,762	\$ 37,025,259	\$ 38,137,624	\$ 38,830,809	\$ 42,192,712	\$ 34,464,043
Program Revenues										
Governmental activities:										
Fees, fines, and charges for services:										
General government	\$ 714,548	\$ 725,949	\$ 588,302	\$ 405,601	\$ 381,323	\$ 363,068	\$ 370,890	\$ 406,099	\$ 3,471,856	\$ 1,311,453
Public Safety	853,586	653,606	748,737	842,122	919,126	695,632	933,006	1,912,015	1,217,389	116,703
Emergency medical services	1,350,052	1,693,132	1,250,542	1,223,157	976,167	948,437	976,166	-	-	581,732
Other activities	-	-	155,378	394,360	399,142	260,053	372,935	404,985	187,056	468,712
Culture and recreation	85,163	73,359	-	-	-	-	-	-	-	-
Operating grants and contributions	484,336	273,122	233,899	99,359	16,179	-	-	81,000	1,186,137	979,980
Capital grants and contributions	571,469	1,065,726	463,568	454,010	724,994	500,163	702,133	917,556	-	154
Total governmental activities program revenues	4,059,154	4,484,894	3,440,426	3,418,609	3,416,931	2,767,353	3,355,130	3,721,655	6,062,438	3,458,734
Business-type activities:										
Charges for services:										
Water and Wastewater	10,806,055	12,121,383	11,744,692	12,160,485	11,034,905	9,411,060	8,719,988	8,993,459	8,630,895	7,090,033
Solid Waste	4,725,450	5,225,429	4,860,177	4,752,518	4,646,565	4,127,015	4,215,582	3,992,622	3,579,091	3,525,482
Airport	183,291	159,919	207,034	156,302	110,894	111,261	186,184	112,917	518,288	135,742
Operating grants and contributions	-	-	-	-	-	-	8,098	20,267	121,040	603,306
Capital grants and contributions	1,658,319	4,148,622	481,853	664,218	2,424,601	154,017	80,875	224,315	-	183,820
Total business-type activities program revenues	17,373,115	21,655,353	17,293,756	17,733,523	18,216,965	13,803,353	13,210,727	13,343,580	12,849,314	11,538,383
Total primary government program revenues	\$ 21,432,269	\$ 26,140,247	\$ 20,734,182	\$ 21,152,132	\$ 21,633,896	\$ 16,570,706	\$ 16,565,857	\$ 17,065,235	\$ 18,911,752	\$ 14,997,117
Net (Expense)/Revenue										
Governmental activities	\$ (23,985,341)	\$ (20,352,401)	\$ (20,370,182)	\$ (21,078,322)	\$ (21,310,888)	\$ (22,093,399)	\$ (23,299,403)	\$ (23,412,810)	\$ (20,830,667)	\$ (20,963,206)
Business-type activities	1,494,951	6,683,766	3,952,228	3,746,199	4,609,022	1,638,846	1,727,636	1,647,236	(2,450,293)	1,496,280
Total primary government net expense	\$ (22,490,390)	\$ (13,668,635)	\$ (16,417,954)	\$ (17,332,123)	\$ (16,701,866)	\$ (20,454,553)	\$ (21,571,767)	\$ (21,765,574)	\$ (23,280,960)	\$ (19,466,926)

Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit
Fiscal year 2015 Governmental Activities net position has been restated to reflect prior period adjustments described
in Note T to the financial statements.

CITY OF WESLACO, TEXAS
CHANGES IN NET POSITION- CONTINTUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)
TABLE II- CONTINUED

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Taxes:										
Ad valorem	\$ 11,264,052	\$ 10,352,897	\$ 9,767,217	\$ 9,823,287	\$ 9,710,670	\$ 9,632,751	\$ 9,729,729	\$ 9,752,261	\$ 16,449,025	\$ 7,443,962
Sales	8,682,523	8,779,266	11,441,937	11,182,267	10,578,320	9,864,624	9,218,352	9,175,453	2,656,019	8,599,413
Occupancy	351,911	384,439	419,960	382,934	336,419	358,390	359,421	403,467	-	433,603
Franchise and other	1,893,085	1,855,156	1,664,769	1,640,932	1,631,134	1,724,786	1,486,165	1,475,452	-	1,347,008
Intergovernmental	-	-	-	16,149	4,421	77,375	144,499	143,800	-	105,411
Investment earnings	60,217	31,839	130,602	89,278	66,619	64,147	139,903	226,519	447,930	479,206
Gain (loss) on sale/retirement of capital assets	-	-	56,720	(348,529)	116,255	100,339	(115,940)	482,859	(398,361)	348,144
Miscellaneous	721,662	232,759	377,674	226,739	249,246	301,972	348,954	433,260	415,452	388,842
Rescindment of contingency	-	-	-	-	-	550,000	-	-	-	-
Absences	-	-	-	-	191,261	-	-	-	-	-
Transfers	1,047,104	2,041,310	1,021,140	1,021,140	1,021,140	996,770	1,475,209	2,403,930	(218,000)	2,480,094
Total governmental activities	24,020,554	23,677,666	24,880,019	24,034,197	23,905,485	23,671,154	22,786,292	24,497,001	19,352,065	21,625,683
Business-type activities										
Investment earnings	1,513	1,350	4,013	19,609	13,629	109	618,350	849,733	916,833	168,484
Transfers	(1,047,104)	(2,041,310)	(1,021,140)	(1,021,140)	(1,021,140)	(996,770)	(1,475,209)	(2,403,930)	218,000	(2,480,094)
Total business-type activities	(1,045,591)	(2,039,960)	(1,017,127)	(1,001,531)	(1,007,511)	(996,661)	(856,859)	(1,554,197)	1,134,833	(2,311,610)
Total primary government	\$ 22,974,963	\$ 21,637,706	\$ 23,862,892	\$ 23,032,666	\$ 22,897,974	\$ 22,674,493	\$ 21,929,433	\$ 22,942,804	\$ 20,486,898	\$ 19,314,073
Change in Net Position										
Governmental activities	\$ 35,213	\$ 3,325,265	\$ 4,509,837	\$ 2,955,875	\$ 2,594,597	\$ 1,577,755	\$ (513,111)	\$ 1,084,191	\$ (1,478,602)	\$ 662,477
Business-type activities	449,360	4,643,806	2,935,101	2,744,668	3,601,511	642,185	870,777	93,039	(1,315,460)	(815,330)
Total primary government	\$ 484,573	\$ 7,969,071	\$ 7,444,938	\$ 5,700,543	\$ 6,196,108	\$ 2,219,940	\$ 357,666	\$ 1,177,230	\$ (2,794,062)	\$ (152,853)

CITY OF WESLACO, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (1)
(modified accrual basis of accounting)
TABLE III

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Pre GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,467	\$ 61,244	\$ -	\$ 49,087
Reserved	-	-	-	-	-	-	(104,146)	900,326	(213,081)	529,424
Unreserved	-	-	-	-	-	-	-	-	-	-
Post GASB 54										
Nonspendable	\$ 37,392	\$ 34,790	\$ 180,110	\$ 33,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	104,886	466,288	466,288	696,765	65,791	57,391	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	7,939,293	8,523,908	6,478,642	4,738,640	1,627,107	779,427	-	-	-	-
Total General Fund	\$ 8,081,571	\$ 9,024,986	\$ 7,125,040	\$ 5,468,654	\$ 1,692,898	\$ 836,818	\$ (34,679)	\$ 961,570	\$ (213,081)	\$ 578,511
All Other Governmental Funds										
Pre GASB 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,505,458	\$ 1,286,791	\$ 5,642,293	\$ 1,195,145
Reserved	-	-	-	-	-	-	4,985,087	6,086,963	2,792,788	10,795,586
Unreserved	-	-	-	-	-	-	-	-	-	-
Post GASB 54										
Nonspendable	\$ 34,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,958,733	5,512,740	1,793,631	1,691,574	1,772,642	1,618,055	-	-	-	-
Assigned	1,950,380	1,250,000	-	-	-	-	-	-	-	-
Unrestricted, reported in:										
Special revenue funds	-	-	3,127,878	2,936,214	2,308,622	4,718,358	-	-	-	-
Capital projects funds	-	-	6,399,437	7,701,460	1,166,502	1,206,560	-	-	-	-
Total all other governmental funds	\$ 5,943,424	\$ 6,762,740	\$ 11,320,946	\$ 12,329,248	\$ 5,247,766	\$ 7,542,973	\$ 6,490,545	\$ 7,373,754	\$ 8,435,081	\$ 11,990,731

Source: Information obtained from the City's Annual Financial Report
(1) The City implemented GASB Statement No. 54 in fiscal year 2011

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes:										
Property taxes	\$ 11,273,279	\$ 10,550,931	\$ 9,932,967	\$ 10,011,483	\$ 9,710,637	\$ 9,847,584	\$ 9,717,429	\$ 9,704,351	\$ 16,449,025	\$ 7,396,316
Sales	8,682,523	8,779,266	11,441,937	11,182,267	10,578,320	9,864,624	9,218,352	9,175,453	2,656,019	8,599,413
Occupancy	351,911	384,439	419,960	382,934	336,419	358,390	359,421	403,467	-	433,603
Franchise and other	1,893,085	1,855,156	1,664,769	1,640,932	1,631,134	1,724,786	1,486,165	1,475,452	-	1,347,008
Charges for services	1,644,414	3,471,864	2,783,840	2,832,851	2,540,973	2,565,294	2,905,104	3,752,129	3,471,856	2,857,551
Program income	-	-	360,576	389,134	341,845	150,054	109,445	62,604	-	468,712
Intergovernmental	1,055,805	1,338,849	697,467	569,518	745,594	577,538	846,632	1,142,356	1,373,193	588,535
Licenses and permits	493,175	479,501	446,828	405,601	381,323	363,068	370,890	406,099	489,883	490,788
Investment income	60,217	31,839	130,602	89,278	66,619	64,147	139,903	226,507	447,930	478,815
Fines and forfeitures	698,250	523,767	636,486	668,891	772,752	463,778	583,066	690,602	727,506	757,695
Contributions	-	-	2,736	50	500	142	8,500	1,954	-	154
Miscellaneous	889,172	394,982	374,938	527,110	248,746	301,830	340,454	431,306	415,452	716,842
Proceeds from sales	-	-	56,720	56,950	124,435	367,174	131,825	905,434	-	2,354,819
Total revenues	27,041,831	27,810,594	28,949,826	28,756,999	27,479,297	26,648,409	26,217,186	28,377,714	26,030,864	26,490,251
Expenditures										
General government	6,133,070	5,991,720	4,617,587	3,697,885	3,797,404	4,310,348	3,637,628	3,484,006	5,131,719	3,276,336
Public Safety	12,165,292	10,476,065	10,483,329	10,699,897	10,327,350	11,664,128	12,725,966	12,486,212	13,173,159	10,752,116
Public Works	2,104,864	1,790,960	1,558,496	1,556,054	1,299,033	1,342,074	1,390,192	1,468,756	1,567,815	1,748,968
Health	-	-	-	85,956	84,348	100,315	128,875	123,307	135,502	126,393
Culture and recreation	1,709,199	1,376,551	1,311,421	1,428,512	1,447,298	1,073,525	2,410,330	2,291,653	1,815,439	1,405,479
Economic development	589,640	593,849	1,568,220	2,144,101	1,923,521	2,171,025	3,633,445	4,376,933	7,218,808	2,708,077
Nondepartmental	-	-	565,216	477,223	395,172	684,020	779,286	541,759	-	544,839
Capital outlay	4,530,211	4,692,755	2,390,421	823,384	2,416,513	633,058	9,608,984	1,879,830	307,097	4,073,761
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,389,617	2,418,462	2,711,314	2,526,603	2,004,577	9,628,025	1,682,179	1,590,747	4,177,910	1,837,290
Interest and fiscal charges	786,594	890,033	1,152,048	1,197,893	1,352,412	1,420,192	1,490,122	1,500,160	1,568,706	1,435,439
Advance refunding escrow	77,555	-	-	-	-	-	-	-	-	-
Contingency expense	-	-	-	-	-	-	-	-	-	-
Total expenditures	30,486,042	28,230,395	26,358,052	24,637,508	25,047,628	33,026,710	37,487,007	29,743,363	35,096,155	28,458,698
Excess of revenues over (under) expenditures	(3,444,211)	(419,801)	2,591,774	4,119,491	2,431,669	(6,378,301)	(11,269,821)	(1,365,649)	(9,065,291)	(1,968,447)
Other Financing Sources (Uses)										
Debt Proceeds	\$ 4,450,281	\$ 658,299	\$ -	\$ 22,157,515	\$ 1,155,000	\$ 9,044,918	\$ 7,629,307	\$ 1,300,000	\$ 1,220,131	\$ 6,105,000
Proceeds from 380 Agreements	-	-	-	-	-	-	-	-	-	\$ (105,000)
Bond interest	701,808	-	-	(14,630,000)	-	-	-	-	-	-
Premium on bond	(4,392,713)	-	-	(366,731)	(30,323)	(101,814)	(611,900)	(120,076)	-	-
Bond redemption	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Volunteer separation expense	-	-	(738,139)	(581,949)	(780,562)	(912,644)	-	-	-	-
380 Agreement expenditures	-	-	-	-	(949,937)	-	-	-	-	-
Accrued 380 Agreement interest	-	-	(580,488)	(645,082)	(843,934)	-	-	-	-	-
Sales Tax rebates	2,208,425	2,419,014	-	-	-	-	164,040	525,775	-	1,036,129
Transfers in	(1,286,321)	(2,460,758)	(700,000)	(700,000)	(480,000)	(200,000)	(4,339)	(310,180)	(218,000)	(483,325)
Transfers out	1,681,480	616,555	(2,018,627)	5,233,753	(1,929,756)	7,830,460	7,177,108	1,395,519	4,718,049	6,552,804
Total other financing sources (uses)	\$ (1,762,731)	\$ 196,754	\$ 573,147	\$ 9,353,244	\$ 501,913	\$ 1,452,159	\$ (4,092,713)	\$ 29,870	\$ (4,347,242)	\$ 4,584,357
Net change in fund balance	12.2%	14.1%	16.1%	15.6%	14.8%	34.1%	11.4%	11.1%	16.5%	13.4%
Debt service as a percentage of noncapital expenditures										

Note: The City began to report accrual information when it implemented GASB statement 34 in fiscal year 2003. Fiscal years prior to 2015 present the Economic Development Corporation as a blended component unit

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

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 6,982,074	\$ 6,555,427	93.89%	\$ 366,651	\$ 6,922,078	99.14%
2008	7,667,715	7,171,489	93.53%	428,499	7,599,988	99.12%
2009	8,920,936	8,518,972	95.49%	328,500	8,847,471	99.18%
2010	9,249,698	8,628,830	93.29%	542,940	9,171,770	99.16%
2011	9,310,540	8,704,523	93.49%	517,268	9,221,791	99.05%
2012	9,346,948	8,859,282	94.78%	392,231	9,251,513	98.98%
2013	9,559,563	9,095,317	95.14%	347,151	9,442,468	98.78%
2014	9,667,300	9,119,003	94.33%	392,885	9,511,888	98.39%
2015	9,952,186	9,682,174	97.29%	62,429	9,744,603	97.91%
2016	10,995,171	10,641,806	96.79%	-	10,641,806	96.79%

Source: Hidalgo County Tax Assessor-Collector
www.hidalgocountytax.org

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

FISCAL YEAR	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	TAX-EXEMPT	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT OVERLAPPING TAX RATE
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	2.7363
2016	905,060,888	755,965,371	413,829,808	1,661,026,259	2.7357

Source: Hidalgo County Appraisal District
www.hidalgoad.org

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

TAXPAYER	2016			2007		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE
H E Butt Grocery Company	\$ 37,016,524	1	2.23%	\$ 19,105,431	1	1.84%
Pioneer Hi-Bred Int'l Inc	35,134,207	2	2.12%			
Clearview Weslaco LLP	18,325,026	3	1.10%	6,250,450	6	
H E B Weslaco Transportation	17,894,167	4	1.08%			
Capcor Weslaco LTD	16,131,947	5	0.97%			
Wal-Mart Real Estate Business	11,555,858	6	0.70%			0.00%
AEP Texas Central Co	10,343,070	7	0.62%	7,238,530	4	0.70%
JC Penney #1101	7,899,899	8	0.48%			
Wal-Mart Property Tax Dept	7,865,399	9	0.47%	18,401,794	2	
Weslaco Motors LLP	7,652,597	10	0.46%			
John Knox Villages				10,217,566	3	0.98%
Weslaco Palm Plaza				6,505,263	5	0.63%
Foremost Paving Inc				6,189,577	7	0.60%
Verizon Southwest, Inc				5,792,950	8	0.56%
Home Depot, The #6577				5,553,926	9	0.54%
Caldwell, VSR Inc				5,141,543	10	0.50%
TOTAL	\$ 169,818,694		10.22%	\$ 90,397,030		6.33%

Source:
www.hidalgo.org

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

City Direct Rates

FISCAL YEAR	TAX YEAR	MAINTENANCE & OPERATION	INTEREST & SINKING	(PER \$100) CITY
-------------	----------	-------------------------	--------------------	------------------

PROPERTY TAX RATES

2007	2006	0.5065	0.1930	0.6995
2008	2007	0.5153	0.1814	0.6967
2009	2008	0.5210	0.1757	0.6967
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
2016	2015	0.5560	0.1207	0.6767

TAX LEVIES

2007	2006	\$ 6,982,074
2008	2007	7,667,715
2009	2008	8,920,936
2010	2009	9,249,698
2011	2010	9,310,540
2012	2011	9,346,948
2013	2012	9,559,563
2014	2013	9,667,300
2015	2014	9,952,186
2016	2015	10,995,171

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

OVERLAPPING RATES

(Per \$100) WISD	STC	(Per \$100) Hidalgo Co	(Per \$100) DD #1	(Per \$100) STISD	(Per \$100) Total
1.3418	0.1548	0.5900	0.0413	0.0392	2.8666
1.1047	0.1540	0.5900	0.0492	0.0492	2.6438
1.1397	0.1498	0.5900	0.0700	0.0492	2.6954
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
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
1.1397	0.1850	0.5900	0.0951	0.0492	2.7357
\$ 16,140,097	\$ 37,903,742	\$ 142,503,382	\$ 11,181,038	\$ 12,290,736	\$ 227,001,069
19,199,929	41,255,266	155,425,414	11,935,971	13,321,253	248,805,549
20,312,260	41,861,054	162,197,402	18,101,564	13,910,184	265,303,400
20,544,560	41,736,459	161,779,404	18,803,344	13,870,003	265,983,468
19,795,607	37,953,268	148,860,984	18,910,655	13,752,694	248,583,748
20,111,115	38,191,930	150,274,322	19,197,219	13,901,594	251,023,128
21,597,467	43,100,124	165,736,613	19,880,682	14,279,092	274,153,542
21,552,277	42,899,924	165,736,613	25,956,088	14,279,092	280,091,295
23,002,324	54,881,207	171,956,770	27,107,682	14,792,577	301,692,745
23,464,321	56,775,623	179,965,377	28,837,880	15,689,081	315,727,453

CITY OF WESLACO, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2016
TABLE IX

	GROSS DEBT Less SINKING FUND	ESTIMATED % DEBT APPLICABLE TO CITY OF WESLACO	CITY OF WESLACO SHARE OF DEBT
City of Weslaco, Texas	\$ 20,417,231	100.00%	\$ 20,417,231
Weslaco Ind School Dist	83,819,000	72.86%	61,070,523
Hidalgo County	198,210,000	5.65%	11,198,865
Hidalgo Co Drainage Dist #1	137,910,000	5.91%	8,150,481
South Texas College	161,905,000	4.60%	7,447,630
			Total: \$ <u>108,284,730</u>

Percent of Assessed Valuation: 6.31%

Direct Overlapping Debt per Capita: 2,743

POPULATION: 39,474

ASSESSED VALUATION \$ 1,661,026,259

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

Legal Debt Margin Calculation to Fiscal Year 2016

Assessed Value	\$	1,661,026,259
Debt Limit (10% of assessed value)		166,102,626
Debt applicable to limit:		
General obligation bonds		20,817,231
Less: Amount set aside for repayment of general obligation debt		(1,112,428)
Total net debt applicable to limit		19,704,803
Legal debt margin		146,397,823

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 99,815,209	\$ 110,057,628	\$ 127,480,023	\$ 133,153,378	\$ 141,124,613	\$ 142,173,949	\$ 139,051,427	\$ 159,911,825	\$ 173,352,656	\$ 166,102,626
Total net debt applicable to limit	27,872,725	27,092,739	25,851,763	24,605,645	24,605,645	21,684,025	24,605,645	24,605,645	23,040,965	19,704,803
Legal debt margin	\$ 99,815,209	\$ 110,057,628	\$ 127,480,023	\$ 133,153,378	\$ 141,124,613	\$ 142,173,949	\$ 139,051,427	\$ 159,911,825	\$ 173,352,656	\$ 146,397,823
Total net debt applicable to the limit as a percentage of debt limit	27.92%	24.62%	20.28%	18.48%	17.44%	15.25%	17.70%	15.39%	13.29%	11.86%

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
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
TABLE XI**

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Plus: CIP Fee (1) Non-Operating	Net Available	Debt Service		Coverage
					Principal	Interest	
2007	\$ 7,244,451	\$ 6,051,989	\$ 603,306	\$ 1,795,768	\$ 310,000	\$ 181,603	3.65
2008	7,726,172	6,696,352	631,599	1,661,419	300,000	169,785	3.54
2009	8,073,294	6,824,120	645,067	1,894,241	315,000	157,635	4.01
2010	7,846,367	5,990,804	621,306	2,476,869	340,000	130,870	5.26
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	4,045,768	492,312	82,233	7.04
2015	11,372,511	6,702,152	703,986	5,374,345	532,148	65,993	8.99
2016	10,504,921	7,162,537	649,682	3,992,065	545,981	48,918	6.71

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

* The Revenue Coverage computation does not include the 2007 Certificate of Obligation issue of \$21,720,000. This issue is a surplus Revenue Certificate of Obligation and does not meet the requirements to be included in the computation for pledged revenue coverage. If considered in the computation, the coverage would be 1.72.

CITY OF WESLACO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
TABLE- XII

General Bonded Debt

Other Governmental Activities Debt

Fiscal Year	General Obligation Bonds	Certificate of Obligation	Water District Debt Assumed	Percentage of Actual Taxable Value of Property	Per Capita	Capital Leases Payable	Compensated Absences
2007	\$ 3,126,400	\$ 25,018,352	-	2.71%	\$ 877	-	2,141,726
2008	2,531,200	24,566,872	-	2.35%	844.39	-	2,274,848
2009	1,913,600	24,229,568	-	1.94%	783.81	-	2,725,440
2010	1,276,800	23,755,396	-	1.79%	721.37	-	2,319,506
2011	620,800	23,223,916	-	1.69%	668.48	-	1,912,606
2012	419,200	21,776,008	-	1.56%	602.38	-	2,027,741
2013	208,000	26,443,550	-	1.82%	718.51	-	2,138,217
2014	-	24,894,102	-	1.66%	662.06	1,693,177	2,026,934
2015	2,006,250	21,110,000	-	1.56%	614.78	1,947,164	2,182,753
2016	1,532,231	19,285,000	-	1.25%	527.37	2,099,678	2,572,882

Economic Development

Business-Type Activities

Sales Tax

Fiscal Year	General Obligation Bonds	Certificate of Obligation	Revenue Bonds	Notes Payable	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2007	\$ 1,758,600	\$ 4,075,000	\$ 23,366,648	\$ -	\$ 6,260,000	\$ 1,251,099	\$ 66,997,825	12.43%	\$ 2,131
2008	1,423,800	3,775,000	23,238,128	-	5,600,000	-	63,409,848	11.10%	1,976
2009	1,076,400	3,460,000	23,065,432	-	5,015,000	-	61,485,440	10.76%	1,916
2010	718,200	3,135,000	22,724,604	-	4,595,000	-	58,524,506	11.52%	1,755
2011	1,300,284	2,845,000	21,290,000	-	5,325,000	974,323	57,491,929	11.18%	1,657
2012	1,089,792	2,470,000	45,215,000	8,500,000	6,300,000	-	87,797,741	16.54%	2,461
2013	870,768	2,090,000	44,790,000	8,040,000	6,110,000	-	90,690,535	15.89%	2,461
2014	768,456	1,700,000	44,325,000	7,735,000	5,570,000	-	88,712,669	15.31%	2,392
2015	529,308	19,230,000	34,700,000	6,545,000	5,700,000	-	88,250,475	14.97%	2,347
2016	404,029	49,260,000	870,000	4,810,000	-	-	80,833,820	13.19%	2,048

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

CITY OF WESLACO, TEXAS
 TAXABLE SALES BY INDUSTRY
 LAST TEN CALENDAR YEARS
 TABLE XIII

Description	CALENDAR YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Agriculture, Forestry, Fishing, Hunting	\$ 481	\$ 3,207	\$ 4,144,701	\$ 2,839,442	\$ 1,547,374	\$ 998,716	\$ 835,222	\$ 1,085,666	\$ 1,282,144	\$ 1,132,716
Construction	4,096,068	3,219,615	4,144,701	2,839,442	1,547,374	998,716	835,222	1,085,666	1,282,144	1,132,716
Manufacturing	2,378,251	2,222,116	1,374,389	944,415	1,043,977	2,301,576	2,568,436	5,366,141	5,211,076	3,830,005
Wholesale Trade	10,535,297	11,505,002	12,138,082	12,488,875	10,052,972	8,358,327	9,022,657	15,516,848	10,173,988	11,048,557
Retail trade	321,305,069	331,306,451	321,405,175	317,956,827	296,818,500	275,128,934	251,829,708	239,908,678	221,207,983	202,759,881
Transportation and warehousing	-	276,655	303,218	1,637,871	1,311,262	1,417,200	205,606	1,557,971	1,357,532	1,368,621
Information	12,686,024	13,421,501	13,229,751	9,086,834	7,440,719	6,916,201	7,063,176	6,441,066	6,747,785	12,253,568
Finance and insurance	1,607,030	2,641,731	2,177,332	1,999,036	2,096,979	2,172,227	1,966,880	1,928,421	1,770,635	1,480,900
Real estate, rental and leasing	2,654,053	2,356,502	2,881,418	2,783,960	2,730,662	3,062,869	11,531,735	24,776,580	30,452,578	26,148,015
Professional, scientific and technical	1,137,739	989,140	838,393	1,072,369	1,136,202	891,767	799,762	997,224	892,992	1,297,799
Administration, support, waste management, and remediation	2,194,032	5,368,529	5,830,822	6,176,976	3,592,463	1,730,296	3,434,638	6,010,391	7,496,343	8,607,798
Educational Services	94,791	166,539	60,791	57,033	38,083	17,608	27,003	14,608	14,756	5,974
Health care and social assistance	1,256,497	691,519	560,511	560,036	512,033	696,535	305,582	365,439	357,884	349,339
Arts, entertainment, and recreation	3,673,234	2,581,663	1,952,878	1,692,620	1,774,225	780,044	610,900	649,832	771,049	1,267,988
Accommodation and food service	109,219,280	96,841,186	86,549,881	82,835,766	76,342,659	70,735,449	66,500,272	63,712,076	59,744,975	54,959,576
Other Services	10,775,234	10,221,189	10,073,577	10,287,220	9,623,843	8,923,286	8,371,356	7,015,451	8,322,955	8,645,092
Other	22,000	19,870	17,086	15,201	19,346	16,125	24,022	19,758	14,532	12,170
Total	\$ 483,635,080	\$ 483,832,415	\$ 463,538,005	\$ 452,434,481	\$ 416,081,299	\$ 384,147,160	\$ 365,096,965	\$ 375,366,150	\$ 355,819,667	\$ 335,181,894

City Direct Sales Tax 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00%

Source: Texas State Comptroller
<https://ourcpa.cpa.state.tx.us/allocation/HistSales.jsp>

CITY OF WESLACO, TEXAS
SALES TAX REVENUE PAYERS BY INDUSTRY
CALENDAR YEARS 2015 AND 2006
TABLE XIV

	2015				2006			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry, Fishing, Hunting	4	0.34%	\$ 10	0.00%	3	0.28%	\$ -	0.00%
Construction	67	5.77%	81,921	0.85%	55	5.09%	30,947	0.37%
Manufacturing	47	4.04%	47,565	0.49%	36	3.33%	20,880	0.25%
Wholesale Trade	72	6.20%	210,706	2.18%	48	4.44%	201,059	2.42%
Retail trade	493	42.43%	6,426,101	66.44%	484	44.77%	5,936,370	71.34%
Transportation and warehousing	2	0.17%	0	0.00%	6	0.56%	26,225	0.32%
Information	21	1.81%	253,720	2.62%	20	1.85%	148,814	1.79%
Finance and insurance	21	1.81%	32,141	0.33%	26	2.41%	41,940	0.50%
Real estate, rental and leasing	19	1.64%	53,081	0.55%	17	1.57%	54,613	0.66%
Professional, scientific and technical	37	3.18%	22,755	0.24%	49	4.53%	22,724	0.27%
Administration, support, waste management, and remediation	49	4.22%	43,881	0.45%	49	4.53%	71,849	0.86%
Educational Services	5	0.43%	1,896	0.02%	4	0.37%	762	0.01%
Health care and social assistance	10	0.86%	25,130	0.26%	14	1.30%	10,241	0.12%
Arts, entertainment, and recreation	15	1.29%	73,465	0.76%	13	1.20%	35,485	0.43%
Accommodation and food service	172	14.80%	2,184,386	22.58%	134	12.40%	1,526,853	18.35%
Other Services	121	10.41%	215,505	2.23%	113	10.45%	192,477	2.31%
Other	7	0.60%	440	0.00%	10	0.93%	387	0.00%
Total	1,162	100.00%	\$ 9,672,702	100.00%	1,081	100.00%	\$ 8,321,626	100.00%

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

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

FISCAL YEAR	CITY DIRECT RATE	STATE RATE	TOTAL TAX RATE
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%
2016	2.00%	6.25%	8.25%

CITY OF WESLACO, TEXAS
MISCELLANEOUS STATISTICAL FACTS
SEPTEMBER 30, 2016
TABLE XVI

Date of Incorporation: 1919
Date of Adoption of City Charter: December 14, 1927
Form of Government: Single Member District
Area: 14.72 Square Miles

Miles of Street:

Graded 1.65
Paved 223

Miles of Sewers:

Storm 96
Sanitary 213

Building Permits:

Permits Issued 2039
Estimated Cost \$ 58,919,796

Fire Protection:

Number of Stations 3
Number of Employees 72
Number of Volunteers 0

Police Protection

Number of Sub-station 1
Number of Stations 1
Number of Employees 92

Recreation

Parks-Number of Acres 171.97
Skateboard Parks 1
Tennis Courts 6
Golf Courses 2
Swimming Pools 2
Parks 7

Education:

Mid Valley Christian School,
San Martin De Porres Catholic School
Valley Grande Adventist Academy
First Christian Academy
Horizon Montessori II
Technology Education Charter High school
South Texas College
South Texas Vo-Tech
Valley Grande Institute for Academic Studies

Weslaco ISD (Student Population 17,917)

High School 3
Alternative Schools 2
Middle Schools 4
Elementary Schools 11

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

City:

Number of City Employees 311
Number of Street Lights 1600

Municipal Water Plant:

Number of Connections: 10,168
Miles of Water Mains 129.6

Average Daily:

Gallons

Consumption 4,363,649
Daily Plant Capacity 8,000,000

Water Sold for Year 1,273,205,425

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

Number of Hospitals

233 Beds 1

Airports

1

Source:

City of Weslaco
Finance Department
www.weslacoedc.com
Weslaco ISD

CITY OF WESLACO, TEXAS
DEMOGRAPHIC AND ECONOMICS STATISTICS
LAST TEN CALENDAR YEARS
TABLE XVII

CALENDAR YEAR	POPULATION	PERSONAL INCOME	PER CAPITA PERSONAL INCOME	UNEMPLOYMENT RATE
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	9.9%
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%
2015	39,474	612,754,902	15,523	10.0%

Source: www.census.gov

CITY OF WESLACO, TEXAS
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(dollars in thousands)
TABLE XVIII

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Building permits issued	2,039	2,001	1,998	1,935	1,946	1,964	2,088	2,499	2,361	2,848
Building inspections conducted	4,991	4,670	3,985	3,260	3,488	3,625	4,054	5,264	5,055	5,536
Police										
Physical Arrests-Adults	2,531	2,572	2,308	2,747	2,619	2,624	1,733	2,646	2,266	2,585
Physical Arrests-Juveniles	274	306	474	385	639	620	674	464	366	651
Fire										
Emergency responses	8,057	8,115	7,203	6,947	7,190	7,044	6,994	7,387	7,235	6,664
Library										
Volumes in collection	76,787	72,514	69,903	66,368	67,800	58,814	58,246	63,006	51,968	65,569
Total volumes borrowed	52,469	53,416	53,185	46,606	64,790	60,876	57,252	57,412	76,057	56,901
Water										
New connections	168	121	74	126	133	133	140	221	267	267
Average daily consumption (thousands of gallons)	5,809	5,262	4,804	5,289	6,010	6,010	5,765	5,667	5,666	4,385
Peak daily consumption (thousands of gallons)	6,740	6,174	7,953	6,806	-	8,860	7,685	8,307	8,086	7,799
Wastewater										
Average daily wastewater treatment (thousands of gallons)	3,680	3,680	3,793	4,917	-	4,133	4,669	3,835	2,080	3,431
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	1	1	1	1	1	1	1	2	3	3
Patrol Units	59	59	59	56	70	26	75	79	77	
Fire Stations										
	3	3	3	3	3	3	3	3	3	3
Other public works										
Street (miles)	223.00	223.00	223.00	223.00	97.54	97.54	97.54	97.54	97.54	97.54
Streetlights	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Parks & Recreation										
Acreage	171.97	171.97	171.97	171.97	153.53	153.53	153.53	153.53	153.53	153.53
Playgrounds	16	16	16	16	11	11	11	11	11	11
Golf courses	2	2	2	2	1	1	1	1	1	1
Water										
Water main (miles)	129.6	129.6	129.6	128.0	126.0	126.0	126.00	126.00	126.00	126.00
Fire hydrants	1,670	1,670	1,670	-	-	-	-	-	-	-
Storage capacity (thousands of gallons)	6,385	6,385	6,385	2,385	7,900	7,900	2,385	7,900	7,900	7,900
Wastewater										
Sanitary sewer (miles)	213.31	213.31	213.31	213.00	118.01	118.01	118.01	118.01	118.01	118.01
Storm Sewer (miles)	96.39	96.39	96.39	96.00	50.94	50.94	50.94	50.94	50.94	50.94
Treatment capacity (thousands of gallons)	8,250	8,250	8,250	7,250	7,250	7,250	7,250	5,500	5,500	5,500

CITY OF WESLACO, TEXAS
TOP TEN PRINCIPAL EMPLOYERS
2015 AND 2006
TABLE XIX

EMPLOYER	2015			2006		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Weslaco ISD	2,603	1	44.28%	2,817	1	43.99%
Knapp Medical Center	920	2	15.65%	1,000	2	15.62%
Heb (3 Locations)	555	3	9.44%	407	4	6.36%
Wal-Mart	399	4	6.79%	260	7	4.06%
Woodcrafters	366	5	6.23%	592	3	9.24%
Payne Auto Group	307	6	5.22%	389	5	6.07%
City of Weslaco	279	7	4.75%	351	6	5.48%
South Texas College	193	8	3.28%	214	8	3.34%
JC Penny	150	9	2.55%	168	10	2.62%
Texas A&M	106	10	1.80%	-	-	-
International Wood	-	-	-	206	9	3.22%
Total	5,878 #		# 100.00% #	6,404 #		# 100.00% #

Source: Municipal Advisory County of Texas
<https://mactexas.com/IssuerAccess/Report/TopTenEmployers/101826>

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

Full - time Equivalent Employees as of September 30

FUNCTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	51	54	54	54	38	31	36	40	53	49
Public Safety	175	197	181	181	141	132	140	136	152	162
Public Works	29	29	29	29	25	37	22	42	45	45
Health & Welfare	3	3	3	3	2	1	2	2	3	3
Culture & Recreation	38	39	39	39	3	3	2	7	12	12
Refuse Collection	17	17	17	17	4	3	3	1	1	1
Library	19	19	19.5	20	12	11	17	16	16	16
Water	23	24	19	19	23	22	31	22	23	17
Wastewater	9	8	10	10	0	0	14	11	12	3
Airport	4	4	4	4	4	4	3	3	3	3
Museum	2	2	2	2	0	0	0	0	0	0
Total	370	396	378	378	252	244	270	280	320	311

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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, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of and for the year ended September 30, 2016, 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 March 21, 2017. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component unit, as described in our report on the City of Weslaco, Texas' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 item 2016-001.

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.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
March 21, 2017

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

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' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Weslaco, Texas' major federal programs for the year ended September 30, 2016. City of Weslaco, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Weslaco, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Weslaco, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2016.

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Report on Internal Control over Compliance

Management of 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 City of Weslaco, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Weslaco, Texas' internal control over compliance.

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

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

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

Case, Riggs & Ingram, L.L.C.

Harlingen, Texas

March 21, 2017

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City of Weslaco, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	_____ yes	<u> X </u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	<u> X </u> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> 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 the Uniform Guidance	_____ yes	<u> X </u> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Grant
97.036	Disaster Grants- Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no



**City of Weslaco, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016**

**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

None reported

City of Weslaco, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

**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: (2016-001)

Expenditures in excess of budget appropriations

Criteria:

City ordinance requires budget amendments to be made prior to exceeding a major functional category.

Condition Found:

As indicated in the notes to the City's financial statements, we noted instances in which the City's budget had been exceeded on multiple functional levels.

Context:

We noted a negative variance in four functional expenditure categories.

Effect:

The City incurs expenditures that are not budgeted in advance by the City Commission.

Cause:

Lack of proper budgeting techniques or timely action by administration to amend the budget appropriately.

Recommendation:

Budget versus actual comparison should continue to be made on a monthly basis, and control over expenditures should include a review of available budget amounts prior to approval of purchase orders for the expenditure of funds.



**City of Weslaco, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016**

Section III – Federal Award Findings and Questioned Costs

None reported.

City of Weslaco, Texas
Schedule of Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2016

PROGRAM DESCRIPTION

Reference Number: (2016-001)

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Expenditures in excess of budget appropriations

During the fiscal year there were two rounds of budget amendments designed to incorporate unbudgeted projects into the budget to prevent overages.

In the new fiscal year a mid-year evaluation will be performed of all accounts and unbudgeted items and amendments will be prepared accordingly.

City of Weslaco, Texas
Schedule of Findings and Questioned Costs
Schedule of Status of Prior Audit Findings
For the Year Ended September 30, 2016

PROGRAM

STATUS OF PRIOR YEAR’S FINDINGS/COMPLIANCE

Reference Number: (2015-001)

Maintenance of Capital Asset Listing

Corrective Action Plan:

The City obtained an independent third-party inventory of all capital assets during the fiscal year. The capital asset listing was maintained and updated to reflect current year additions, deletions, construction in progress and current year depreciation calculations.

Reference Number: (2015-002)

Presentation of quarterly Investment Reports

Corrective Action Plan:

During the fiscal year the City was current in presenting quarterly investment reports to the City Commission and was in compliance with the City’s Investment Policy.

City of Weslaco., Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards			
U.S. Department of Federal Aviation Administration			
Passed through Texas Department of Transportation Aviation Division			
Airport Improvement Grant	20.106	CSJ 1121WESLA	\$ 72,990
Airport Improvement Grant	20.106	CSJ 1321WESLA	245,323
Airport Improvement Grant	20.106	CSJ 1421WESLA	44,214
Airport Improvement Grant	20.106	CSJ 1621WESLA	<u>733,709</u>
Total passed through Texas Department of Transportation Aviation Division			<u>1,096,236</u>
U.S. Department of Homeland Security			
Passed through the Texas Department of Public Safety			
Texas Department of Public Safety Homeland Security Grant Program	97.067	EMW-2014-SS-000029	99,738
Texas Department of Public Safety Division Disaster Grants- Public Assistance	97.036	PA-06-TX-4245	<u>227,981</u>
Total passed through Texas Department of Public Safety			<u>327,719</u>
U.S. Department of Justice			
Direct Programs:			
Equitable Sharing Program	16.922		110,326
Drug Enforcement Administration	16.810		17,202
Federal Bureau of Investigation- Violence Task Force	16.300	28AD-SA-C46020	15,359
Federal Bureau of Investigation- U.S. Marshall Task Force	16.813	M-14-D79-O-000145	<u>14,000</u>
Total U.S. Department of Justice			<u>156,887</u>
Total Expenditures of Federal Awards			<u>\$ 1,580,842</u>

City of Weslaco, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2016

Basis of Presentation

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of Weslaco, Texas, for the year ended September 30, 2016. The information in this schedule is presented in accordance with the Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

2. Measurement Focus and Basis of Accounting

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

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