

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
CITY OF WESLACO, TEXAS  
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**Issued By:**

**LEONARDO OLIVARES, City Manager**

**BRET MANN, Finance Director**

**CITY OF WESLACO, TEXAS  
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 YEAR ENDED SEPTEMBER 30, 2012**

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**PART I**

**INTRODUCTION SECTION**

**CITY OF WESLACO, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2012**

**CITY OFFICIALS**

Mayor	Miguel D. "Mike" Wise John F. "Johnny" Cuellar Mayor Pro-Temp Robert Garza Olga Noriega Gerardo "Jerry" Tafolla Lupe V. Rivera Joe A. Martinez
City Manager	Leonardo Olivares
Finance Director	Bret Mann
City Secretary	Elizabeth M. Walker
City Attorney	Ramon Vela
Chief Appraiser	Rolando Garza Hidalgo County Appraisal District
Collector of Taxes	Paul Villarreal County of Hidalgo
Chief of Police	Michael L. Kelley
Fire Chief	Santiago "Jimmy" Cuellar
Municipal Court Administrator	Rosa Badillo
Human Resources Director-Interim	Veronica Ramirez
Information Technology	Epifanio R. Garcia
Parks & Recreation Director	David Arce
Public Facilities Director	Erasmus Lozano
Public Utilities Director	David Salinas
Library Director	Arnold Becho
Aviation Director/Emergency Management	George P. Garrett

# City of Weslaco

*"The City on the Grow"*



Miguel D Wise, Mayor  
John F. Cuellar, Mayor Pro-Tem, District 2  
David R. Fox, Commissioner, District 1  
Olga Noriega, Commissioner, District 3  
Gerardo "Jerry" Tafolla, Commissioner, District 4  
Lupe V. Rivera, Commissioner, District 5  
Joe A. Martínez, Commissioner, District 6

Leonardo Olivares, City Manager

June 25, 2013

The Honorable Miguel D. Wise  
255 S. Kansas Ave  
Weslaco, Texas 78596

Dear Mayor Wise:

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Weslaco, Texas for the fiscal year ended September 30, 2012.

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

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

The City's financial statements have been audited by Garcia & Pena, CPA's, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### **Profile of the Government**

The City of Weslaco, Texas, established in 1919, is located in the southern tip of Texas in the heart of the Rio Grande Valley, which is considered to be one of the top growth areas in the state, and in the country. The City currently occupies a land area of 15 square miles and serves a population of 35,670. 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 the Mayor and six Commissioners. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for 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 a non-partisan basis. The Mayor and Commissioners serve three-year staggered terms, with two commissioners elected every year except for every third year when the Mayor is elected.

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager during the budget process. The City Manager uses these requests to initiate a proposed budget. The City Manager then presents this proposed budget to the Commission for review. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the end of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department directors may, with City Manager's approval, make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 77-85 as part of the basic financial statements for the governmental funds.

For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the special revenue funds subsection of this report on page 89.

### **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.** The City currently is experiencing record sales tax revenues. The last fiscal year we have seen positive growth over the prior year. The ongoing expressway expansion will provide an enhanced infrastructure to further fuel the City's growth.

The taxable assessed value of property in the City remained stable for this fiscal year. The growth in the City has offset the lower housing values that have impacted the entire country. The unemployment rate has maintained at 11.0%. The current labor force is approximately 14,878 workers.

**Long-term Financial Planning.** The City Commission has also been focusing on the City's property tax rate. This focus has been driven by the desire to give taxpayers the best value for their money as well as making Weslaco more attractive to business and residents looking to relocate. The City Commission has held the City's property tax rate steady at a rate of \$0.6967 per \$100 of valuation. The budget adopted for the 2013 fiscal year remains unchanged at \$0.6967 per \$100 of valuation.

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

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

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

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

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

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

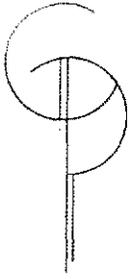
Sincerely,

A handwritten signature in black ink, appearing to read 'L. Olivares', written in a cursive style.

Leonardo Olivares, JD MPA  
City Manager

LO:rp

**PART II**  
**FINANCIAL SECTION**



# GARCIA & PENA

Certified Public Accountants

R O. Box 8032

301 West 4th

Weslaco, Texas 78599

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

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

## Independent Auditor's Report on Financial Statements

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

Honorable Mayor and Members of the City Commission:

We have audited the accompanying basic and combining financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Weslaco, Texas basic and combining financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Weslaco, Texas management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weslaco, Texas as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the City of Weslaco, Texas internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. This report also covers the compliance with Title 49 U.S. Code as it applies to airport revenues and local taxes on aviation fuel.

Management's discussion and analysis and the schedules of funding progress for the Texas Municipal Retirement System on page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

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

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

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

a. Detail statements of income and expenses:

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

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

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

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

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

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

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

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

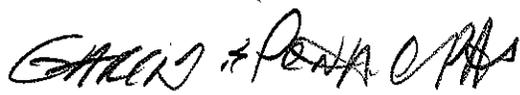
	<u>Connected Properties</u>	<u>Income</u>
Waterworks	9,972	\$ 5,665,661
Sewer System	9,056	\$ 4,336,976

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

None

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

Gallons pumped at filter plant	2,413,044,700
Gallons sold (estimated)	2,183,447,000

  
Garcia & Pena, CPAS  
Certified Public Accountants

June 25, 2013

## **Management's Discussion and Analysis**

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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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages a - d of this report.

### **Financial Highlights**

- The assets of the City of Weslaco exceeded its liabilities at the close of the most recent fiscal year by \$56,549,569 (net assets). Of this amount, \$10,575,661 represents unrestricted net assets. This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Weslaco's governmental funds reported combined ending fund balances of \$6,940,664. Approximately 21.30% of this total amount, \$3,085,950 is available for spending at the government's discretion (undesignated fund balance).
- At the end of the current fiscal year, the general fund's fund balance was \$1,692,898, or 9.89% of total general fund expenditures.

### **Overview of the Financial Statements**

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

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

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

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

## Management's Discussion and Analysis

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

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

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

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

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

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

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

## Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

# Management's Discussion and Analysis

## Government-wide Financial Analysis

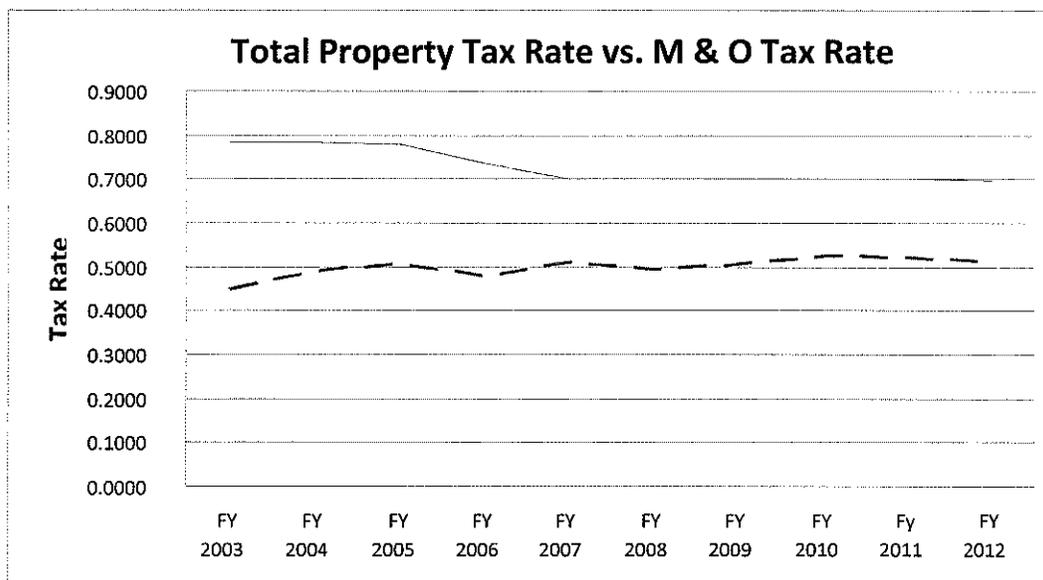
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Weslaco, assets exceeded liabilities by \$56,549,569 at the close of the most recent fiscal year.

The City of Weslaco's net assets available for capital projects acquisition is \$26,169,919, which reflect 46.28% of total net assets. On September 30, 2012, the City had an outstanding bonds balance of \$85,770,558 and had \$918,806 in cash to be used for completing the 2007 bond issues projects.

An additional portion of the City of Weslaco's net assets (3 percent) represents other resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* is a \$10,575,661. This amount may be used to meet the government's ongoing obligations to citizens and creditors.

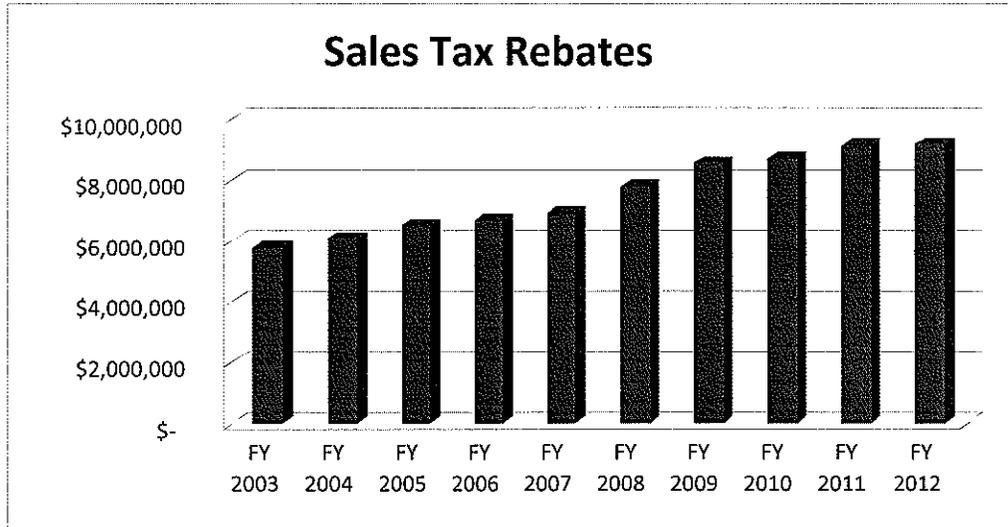
At the end of the current fiscal year, the City of Weslaco is able to report positive balances of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental activities.** The property tax levy increased by \$79,749 (.85 percent) during the year due mostly to new development and construction. The tax rate has been reduced or maintained each year for the last eight years. This has been due to a concerted effort on the part of the City Commission to maintain or reduce the tax rate. Below is a graph showing the changes in the maintenance and operation (M & O – used for operations of the City) as it compares with the total property tax rate that includes the debt service portion of the tax rate as well.



## Management's Discussion and Analysis

Sales tax rebates amounted to \$10,578,320 for the year with an increase of \$713,696 or 7.23% 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 \$-0- in the General Fund. It is the practice of the City of Weslaco to utilize grant revenues whenever possible to improve city services and quality of life in our community.

**Business-type activities.** Business-type activities accounted for 57.10% of the City of Weslaco's net assets.

- The water and sewer rates were adjusted during the current fiscal year by 6%. The rate increases were necessary to increase bond debt service coverage ratios and to provide for needed capital improvements. Some of the planned capital improvements include a new water plant as well as renovations to the north sewer plant.
- The net assets of the Water & Sewer Fund increased by \$2,978,369. Revenues increased by \$1,564,286 and expenses decreased by \$248,521.
- The net assets of the Sanitation Fund increased by \$390,058. Revenues increased by \$519,550 and expenses increased by \$127,123.
- The net assets of the Airport Fund increased by \$225,084. The Airport Fund receives revenues from fuel sales, hangar rentals, and grants. Any shortfalls are subsidized by the General Fund. Grants from the state are utilized when possible to improve and maintain the airport.
- Investment earnings increased by \$13,520 for business-type activities because of an overall decrease in the amount of cash and cash investments.

## Management's Discussion and Analysis

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### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Weslaco's governmental funds reported combined ending fund balances of \$6,940,664. Approximately 44.92% of this total amount \$3,085,950 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, or 2) to pay debt service.

The general fund is the chief operating fund of the City of Weslaco. At the end of the current fiscal year, the general fund's unreserved fund balance was \$1,180,226 the total fund balance reached \$1,692,898. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.89 percent of total general fund expenditures, while total fund balance represents 4.5 percent of that same amount. While it is recommended that the General Fund should have an unreserved fund balance of no less than 5 to 15% of operating expenditures, the City has placed the target for unreserved fund balance in the General Fund at 25%. The City has implemented a fiscal forecast model that is designed to increase the fund balance in the General Fund to 25% by the year 2015.

- The City Commission maintained the tax rate to \$.6967 for the 2012 tax levy. balance.
- The sales tax revenues increased by 7.23% over the prior year. The increase in the sales tax revenues can be attributed at least in part to retail development on the expressway. Now that the expressway expansion is complete it is reasonable to expect the economic growth to continue.

The debt service fund has a total fund balance of \$949,795 after all scheduled debt service payments were made, all of which is reserved for the payment of debt service. It is prudent to maintain a fund balance in the debt service fund up to one year's debt service payments. The scheduled tax supported debt service payments for fiscal year 2012 was \$2,668,117, with interest paid of \$1,018,467

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

## Management's Discussion and Analysis

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Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$4,460,788, the unrestricted assets for the Sanitation Fund amounted to \$1,363,478 and those for the Airport Fund amounted to \$(54,736). Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Weslaco's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** The City of Weslaco's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$109,077,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Weslaco's investment in capital assets for the current fiscal year was 19.81% (a 22.06% increase for business-type activities, and 17.77% increase for governmental activities).

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

**Long-term debt.** At the end of the current fiscal year, the City of Weslaco had total bonded debt outstanding of \$85,770,558. Of this amount, \$22,195,766 comprises debt backed by the full faith and credit of the government. The remainder of the City of Weslaco's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Weslaco currently has an "A-" rating from Standard & Poor's and a "Baa2" rating from Moody's for general obligation debt. This is reflective of the rating review in November 30, 2012 by Standard & Poor's and January 4, 2012 by Moody's. The prior ratings were "Baa1" from Moody's and "BBB+" from Standard & Poor's.

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

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

### Economic Factors and Next Year's Budget

- The employment rate for the City of Weslaco is currently 89.0 percent, compared to 88.7 percent a year ago. This rate compares to the state's average employment rate of 92.0 percent.
- Due to a desire by the City Commission to make the City of Weslaco more attractive to businesses and individuals, the adopted property tax rate was maintained to \$.6967 per \$100 of valuation for fiscal year 2012. This tax rate represents the lowest tax rate in

## Management's Discussion and Analysis

thirteen years, as well as a concerted effort on the part of the City Commission and staff to continue the downward trend on the tax rate. While the City Commission is doing there part to keep the tax rate as low as possible it is important to note that the City's tax rate is only one of six tax rates from all taxing entities that together make up the total tax rate for Weslaco's citizens. Weslaco's total tax rate is quite favorable when compared with other cities in the area.

<b>Taxing Entity</b>	<b>McAllen</b>	<b>Mission</b>	<b>Weslaco</b>	<b>Edinburg</b>	<b>Pharr</b>
<i>Population</i>	130,767	77,586	35,193	77,613	70,888
<i>Valuation</i>	\$ 8,793,680,597	\$ 3,752,857,926	\$ 1,723,932,887	\$ 3,931,865,593	\$ 2,616,483,119
City	\$ 0.4313	\$ 0.5288	<b>\$ 0.6967</b>	\$ 0.6350	\$ 0.6800
Drainage Hidalgo County	0.0750	0.0750	<b>0.0750</b>	0.0750	0.0750
STC	0.5900	0.5900	<b>0.5900</b>	0.5900	0.5900
ISD	0.1507	0.1507	<b>0.1507</b>	0.1507	0.1507
STISD	1.1650	1.3000	<b>1.1397</b>	1.2398	1.3592
	0.0492	0.0492	<b>0.0492</b>	0.0492	0.0492
<b>Total</b>	<b>\$ 2.4612</b>	<b>\$ 2.6937</b>	<b>\$ 3.3763</b>	<b>\$ 2.7397</b>	<b>\$ 2.9041</b>

*Note: Population figures are 2010 estimates obtained from the U.S. Census Bureau.*

*Valuation represents "Net Taxable Before Freeze as reported by the Hidalgo County Appraisal District for tax year 2010.*

*Tax rates are for tax year 2010 and were obtained from the Hidalgo County Appraisal District.*

### Requests for Information

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

## **Management's Discussion and Analysis**

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**BASIC FINANCIAL STATEMENTS**

**CITY OF WESLACO, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NETS ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash investments	\$ 6,934,964	\$ 4,795,613	\$ 11,730,577
Receivables (net of allowance for doubtful accounts)			-
Utility receivables		2,621,821	2,621,821
Ad valorem taxes	1,585,346		1,585,346
Sales taxes	871,595		871,595
Ambulance fees	191,763		191,763
Other	384,669		384,669
Other assets	5,000		5,000
Due from other governments	303,229	1,986,858	2,290,087
Internal balances	(260,088)	260,088	-
Notes receivables	821,899		821,899
Due from others		76,577	76,577
Prepaid items			-
Inventories	454,325	144,027	598,352
Assets held for resale			-
Long-term note receivable (SDI Weslaco Holdings, LLC)	1,995,026		1,995,026
Restricted assets:			
Cash and cash investments	955,642	27,959,653	28,915,295
Capital assets:			
Land	4,215,555	2,551,870	6,767,425
Buildings	20,822,945	1,010,863	21,833,808
Equipment	9,616,840	7,495,354	17,112,194
Improvements	37,254,804	44,680,465	81,935,269
Infrastructure (380 Agreements)	7,629,307		7,629,307
Construction-in-progress		32,233,748	32,233,748
Accumulated depreciation	(28,159,397)	(30,274,927)	(58,434,324)
<b>Total assets</b>	<u>\$ 65,623,424</u>	<u>\$ 95,542,010</u>	<u>\$ 161,165,434</u>

**CITY OF WESLACO, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NETS ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 1,994,939	\$ 936,404	\$ 2,931,343
Accrued salaries payable	35,759		35,759
Bank overdraft		12,539	12,539
Compensated absences payable		195,379	195,379
Contracts payable	13,500	1,655,426	1,668,926
Other liabilities	343,082	146,639	489,721
Trust-Boy's & Girl's Club	398,045		398,045
Trust-Friends of the Library	487,035		487,035
Trust-PEG	70,563		70,563
Deferred revenue	632,840		632,840
Payable from restricted assets:			-
Current portion of long-term debt			-
Revenue bonds payable		1,430,024	1,430,024
Accrued interest	162,113	315,832	477,945
Deposits		853,235	853,235
Due within one year	2,303,389		2,303,389
Non-current liabilities:			-
Due in more than one year	35,051,455	57,577,667	92,629,122
<b>Total Liabilities</b>	<u>41,492,720</u>	<u>63,123,145</u>	<u>104,615,865</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	13,564,135	(1,310,318)	12,253,817
Restricted for:			-
Prepaid items			-
Debt service	1,772,642	2,356,236	4,128,878
General fund	446,881		446,881
Special revenue funds	2,974,413		2,974,413
Capital projects	566,502	25,603,417	26,169,919
Unrestricted	4,806,131	5,769,530	10,575,661
<b>Total Net assets</b>	<u>\$ 24,130,704</u>	<u>\$ 32,418,865</u>	<u>\$ 56,549,569</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 65,623,424</u>	<u>\$ 95,542,010</u>	<u>\$ 161,165,434</u>

Unaudited-See Accountant's Compilation Report

**CITY OF WESLACO, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2012**

Program Activities	Expenses	Program Revenues		
		Fees, Fine and Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government and administration	\$ 4,079,035	\$ 381,323	\$ -	\$ -
Public safety	10,195,023	919,126	-	221,377
Emergency medical services	462,305	976,167		
Public works	2,626,866			
Health	88,459	142,461		
Culture and recreation	1,693,692	54,831	16,179	503,617
Development services	2,412,090	201,850		
Sales tax rebates	843,933			
Interest on long-term debt	2,326,416			
<b>Total governmental activities</b>	<u>24,727,819</u>	<u>2,675,758</u>	<u>16,179</u>	<u>724,994</u>
<b>Business-type activities:</b>				
Water and sewer	9,054,734	11,034,905		2,004,959
Sanitation	4,047,757	4,646,565		
Airport	505,452	110,894		419,642
<b>Total business-type activities</b>	<u>13,607,943</u>	<u>15,792,364</u>	<u>-</u>	<u>2,424,601</u>
<b>Total governmental and business-type activities</b>	<u>\$ 38,335,762</u>	<u>\$ 18,468,122</u>	<u>\$ 16,179</u>	<u>\$ 3,149,595</u>

**General Revenues**

Taxes:  
Ad valorem  
Sales  
Occupancy  
Other  
Franchise fees  
Intergovernmental  
Investment earnings  
Gain (loss) on sale/retirement of capital assets  
Revaluation of compensated absences  
Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

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

**Net assets at end of year**

Net (Expenses) Revenue  
And Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,697,712)	\$ -	\$ (3,697,712)
(9,054,520)		(9,054,520)
513,862		513,862
(2,626,866)		(2,626,866)
54,002		54,002
(1,119,065)		(1,119,065)
(2,210,240)		(2,210,240)
(843,933)		(843,933)
(2,326,416)		(2,326,416)
<u>(21,310,888)</u>	<u>-</u>	<u>(21,310,888)</u>
	3,985,130	3,985,130
	598,808	598,808
	25,084	25,084
<u>-</u>	<u>4,609,022</u>	<u>4,609,022</u>
<u>\$ (21,310,888)</u>	<u>\$ 4,609,022</u>	<u>\$ (16,701,866)</u>
9,710,670		9,710,670
10,578,320		10,578,320
336,419		336,419
65,650		65,650
1,565,484		1,565,484
4,421		4,421
66,619	13,629	80,248
116,255	-	116,255
191,261		191,261
249,246		249,246
1,021,140	(1,021,140)	-
<u>23,905,485</u>	<u>(1,007,511)</u>	<u>22,897,974</u>
2,594,597	3,601,511	6,196,108
<u>21,536,107</u>	<u>28,817,354</u>	<u>50,353,461</u>
<u>\$ 24,130,704</u>	<u>\$ 32,418,865</u>	<u>\$ 56,549,569</u>

**GOVERNMENTAL-TYPE  
ACTIVITIES**

**CITY OF WESLACO, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	General	Debt Service	Economic Development
<b>Assets</b>			
Cash and cash investments	\$ 3,047,762	\$ 313,488	\$ 2,381,425
Receivables (net where applicable of allowance for doubtful accounts):			
Ad valorem taxes	1,110,030	475,316	
Sales taxes	871,595		
Ambulance fees	191,763		
Other	254,594		33,919
Other assets	5,000		-
Due from other funds		599,044	217,899
Due from other governments	199,612		
Notes receivable			2,816,925
Restricted Cash	955,642		
Prepaid items			
Inventories	65,791		388,534
<b>Total Assets</b>	<b>\$ 6,701,789</b>	<b>\$ 1,387,848</b>	<b>\$ 5,838,702</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 1,815,670	\$ -	\$ 11,466
Accrued salaries and payroll taxes	31,155		4,604
Contracts payable	816,946		13,500
Due to other funds			
Compensated balances			
Other liabilities	311,270		31,812
Trust account	955,642		
Deferred revenues	1,078,208	438,053	2,627,867
<b>Total Liabilities</b>	<b>5,008,891</b>	<b>438,053</b>	<b>2,689,249</b>
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Inventory	65,791		388,534
<b>Restricted for:</b>			
Debt service reserve			822,847
<b>Committed for:</b>			
Public safety equipment	253,905		
Excess sales tax receipts	167,976		
<b>Assigned to:</b>			
Project development			600,000
Library acquisition			
Debt service		949,795	
Public pool	25,000		
Capital projects			
Unassigned:	1,180,226		1,338,072
<b>Total Fund Balances</b>	<b>1,692,898</b>	<b>949,795</b>	<b>3,149,453</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,701,789</b>	<b>\$ 1,387,848</b>	<b>\$ 5,838,702</b>

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<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Governmental Funds</u>
\$ 593,766	\$ 522,779	\$ 6,859,220
		-
		1,585,346
		871,595
		191,763
	96,156	384,669
		5,000
		816,943
	103,617	303,229
		2,816,925
		955,642
		-
		454,325
<u>\$ 593,766</u>	<u>\$ 722,552</u>	<u>\$ 15,244,657</u>
\$ 27,264	\$ 140,536	\$ 1,994,936
		35,759
		830,446
		-
		-
		343,082
		955,642
		4,144,128
<u>27,264</u>	<u>140,536</u>	<u>8,303,993</u>
		454,325
		822,847
		253,905
		167,976
		600,000
	14,364	14,364
		949,795
		25,000
566,502		566,502
<u>566,502</u>	<u>567,652</u>	<u>3,085,950</u>
<u>\$ 593,766</u>	<u>\$ 722,552</u>	<u>\$ 15,244,657</u>
		<u>6,940,664</u>

Unaudited-See Accountant's Compilation Report

**CITY OF WESLACO, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

Total fund balance-total governmental funds \$ 6,940,664

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

Deferred revenue in the General Fund and Debt Service Fund which are included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. 1,516,261

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund balance sheet. Include capital assets of Internal Service Funds. 51,380,054

Long-term note receivables are not available to pay for current period expenditures therefore are not reported as available resources but are off-set as deferred revenues. 1,995,026

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. (162,113)

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

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

Current assets	\$	75,744	
Long term liabilities		(260,088)	
Net of amount allocated to business-type activities			(184,344)

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

Due within one year	\$	2,303,389	
Due in more than one year		35,051,455	(37,354,844)

Net assets of governmental activities \$ 24,130,704

**CITY OF WESLACO, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Economic Development</u>
<b>Revenues</b>			
Taxes:			
Ad valorem	\$ 6,843,281	\$ 2,569,724	\$ -
Penalty and interest	213,985	83,647	
Sales	7,933,740		2,644,580
Occupancy			
Other	65,650		
Franchise fees	1,565,484		
Charges for services	2,540,973		
Program Income			341,845
Intergovernmental	241,977		
Licenses and permits	381,323		
Investment income	10,218	21,292	35,109
Fines and forfeitures	772,752		
Contributions	500		
Miscellaneous	223,443	19,062	6,241
Proceeds from sales	41,862		75,346
<b>Total Revenues</b>	<u>20,835,188</u>	<u>2,693,725</u>	<u>3,103,121</u>
<b>Expenditures</b>			
Current:			
General government and administration	3,796,704	700	
Public safety	10,327,350		
Public works	1,299,033		
Health	84,348		
Culture and recreation	861,319		274,808
Economic development			1,894,802
Nondepartmental	395,172		
Capital outlay	354,730		1,442,487
Debt service:			
Principal retirement		1,648,950	355,626
Interest and fiscal charges		1,018,467	333,946
<b>Total Expenditures</b>	<u>17,118,656</u>	<u>2,668,117</u>	<u>4,301,669</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,716,532</u>	<u>25,608</u>	<u>(1,198,548)</u>
<b>Other financing sources (uses):</b>			
Bond proceeds			1,155,000
Bond management fees			(30,323)
Revaluation of compensated absences	191,261		
Transfers in (out)	(480,000)		
380 Agreement expenditures and rebates	(2,574,433)		
<b>Total other financing sources (uses)</b>	<u>(2,863,172)</u>	<u>-</u>	<u>1,124,677</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	853,360	25,608	(73,871)
<b>Prior period adjustment</b>	2,720		
<b>Fund balances at beginning of year,</b>	<u>836,818</u>	<u>924,187</u>	<u>3,223,324</u>
<b>Fund balances at end of year</b>	<u>\$ 1,692,898</u>	<u>\$ 949,795</u>	<u>\$ 3,149,453</u>

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<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,413,005
		297,632
		10,578,320
	336,419	336,419
		65,650
		1,565,484
		2,540,973
		341,845
	503,617	745,594
		381,323
		66,619
		772,752
		500
		248,746
	7,227	124,435
<u>-</u>	<u>840,036</u>	<u>27,479,297</u>
		3,797,404
		10,327,350
		1,299,033
		84,348
	311,171	1,447,298
	28,719	1,923,521
		395,172
40,058	579,238	2,416,513
		2,004,576
		1,352,413
<u>40,058</u>	<u>919,128</u>	<u>25,047,628</u>
<u>(40,058)</u>	<u>(79,092)</u>	<u>2,431,669</u>
		1,155,000
-		(30,323)
		191,261
-		(480,000)
<u>-</u>	<u>-</u>	<u>(2,574,433)</u>
<u>-</u>	<u>-</u>	<u>(1,738,495)</u>
(40,058)	(79,092)	693,174
		2,720
606,560	653,881	6,244,770
<u>\$ 566,502</u>	<u>\$ 574,789</u>	<u>\$ 6,940,664</u>

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**CITY OF WESLACO, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2012**

Net change in fund balances-total governmental funds		\$ 693,174
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		2,416,513
Long-term note advances (Repayment)		(139,995)
Governmental funds do not report the retirement of fixed assets. In the Government-Wide Statement of Revenues, Expenditures and Changes in Fund Balances this is the amount of fixed assets retired in the current period.		(8,180)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (Includes Internal Service Funds' depreciation expense of \$36,284		(2,168,209)
Long-term liability for accrued vacation and accrued sick leave is not recorded with the governmental activities.		(115,135)
The issuance of long-term debt (e.g., bonds) provides current financial resource to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.		
Proceeds	\$ 1,155,000	
Principal Retirement	2,785,138	1,630,138
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.		33
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		11,622
Internal Service funds are used by management to charge the costs of certain activities such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of amount allocated to business-type activities and depreciation.		
Change in net assets	238,352	
Net of amount allocated to business-type activities	-	
Depreciation expense	36,284	<u>274,636</u>
Change in net assets of governmental activities		<u>\$ 2,594,597</u>

**CITY OF WESLACO, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
<b>Revenues</b>				
Taxes:				
Ad-valorem	\$ 9,007,823	\$ 9,107,823	\$ 9,413,005	\$ 305,182
Penalty and interest	291,000	291,000	297,632	6,632
Sales	10,004,555	9,845,774	10,578,320	732,546
Hotel/Motel Tax	360,000	360,000	336,419	(23,581)
Other		55,500	65,650	10,150
Franchise fees	1,637,326	1,637,326	1,565,484	(71,842)
Charges for service	2,571,140	2,571,140	2,540,973	(30,167)
Program income	433,100	573,095	341,845	(231,250)
Intergovernmental	430,304	315,613	745,594	429,981
Licenses and permits	332,950	332,950	381,323	48,373
Investment income	149,689	9,664	66,619	56,955
Fines and forfeitures	422,200	479,372	772,752	293,380
Contributions			500	500
Miscellaneous	179,100	200,353	248,746	48,393
Proceeds from sales	142,058	142,058	124,435	(17,623)
<b>Total Revenues</b>	<u>25,961,245</u>	<u>25,921,668</u>	<u>27,479,297</u>	<u>1,557,629</u>
<b>Expenditures</b>				
Current:				
General government and administration	3,727,407	3,791,801	3,797,404	(5,603)
Public safety	10,053,547	10,282,862	10,327,350	(44,488)
Public works	1,458,583	1,276,719	1,299,033	(22,314)
Health	85,268	85,668	84,348	1,320
Cultural and recreation	1,913,449	1,949,113	1,447,298	501,815
Economic development	1,896,973	2,672,771	1,923,521	749,250
Nondepartmental services	2,752,533	528,431	395,172	133,259
Capital outlay	1,585,542	2,336,402	2,416,513	(80,111)
Debt service				
Principal retirement	1,641,328	1,303,980	2,004,576	(700,596)
Interest	1,457,780	1,119,351	1,352,413	(233,062)
<b>Total Expenditures</b>	<u>26,572,410</u>	<u>25,347,098</u>	<u>25,047,628</u>	<u>299,470</u>
<b>Deficiency of revenues over expenditures</b>	<u>(611,165)</u>	<u>574,570</u>	<u>2,431,669</u>	<u>1,857,099</u>
<b>Other financing sources (uses):</b>				
Note proceeds				
Bond proceeds	1,258,000	1,258,000	1,155,000	-
Bond management fees			(30,323)	(30,323)
380 Agreement expenditures and rebates	(1,937,961)	(1,937,961)	(2,574,433)	(636,472)
Revaluation of compensated absences			191,261	191,261
Transfers (out) in	(551,041)	(551,041)	(480,000)	71,041
<b>Total other financing sources (uses)</b>	<u>(1,231,002)</u>	<u>(1,231,002)</u>	<u>(1,738,495)</u>	<u>(404,493)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures (uses)</b>	<u>\$ (1,842,167)</u>	<u>\$ (656,432)</u>	693,174	<u>\$ 1,452,606</u>
<b>Prior period adjustment</b>			2,720	
<b>Fund balances at beginning of year,</b>			<u>6,244,770</u>	
<b>Fund balances at end of year</b>			<u>\$ 6,940,664</u>	

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**BUSINESS-TYPE  
ACTIVITIES**

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Business-Type Activities-Enterprise Funds</u>				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Totals	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash investments	\$ 3,833,297	\$ 962,316	\$ -	\$ 4,795,613	\$ 75,744
Receivables (net where applicable of allowance for doubtful accounts)	1,886,189	729,075	6,557	2,621,821	
Accrued interest				-	
Due from other funds	260,088			260,088	
Due from other governments	1,985,896		962	1,986,858	
Due from others				-	
Inventories	93,824	76,577	50,203	220,604	
Prepaid expenses				-	
<b>Total current assets</b>	<u>8,059,294</u>	<u>1,767,968</u>	<u>57,722</u>	<u>9,884,984</u>	<u>75,744</u>
<b>Restricted Assets</b>					
Cash and cash investments	<u>27,959,653</u>		<u>-</u>	<u>27,959,653</u>	
<b>Non-current assets</b>					
<b>Deferred charges</b>					
<b>Capital assets</b>					
Land	665,175	421,247	1,465,448	2,551,870	
Buildings	362,323		648,540	1,010,863	
Equipment	5,075,451	1,890,958	528,945	7,495,354	2,867,853
Improvements	39,483,418	733,242	4,463,805	44,680,465	
Infrastructure					
Construction-in-progress	31,555,309		678,439	32,233,748	
Accumulated depreciation	<u>(24,508,448)</u>	<u>(2,371,127)</u>	<u>(3,395,352)</u>	<u>(30,274,927)</u>	<u>(2,443,062)</u>
<b>Total capital assets, net of accumulated depreciation</b>	<u>52,633,228</u>	<u>674,320</u>	<u>4,389,825</u>	<u>57,697,373</u>	<u>424,791</u>
<b>Total non-current assets</b>	<u>52,633,228</u>	<u>674,320</u>	<u>4,389,825</u>	<u>57,697,373</u>	<u>424,791</u>
<b>Total assets</b>	<u>\$ 88,652,175</u>	<u>\$ 2,442,288</u>	<u>\$ 4,447,547</u>	<u>\$ 95,542,010</u>	<u>\$ 500,535</u>

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business-Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Totals	
<b>Liabilities</b>					
Current Liabilities					
Accounts payable	\$ 524,028	\$ 404,490	\$ 7,886	\$ 936,404	\$ -
Accrued salaries				-	
Bank Overdraft			12,539	12,539	
Due to other funds				-	260,088
Customer deposits	850,601		2,634	853,235	
Other liabilities	146,639			146,639	
Compensated absences	105,980		89,399	195,379	
<b>Total current liabilities</b>	<b>1,627,248</b>	<b>404,490</b>	<b>112,458</b>	<b>2,144,196</b>	<b>260,088</b>
Liabilities payable from restricted assets					
Accounts payable	1,655,426			1,655,426	
Rebatable Arbitrage					
Revenue bonds payable	1,430,024			1,430,024	
Accrued interest	315,832			315,832	
<b>Total liabilities payable from restricted assets</b>	<b>3,401,282</b>	<b>-</b>	<b>-</b>	<b>3,401,282</b>	
Noncurrent liabilities					
Revenue bonds payable	56,746,188	113,601		56,859,789	
Landfill closure		717,878		717,878	
<b>Total noncurrent liabilities</b>	<b>56,746,188</b>	<b>831,479</b>	<b>-</b>	<b>57,577,667</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ 61,774,718</b>	<b>\$ 1,235,969</b>	<b>\$ 112,458</b>	<b>\$ 63,123,145</b>	<b>\$ 260,088</b>

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business-Type Activities-Enterprise Funds				
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Totals	Governmental Activities Internal Service Fund
<b>Net Assets</b>					
Invested capital assets, net of related debt	\$ (5,542,984)	\$ (157,159)	\$ 4,389,825	\$ (1,310,318)	\$ 424,791
Restricted for:					
Revenue bond retirement	2,356,236			2,356,236	
Construction	25,603,417			25,603,417	
Unrestricted	4,460,788	1,363,478	(54,736)	5,769,530	(184,344)
<b>Total net assets</b>	<b>\$ 26,877,457</b>	<b>\$ 1,206,319</b>	<b>\$ 4,335,089</b>	<b>\$ 32,418,865</b>	<b>\$ 240,447</b>

Reconciliation to government-wide statement of net assets:

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

Net assets of business-type activities	<b>\$ 32,418,865</b>
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**CITY OF WESLACO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS-PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
<b>Operating Revenues:</b>					
Water Sales	\$ 5,665,661	\$ -	\$ -	\$5,665,661	\$ -
Charges for services	4,336,976	4,564,848		8,901,824	
Other			103,387	103,387	-
Miscellaneous	351,404	81,717	7,507	440,628	
<b>Total operating revenues</b>	<u>10,354,041</u>	<u>4,646,565</u>	<u>110,894</u>	<u>15,111,500</u>	<u>-</u>
<b>Operating Expenses:</b>					
Personal services	1,031,403	3,461	178,248	1,213,112	
Other services and charges	1,061,030	232,645	101,535	1,395,210	
Supplies	399,232	32	22,748	422,012	
Contractual services	3,354,799	3,864,264		7,219,063	
<b>Total operating expenses</b>	<u>5,846,464</u>	<u>4,100,402</u>	<u>302,531</u>	<u>10,249,397</u>	<u>-</u>
Depreciation	(1,478,946)	(141,705)	(202,921)	(1,417,730)	36,284
<b>Income (loss) from operations</b>	<u>3,028,631</u>	<u>404,458</u>	<u>(394,558)</u>	<u>3,444,373</u>	<u>(36,284)</u>
<b>Non-operating revenues (expenses)</b>					
Investment income	13,629			13,629	-
Unrealized gain on investments				-	
Administrative fees	(801,793)			(801,793)	
Capital Improvement fees	680,865			680,865	
Capital grants	2,004,959		419,642	2,424,601	
Interest expense	(1,947,921)	(6,400)		(1,954,321)	(5,364)
Loss on sale of asset				-	
<b>Total non-operating revenues (expenses)</b>	<u>(50,261)</u>	<u>(6,400)</u>	<u>419,642</u>	<u>362,981</u>	<u>(5,364)</u>

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS-PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Business Type Activities-Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>		
<b>Income (loss) before transfers</b>	2,978,370	398,058	25,084	3,401,512	(41,648)
Transfers in			200,000	200,000	280,000
Transfers (out)				-	
Volunteer separation expense				-	
<b>Change in net assets</b>	2,978,370	398,058	225,084	3,601,512	238,352
<b>Net assets at beginning of year, as restated</b>	<u>11,184,722</u>	<u>(2,915,882)</u>	<u>(2,471,807)</u>	<u>5,797,033</u>	<u>2,095</u>
<b>Net assets at end of year</b>	<u>\$ 14,163,092</u>	<u>\$ (2,517,824)</u>	<u>\$ (2,246,723)</u>	<u>\$9,398,545</u>	<u>\$ 240,447</u>

Reconciliation to government-wide statement of net assets:

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

-

Change in net assets of business-type activities

\$9,398,545

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 9,975,853	\$ 4,481,181	\$ 384,688	\$ 14,841,722	\$ -
Cash received from others	31,170			31,170	
Cash received from operating grants				-	
Cash received from other funds	(926,819)	212,175		(714,644)	
Cash payments to suppliers for goods and services	(4,618,882)	(4,150,027)	(387,461)	(9,156,370)	
Cash payments to employees for services	(1,042,769)	(3,461)	(180,461)	(1,226,691)	
Cash payments to other funds	(140,405)	(171,552)		(311,957)	
Net cash provided (used) by operating activities	<u>3,278,148</u>	<u>368,316</u>	<u>(183,234)</u>	<u>3,463,230</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>					
Capital grants			419,642	419,642	
Transfers from other funds				-	670,132
Transfers to other funds			200,000	200,000	(130,044)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>619,642</u>	<u>619,642</u>	<u>540,088</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(6,627,122)		(412,541)	(7,039,663)	(461,075)
Casualty loss				-	
Retirement on accounts payable				-	
Proceeds from sale of capital assets				680,865	
Capital Improvement/Administrative Fees	680,865			680,865	
Bond proceeds	34,201,793			34,201,793	
Interest paid on bonds	(1,809,021)	(10,701)		(1,819,722)	(5,364)
Retirement of bonds	(941,050)	(50,000)		(991,050)	
Landfill closure costs				-	
Bond issuance costs	(801,793)	(68,360)		(870,153)	
Contributed capital				-	
Net cash provided (used) by capital and related financing activities	<u>24,703,672</u>	<u>(129,061)</u>	<u>(412,541)</u>	<u>24,162,070</u>	<u>(466,439)</u>

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**CITY OF WESLACO, TEXAS**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Business Type Activities-Enterprise Funds</u>				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Cash flow from investing activities:					
Interest on cash and investments	13,629			13,629	-
Unrealized loss on investments					
Net cash provided (used) by investing activities	<u>13,629</u>			<u>13,629</u>	
Net increase (decrease) in cash and cash investments	27,995,449	239,255	23,867	28,258,821	73,649
Cash and cash investments, October 1	<u>3,797,581</u>	<u>723,061</u>	<u>(36,406)</u>	<u>4,484,236</u>	<u>2,095</u>
Cash and cash investments, September 30	<u>\$ 31,793,030</u>	<u>\$ 962,316</u>	<u>\$ (12,539)</u>	<u>\$ 32,743,057</u>	<u>\$ 75,744</u>

**CITY OF WESLACO, TEXAS**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business Type Activities-Enterprise Funds				Governmental Activities Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total	
Reconciliation of income (losses) from operations to net cash provided (used) by operating activities:					
Income (loss) from operations	\$ 3,028,630	\$ 404,458	\$ (394,558)	\$ 3,038,530	\$ -
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities					
Depreciation	1,478,946	141,705	202,921	1,823,572	
Provision for doubtful accounts					
Change in assets and liabilities:					
(Increase) Decrease in Assets:					
Accounts receivables	(378,187)	(165,384)	7,723	(535,848)	
Other receivables				-	
Due from other funds	(140,485)	212,175	(813)	70,877	
Due from others		(76,577)			
Inventories			3,070	3,070	
Increase (Decrease) in Liabilities:					
Due to other funds	(926,819)	(171,552)		(1,098,371)	
Accounts payable	182,603	23,491	636	206,730	
Deposits	31,170			31,170	
Liability for compensated absences	(11,366)		(2,213)	(13,579)	
Other liabilities	13,576			13,576	
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,278,068</b>	<b>\$ 368,316</b>	<b>\$ (183,234)</b>	<b>\$ 3,539,727</b>	<b>\$ -</b>
Reconciliation of total cash and cash investments					
Current assets-cash and cash investments	\$ 3,833,297	\$ 962,316	\$ -	\$ 4,795,613	\$ 75,744
Restricted assets-cash and cash investments	27,959,653			27,959,653	
Current liabilities-Bank Overdraft			(12,539)	(12,539)	
<b>Total cash and cash investments</b>	<b>\$ 31,792,950</b>	<b>\$ 962,316</b>	<b>\$ (12,539)</b>	<b>\$ 32,742,727</b>	<b>\$ 75,744</b>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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

**1. General Statement**

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

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

**2. Financial Reporting Entity**

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

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

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

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Fund Financial Statements:**

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

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

**General Fund –**

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

**Special Revenue Fund –**

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

**Debt Service Fund –**

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

**Capital Projects Fund –**

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary Funds-

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

Water and Sewer Fund –

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

Sanitation Fund –

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

Airport Fund –

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

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

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

5. Measurement Focus/Basis of Accounting

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

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**6. Budgetary Control**

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Budgeted amounts are as originally adopted or as amended by the City Commission through September 30, 2012. Subsequent to year-end management and the City Commission amended the September 30, 2012 budget authorizing the reallocation of expenses and related budget transfers relative to the Interest and Sinking Fund, Water and Sewer Fund and General Fund. All budget appropriations lapse at year-end except for the Urban County Development Grants (CDBG). Although they are appropriated annually, unspent appropriations in the Urban County Development Grants (CDBG) are appropriated under the same objects of expenditures in subsequent grant periods.

7. Cash and Cash Investments  
**Cash and Cash Equivalents**

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

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

**Investments**

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

**Interest Rate Risk**

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

8. Prepaid Items

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

9. Inventories  
The inventories in the Governmental Funds and Proprietary Funds consist of supplies and are recorded at the lower of weighted average cost or market.
10. Inter-fund Receivables and Payables  
Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "Internal balances".
11. Transactions Between Funds  
Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary Funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. During the year ended September 30, 2012, the City allocated \$1,221,140 as a transfer for such services.

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

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

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

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

Non-Civil Service employees who 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.

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

At September 30, 2012, the liability for accrued vacation leave and accrued sick leave is approximately \$ 2,223,120. The amount applicable to the Enterprise Funds of \$195,379 has been recorded in the Water, Sewer, Sanitation, and Airport Funds. The amount applicable to the General Fund long-term debt has been recorded in the General Fund as \$2,027,741.

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

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

15. Net Assets

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

16. Implementation of New Accounting Principles

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

17. Reclassification

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a result of implementing the infrastructure transition provision of GASB 34, net assets at October 1, 2011 is reconciled as follows:

	Governmental Activities
Net Assets, October 1, 2011 as previously reported	\$ 8,379,791
Internal Service Fund Balance	2,095
Deferred Revenue	1,516,228
General Fixed Assets, net	76,670,043
Estimated depreciation at October 1, 2011	(25,991,188)
Prior Period Reclassification	2,720
Accrued Interest	(173,735)
Long-term Debt	(38,869,847)
Net Assets, October 1, 2011	\$ 21,536,107

**NOTE B. BUDGET BASIS OF ACCOUNTING**

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

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

Excess of revenues and other uses over expenditures and other sources-budget basis	\$ 853,360
Accrued interest	(126,266)
Net of fixed assets	354,730
Current year levy in excess of collection	(322,177)
Net of allowance for uncollectible	-
Excess of revenues and other sources over expenditures and other uses- GAAP basis	\$ 759,647

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE C. DEPOSITS AND INVESTMENTS**

**Deposits and Credit Risks  
Custodial Credit Risk**

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

It is the City's policy, as well as a requirement in its Depository agreement, for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2012. At year-end, the respective bank balance totaled \$4,111,562. 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 \$4,111,562. The collateral was held at third party banks (safekeeping banks) in the City's name under a joint safekeeping agreement between various banks and the City as detailed below.

<u>Bank</u>	<u>Bank</u>	<u>Amount</u>
The Independent Banker's Bank San Antonio, Texas	First National Bank Weslaco, Texas	\$ 7,230
FHLB Atlanta	BBVA Compss Bank	<u>4,104,332</u>
	<b>Total</b>	<u><u>\$ 4,111,562</u></u>

**Investments –**

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

All securities held at September 30, 2012, were insured or registered, or were held by the City or its agent in the City's name (Category 1).

**Fair Values of Financial Instruments –**

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

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE C. DEPOSITS AND INVESTMENTS (CONTINUED)**

The City's investments carried at fair value at September 30, 2012, are:

	Fair Value
Investments:	
Texpool	\$ 31,800,258
Texpool - Friends of the Library	482,206
Government Agencies	-
Total Investments	\$ 32,282,464

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

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

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2012. All investments held by the Firemen's Relief and Retirement Fund at September 30, 2012 were uninsured and unregistered securities which are held by the counterparty, its trust department, or agent, but not in the Funds name (Category 3).

	Fair Value
Investments:	
Texpool	\$ 200,193
Jessup & Lamont (Stocks & Bonds)	5,596,198
Total Investments	\$ 5,796,391

**NOTE D. DUE FROM OTHER GOVERNMENTS**

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

County of Hidalgo	Rural Fire	\$ 40,400
Department of Justice	COPS	103,842
	E. Byrne Grant (Non-Recovery)	17,135
Department of Homeland Security		
	Safer Grant	21,758
Texas Alcohol and Beverage Commission		16,477
Total Due from Other Governments		\$ 199,612

**NOTE E. NOTES RECEIVABLES**

**Economic Development Corporation Grant Fund**

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE E. NOTES RECEIVABLES (CONTINUED)**

The following is a summary of notes receivable payable to the Corporation at September 30, 2012.

	2011	Additions	Deletions	2012	
Weslaco Hills Apartments	\$ 287,400	\$ -	\$ 287,400	\$ -	*
Mandujano Western Boots	33,300		33,300	-	*
Sugar Sweet Realty, LLC	605,205		605,205	-	(1)
AC/DC Signs	74,307		15,290	59,017	
Savory Perks	18,593		2,510	16,083	*
RGV Word	236,250	100,000	133,620	202,630	*
Joe Olivarez	75,000		14,553	60,447	
Weslaco Professional Plaza	300,000			300,000	*
Maverick Ind. Services	125,000		75,406	49,594	
Jose's Cafecito	8,908		1,516	7,392	*
Dos Logistics	95,000			95,000	*
Sevilla Café	7,084		1,647	5,437	*
Ship & More	8,691		2,392	6,299	*
Angel F.Ceballos		20,000		20,000	
<b>Total</b>	<b>\$ 1,874,738</b>	<b>\$ 120,000</b>	<b>\$ 1,172,839</b>	<b>\$ 821,899</b>	

(1) The note receivable from Sugar Sweet Realty, LLC was advanced on January 29, 2008 to help the entity discharge corporate debt. The terms of the note called for monthly payments of \$10,153.75, including interest at eight percent (8%). As of September 30, 2008, the note was in default. Subsequent to September 30, the EDC filed suit to enforce collection of the note. The note is collateralized individually by members of Sugar Sweet Realty, LLC. Sugar Sweet Realty, LLC filed for bankruptcy protection on November 30, 2009. On September 2, 2010, the Corporation filed for a default judgment on the members of Sugar Sweet Realty, LLC. The default provision of the note called for an eighteen percent (18%) interest rate; using this rate the note balance plus late fees and accrued interest is \$683,461. The general ledger and the audit reflect \$605,204.85 using an eight percent (8%) interest rate. This is due to the uncertainty in the collection process of enforcing the eighteen percent (18%) interest rate in the State of New York. Note balance was settled in the amount of \$200,000 on May 16, 2012, and the remaining balance of \$405,205 was recorded as bad debt at September 30, 2012.

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

\$ 1,995,026\*

Note receivable from SDI Weslaco Holdings, LLC (SDI) of \$914,408 at September 30, 2009, subsequently increased to \$2,213,255 at 8% interest rate after September 30, 2010. This note is secured by a Chapter 380 Economic Development Agreement between the City of Weslaco, Texas and SDI. SDI has assigned the annual payments due from the City to the Economic Development Corporation, (EDC) of Weslaco, Texas until the note is paid in full. The note is payable in annual payments, until March 1, 2030. The 380 Agreement was to facilitate the construction of infrastructure improvements for a commercial development. The EDC spurred the development by advancing \$2,213,255 of the \$3,300,000 project. In the current year, the City of Weslaco paid \$139,995 under the 380 Agreement.

The economic incentive portion of the note receivable balances have been recognized as expenditures in current year operations, as well as the long-term note receivable advance. As the entities earn their incentives, the note balances will be reduced accordingly, with an equal offset to deferred revenues.

This is to control compliance with the agreements. The long-term note receivable principal payments will be recognized as revenues, with an equal off-set to deferred revenues.

The rest of the note balances are to be collected in cash.

Note balances with deferred component

\$ 2,627,867

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE F. CAPITAL ASSETS**

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 4,223,735	\$ -	\$ 8,180	\$ 4,215,555
Construction-in-Progress	-	412,541		412,541
Total assets, not being depreciated	<u>4,223,735</u>	<u>412,541</u>	<u>8,180</u>	<u>4,628,096</u>
Capital assets being depreciated				
Buildings	18,828,753	1,994,192	-	20,822,945
Equipment	8,999,574	617,266		9,616,840
Improvements	36,988,674	266,130		37,254,804
380 Agreements Infrastructure	7,629,307			7,629,307
Total capital assets being depreciated	<u>72,446,308</u>	<u>2,877,588</u>	<u>-</u>	<u>75,323,896</u>
Less accumulated depreciation for:				
Buildings	5,325,054	470,982	-	5,796,036
Equipment	4,571,692	419,845		4,991,537
Improvements	16,094,442	1,277,382		17,371,824
Total accumulated depreciation	<u>25,991,188</u>	<u>2,168,209</u>	<u>-</u>	<u>28,159,397</u>
Total capital assets being depreciated, net	<u>46,455,120</u>	<u>709,379</u>	<u>-</u>	<u>47,164,499</u>
Governmental activities, capital assets, net	<u>\$50,678,855</u>	<u>\$ 1,121,920</u>	<u>\$ 8,180</u>	<u>\$51,792,595</u>

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

Governmental activities:	
General government and administration	\$ 166,496
Public Safety	329,978
Public Works	1,327,833
Health	4,111
Development services	93,397
Cultural and recreational	246,394
Total depreciation expense-	
Government activities	<u>\$ 2,168,209</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE F. CAPITAL ASSETS (CONTINUED)**

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 2,551,870	\$ -	\$ -	\$ 2,551,870
Construction-in-progress	24,195,770	7,625,437		31,821,207
Total capital assets not being depreciated	<u>26,747,640</u>	<u>7,625,437</u>	<u>-</u>	<u>34,373,077</u>
Capital assets being depreciated				
Building	1,010,863		-	1,010,863
Equipment	7,327,114	168,240		7,495,354
Improvements	44,439,921	240,544		44,680,465
Total capital assets being depreciated	<u>52,777,898</u>	<u>408,784</u>	<u>-</u>	<u>53,186,682</u>
Less accumulated depreciation for:				
Building	528,633	21,663	-	550,296
Equipment	6,094,453	338,940		6,433,393
Improvements	21,828,271	1,462,968		23,291,239
Total accumulated depreciation	<u>28,451,357</u>	<u>1,823,571</u>	<u>-</u>	<u>30,274,928</u>
Total capital assets being depreciated, net	<u>25,828,883</u>	<u>(1,414,787)</u>	<u>-</u>	<u>22,911,754</u>
Business-type activities capital assets, net	<u>\$ 52,576,523</u>	<u>\$ 6,210,650</u>	<u>\$ -</u>	<u>\$ 57,284,831</u>

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

Business-type activities:	
Water and Sewer	\$ 1,478,945
Sanitation	141,705
Airport	<u>202,921</u>
Total depreciation expense- Business-type activities	<u>\$ 1,823,571</u>

The City has active construction projects as of September 30, 2012. Total accumulated commitments for ongoing capital projects are as follows:

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT**

The following is a summary of bonded and other debt transactions of the City for the year beginning October 1, 2011 and ending September 30, 2012.

Proprietary Fund Long-Term Debt as of September 30, 2012 is as follows:

	<u>2012</u>	<u>2011</u>
<u>Water and Sewer Fund</u>		
\$2,829,600 General Obligation Refunding Bonds, Series 2002, dated September 1, 2002, due in annual installment varying from \$117,000 to \$369,000 through February 15, 2014, bearing interest rates of 3.00% to 3.875%.	\$ 235,800	\$ 349,200
\$21,710,000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 dated August 15, 2008, due in annual installments varying from \$40,000 to \$2,270,000 through February 15, 2027, bearing interest rates of 4.00% to 5.00%.	20,765,000	21,120,000
\$1,075,082 General Obligation Refinancing Series 2010 (Target Savings) due in annual installments varying from \$97,092 to \$138,852 through February 19, 2019 bearing interest at 3.1%.	853,992	951,084
\$2,845,000 Waterworks & Sewer Systems Revenue Refunding Bond Series 2010, due in annual installments varying from \$375,000 to \$440,000 through December 2018, bearing interest at 3.19%.	2,470,000	2,845,000
\$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%.	8,500,000	-
Total Water and Sewer Fund	57,159,792	25,265,284
<u>Sanitation Fund</u>		
\$360,000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 August 15, 2008, due in annual installments varying from \$45,000 to \$60,000 through February 15, 2014, bearing interest rates of 4.00%.	115,000	170,000
Total Proprietary Fund Long-Term Debt	\$ 57,274,792	\$ 25,435,284

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT (CONTINUED)**

Governmental Fund Long-Term Debt as of September 30, 2012 is as follows:

<u>Governmental Long-Term Debt</u>	<u>2012</u>	<u>2011</u>
\$5 030 400 General Obligation Refunding Bonds, Series 2002, dated September 1, 2002, due in annual installments varying from \$208 000 to \$656 000 through February 14, 2014. Interest varies from 3.00% to 3.875%.	\$ 419,200	\$ 620,800
\$14 080 000 2003 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, dated August 15, 2003, due in annual installments varying from \$10 000 to \$1 460 000 through February 15, 2023, bearing interest rates of 2.00% to 5.00%.	12,785,000	13,665,000
\$6 105 000 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007 dated August 15, 2008, due in annual installments varying from \$5 000 to \$530 000 through February 15, 2027, bearing interest rates of 4.00% to 5.00%.	5,755,000	5,955,000
\$4,064,918 General Obligation Refinancing Bond Series 2010 (Target Savings) due in annual installments of \$367,908 to \$526,148, through February 2019, bearing interest rates of 3.1%.	<u>3,236,566</u>	<u>3,603,916</u>
Total Governmental Long-Term Debt	<u>\$ 22,195,766</u>	<u>\$23,844,716</u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT (CONTINUED)**

Economic Development Fund Long-Term Debt as of September 30, 2012 is as follows:

	2012	2011
<u>Economic Development Revenue Bonds</u>		
\$1,155,000 Economic Development Sales Tax Revenue Bond, Series 2012, due in annual installments not exceeding \$130,000 beginning February 15, 2013 through August 15, 2023, interest rate of 2.60%	\$ 1,155,000	\$ -
\$4 060 000 Economic Development Sales Tax Revenue Bond, Series 2003A, due in annual installments not exceeding \$330 000 beginning February 15, 2004 through February 15, 2003, interest varies between 2.00% and 6.00%.	2,765,000	2,945,000
\$1090,000 Economic Development Sales Tax Revenue Refunding 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%.	1,090,000	1,090,000
\$1,290,000 Economic Development Sales Tax Revenue Bond, Series 2011B, due in annual installments of \$150,000 to \$335,000 beginning February 2017 through 2021, bearing interest at 3.84%.	1,290,000	1,290,000
Total Revenue Bonds	\$ 6,300,000	\$ 5,325,000
<p>A note dated May 6, 2009 and payable to Compass Bank for \$1,300,000. The terms of the note include principal and interest payments ranging from \$12,000 to \$18,000 beginning June 6, 2009 and continuing regularly thereafter until May 6, 2016, when the entire balance, including principal and interest will be due and payable. The interest rate is a fixed 6.25%. The note is secured by 2.900 acres owned by the Corporation. The note was used to meet its obligations under its existing SDI Weslaco Holdings, LLC. Construction Loan Agreement and Amended Development Agreement.</p>		
	796,697	947,323
<p>A Line-of-Credit dated August 13, 2011 payable to Compass Bank for \$450,000. The terms of the note include one payment of all outstanding principal plus all accrued unpaid interest on August 13, 2013. Payment was made on May 31, 2012.</p>		
		25,000
Total Note Payable	796,697	972,323
Total Economic Development Revenue Bonds and Notes Payable	\$ 7,096,697	\$ 6,297,323

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT (CONTINUED)**

Transactions for the year ended September 30, 2012 are summarized as follows:

	Balance October 1	Issues or Additions	Payments or Expenditures	Balance September 30	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 4,224,716	\$ -	\$ 568,950	\$ 3,655,766	\$ 590,966
Certificates of Obligation System (Limited Pledge)	19,620,000	-	1,080,000	18,540,000	1,195,000
380 Agreement Infrastructure	6,815,202	-	780,562	6,034,640	-
Compensated Absences	1,912,606	115,135	-	2,027,741	115,135
	<u>32,572,524</u>	<u>115,135</u>	<u>2,429,512</u>	<u>30,258,147</u>	<u>1,901,101</u>
<u>Economic Development Sales Tax</u>					
Revenue Bonds	5,325,000	1,155,000	180,000	6,300,000	190,000
Notes Payable	972,323	-	175,626	796,697	212,288
Sub-total Governmental Activities	<u>6,297,323</u>	<u>1,155,000</u>	<u>355,626</u>	<u>7,096,697</u>	<u>402,288</u>
Total Governmental Activities	<u>\$ 38,869,847</u>	<u>\$ 1,270,135</u>	<u>\$ 2,785,138</u>	<u>\$ 37,354,844</u>	<u>\$ 2,303,389</u>
<u>Business-Type Activities</u>					
General Obligation Bonds	\$ 1,300,284	\$ -	\$ 210,492	\$ 1,089,792	\$ 219,024
Revenue Bonds Payable	2,845,000	24,335,000	375,000	26,805,000	380,000
Certificate of Obligation	21,290,000	-	410,000	20,880,000	425,000
Notes Payable	208,958	8,500,000	13,579	8,695,379	655,379
Landfil Closure	786,238	-	68,360	717,878	107,682
Total Business-Type Activities	<u>26,430,480</u>	<u>32,835,000</u>	<u>1,077,431</u>	<u>58,188,049</u>	<u>1,787,085</u>
Total Government	<u>\$ 65,300,327</u>	<u>\$ 34,105,135</u>	<u>\$ 3,862,569</u>	<u>\$ 95,542,893</u>	<u>\$ 4,090,474</u>

**General Obligation Bonds and Certificates of Obligation -**

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

**Revenue Bonds -**

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G.      LONG-TERM DEBT (CONTINUED)**

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenue may then be used for any lawful purpose.

The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special fund noted above contain the required amounts and certain financial ratios are met. The City is in compliance with all significant financial requirements as of September 30, 2012.

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.

On December 6, 2010, the City issued General Obligation Refunding Series Bond Series 2010 (Target Savings) for \$5,140,000. The bonds were issued to refund the Tax & Waterworks and Sewer Systems (Limited Pledge) Revenue Certificate of Obligations, originally issued on February 11, 1999 for \$6,550,048 in Governmental Funds and refund the 1998 Waterworks and Sewer Systems Reserve Bonds, originally issued on 9/23/1998 for \$5,930,000. \$4,064,918 was allocated to the tax support 1997 issue and \$1,075,082 to the Water and Sewer Revenue supported 1998 issue. The Refunding Bond issue carries a 3.1% interest rate versus a 4.5% interest of the Refunding issue. In the governmental funds the Refunding Bond issue will reduce the debt services payments by \$186,246 and \$29,635 in the Water and Sewer funds over the seven year amortization period of the bonds.

Also on December 6, 2010, they issued the Waterworks and Sewer System Revenue Refunding Bond Series 2010 for \$2,845,000 to complete the refinancing of the 1998 Reserve Bond issue. This issuance carries an interest rate of 3.19%. The Water and Sewer Fund debt service requirements over seven year amortization period will be reduced by \$119,935.

Also on January 15, 2012, they issued the Tax and Revenue Certificate of Obligation, Notes, Series 2012 for \$24,335,000. The proceeds of the certificate will be used for financing the design, construction, equipping, renovation and/or rehabilitation of the City's Waterworks and Sewer Systems.

**Tax Notes -**

On December 28, 2011, they issued the Tax Notes, Series 2011 for \$8,500,000 for Water and Sewer projects with \$390,132 allocated for public safety vehicles.

**Defeased Bonds Outstanding –**

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT (CONTINUED)**

Revenue Bonds Refunding --

On March 20, 2002, the City of Weslaco Economic Development Corporation issued Sales Tax Revenue Bond Series 2003-3003A for \$2,000,000 and \$4,060,000. The 2003 \$2,000,000 bond issue was used to finance the costs of public facilities to include municipally owned building and tourist information/exhibition facilities. The 2003 A \$4,060,000 bonds issues financed the construction of a building for use in manufacturing finished wood products, which is leased to a private enterprise. This is in conformity with the Constitution of Texas, including Section 4a of Article 5190.6, Vernon Texas Civil Statutes. This issue date was March 29, 2003.

On December 2, 2010, the City of Weslaco Economic Development Corporation issued Sales Tax Revenue Refunding Bond Series 2010 for \$1,050,000. The 2010 \$1,050,000 bond issues was used to refund the 2003 \$2,000,000 Bond Series.

On June 2, 1011, the City of Weslaco Economic Development Corporation issued Sales Tax Revenue Refunding Bond Series 2011A for \$1,090,000 and Sales Tax Revenue Bond, Tax Exempt Series 2011B for \$1,290,000. The 2011A \$1,090,000 bond issue was used to refund the 2010 \$1,050,000 bond series. The 2011B \$1,290,000 bond issue was for the renovation of the new Business Visitor and Event Center.

On August 21, 2012, the City of Weslaco Economic Development Corporation issued Sales Tax Revenue Bonds, Series 2012 for \$1,155,000. The 2012 \$1,155,000 bond issue was used to finance the cost of construction, renovation, and remodeling tourism and entertainment facilities, including a multi-purpose use exhibition hall/event center, the Business Visitors and Event Center Building.

Bond Authorized and Unissued -

At September 30, 2012, the City had no General Obligations Bonds and Revenue Bonds which were authorized and unissued. The following table summarizes the restricted cash and cash investments:

Reserve for Bond Debt Service	\$ 70,818
Reserve for Revenue Bond Retirement	<u>469,687</u>
Total Reserve for Revenue Bond Retirement	<u>540,505</u>
Revenue Bond Construction	25,603,417
Capital Improvement Fee	<u>1,815,731</u>
Total Restricted Cash and Cash Investments as of September 30, 2012	<u><u>\$ 27,959,653</u></u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE G. LONG-TERM DEBT (CONTINUED)**

The annual aggregate maturities for each bond type for the year subsequent to September 30, 2012, are as follows:

**General Obligation Bonds**

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 211,200	\$ 12,020	\$ 118,800	\$ 6,761	\$ 348,781
2014	208,000	4,030	117,000	2,267	331,297
Total	<u>\$ 419,200</u>	<u>\$ 16,050</u>	<u>\$ 235,800</u>	<u>\$ 9,028</u>	<u>\$ 680,078</u>

**Certificate of Obligations**

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,575,334	\$ 941,573	\$ 1,311,224	\$ 2,387,731	\$ 6,215,862
2014	1,627,688	879,210	1,316,312	2,341,862	6,165,072
2015	1,757,852	812,073	2,482,148	2,292,259	7,344,332
2016	1,829,720	739,937	3,075,280	2,210,389	7,855,326
2017	1,904,500	663,943	3,580,500	2,111,122	8,260,065
2018-2022	9,221,472	2,044,014	16,273,528	8,677,314	36,216,328
2023-2027	3,860,000	349,000	18,525,000	5,098,075	27,832,075
2028-2032			10,475,000	1,521,655	11,996,655
Total	<u>\$ 21,776,566</u>	<u>\$ 6,429,750</u>	<u>\$ 57,038,992</u>	<u>\$ 26,640,407</u>	<u>\$ 111,885,715</u>

**Revenue Bonds**

Year Ending September 30	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 190,000	\$ 280,619	\$ 470,619
2014	560,000	252,103	812,103
2015	585,000	236,830	821,830
2016	610,000	210,455	
2017	640,000	162,437	
2018-2023	3,715,000	482,887	4,197,887
Total	<u>\$ 6,300,000</u>	<u>\$ 1,625,331</u>	<u>\$ 6,302,439</u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE H. SEGMENT INFORMATION FOR ENTERPRISE FUND**

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

The City maintains four Enterprise Funds which provide, water, sewer, sanitation, and airport services to the City of Weslaco. Selected segment information for the year ended September 30, 2012 is as follows:

	Water and Sewer Fund	Sanitation Fund	Airport Fund	Total Enterprise Fund
Operating Revenues	\$ 10,354,041	\$ 4,646,565	\$ 110,894	\$ 15,111,500
Operating Expenses	5,846,464	4,100,402	302,531	10,249,397
Depreciation	1,478,946	141,705	202,921	1,823,572
Operating Income	3,028,631	404,458	(394,558)	3,038,531
Net Non-Operating Revenues and Expenses	(50,261)	(6,400)		(56,661)
Contributions			419,642	419,642
Transfers			200,000	200,000
Changes in Net Assets	2,978,370	398,058	225,084	3,601,512
Beginning Net Assets	11,184,722	(2,915,882)	(2,471,807)	5,797,033
Ending Net Assets	<u>\$ 14,163,092</u>	<u>\$ (2,517,824)</u>	<u>\$ (2,246,723)</u>	<u>\$ 9,398,545</u>
<b>Condensed Cash Flow</b>				
Net Cash Provided (Used) by:				
Operating Activities	\$ 3,278,078	\$ 368,316	\$ (183,234)	\$ 3,463,160
Non-Capital Financing Activities			619,642	619,642
Capital and Related Financing Activities	24,703,662	(129,061)	(412,541)	24,162,060
Investing Activities	13,629			13,629
Beginning Cash	3,797,581	723,061	(36,406)	4,484,236
Ending Cash	<u>\$ 31,792,950</u>	<u>\$ 962,316</u>	<u>\$ (12,539)</u>	<u>\$ 32,742,727</u>

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE I. CONTRIBUTED CAPITAL-PROPRIETARY FUND TYPES**

	<u>10/1/2011</u>	<u>Additions (Deletions)</u>	<u>9/30/2012</u>
<b><u>Water and Sewer Fund</u></b>			
Contributed Capital Donation	\$ 11,000	\$ -	\$ 11,000
Contributions from City	2,926,974		2,926,974
Contributions In Aid of Construction	707,629		707,629
Contributions-State Grants	3,954,105		3,954,105
Contributions-Federal Grants	5,114,658		5,114,658
	<u>12,714,366</u>	<u>-</u>	<u>12,714,366</u>
<b><u>Sanitation Fund</u></b>			
Contributions from City	3,715,956		3,715,956
Contributions-Federal Grants	8,187		8,187
	<u>3,724,143</u>	<u>-</u>	<u>3,724,143</u>
<b><u>Airport Fund</u></b>			
Contributions from City	1,398,150		1,398,150
Contributions-State Grants	1,617,395		1,617,395
Contributions from Revenue Sharing Fund	175,130		175,130
Contributions-Federal Grants	3,391,137		3,391,137
	<u>6,581,812</u>	<u>-</u>	<u>6,581,812</u>
<b><u>Internal Service Fund</u></b>			
Equipment Replacement Fund			-
Total Contributed Capital	<u>\$23,020,321</u>	<u>\$ -</u>	<u>\$23,020,321</u>

**NOTE J. PROPERTY TAX**

The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2012 was levied using a rate of \$.6967 per one hundred dollars of assessed valuation based on 100 percent of estimated market value.

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

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE J. PROPERTY TAX (CONTINUED)**

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

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

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

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

Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The City usually waits until after July 1 to file suits on real estate property. As of July 1, 15% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2011, were 93.49% 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, 2011, the City had a tax margin of \$1.8033 for every \$100 valuation based upon a maximum ad valorem tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional law.

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE K.      PENSION PLAN**

Employee Pension Plans (Other Than Firemen)  
Plan Description

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

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

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

Contributions

At September 30, 2012, the contribution rate for the employees was 7%, and the City matching percent was 3.91%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. The unit credit actuarial cost method is used for determining the contribution rate for each city. This rate consists of the normal cost contribution rate, both of which are calculated to be a level percent of payroll from year to year.

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

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

**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE K. PENSION PLAN (CONTINUED)**

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

The City's total payroll in fiscal year 2012 was \$10,681,080 and the City's contributions were based on payroll of \$7,340,368. Both the City and the covered employees made the required contributions, amounting to \$812,066 (8.25% for calendar year 2011 and 3.91% for calendar year 2011) for the City, and \$581,901 (7%) for the employees. There were no related-party transactions. All contributions were made by their respective due dates.

**Funding Status and Programs**

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

The Actuarial Accrued Liability shown below is similar in nature to the standardized disclosure measure required by GASB # 27 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 2010. Because of the money-purchase nature of the plan, the interest rate assumption, currently 7.0% per year does not have as much impact on the results as it does for a defined benefit plan. Market value of investments is not determined for each City's plan. All investments for TMRS are at fair value at December 31, 2011. This is in accordance with the elected implementation of Governmental Accounting Standards Board Statement No. 25. The Texas Legislation, thru House Bill 1113 authorized the "Partial Lump Sum Distributions and the "POP-UP" factor. These provisions became effective September 1, 1997. This increases qualified employment under the Restricted Prior Service Credit.

The City of Weslaco is one of 837 municipalities having the benefit plan administered by TMRS. Each of the 837 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/11 valuations are contained in the 2011 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153, or on the TMRS website.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**CITY OF WESLACO, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE K. PENSION PLAN (CONTINUED)**

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	(After Plan Change)		(Prior to Plan Change)
	12/31/11	12/31/10	12/31/09
Actuarial Value of Assets	\$ 28,450,881	\$ 28,318,513	\$ 19,199,534
Actuarial Accrued Liability	27,926,939	27,479,052	21,559,545
Percentage Funded	101.90%	103.10%	89.05%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	(523,942)	(839,461)	2,360,011
Annual Covered Payroll (Calendar year)	7,569,083	9,802,203	10,083,824
UAAL as a Percentage of Covered Payroll	-6.92%	-8.56%	23.40%
Net Pension Obligation (NPO) at the Beginning of Period			
Annual Pension Cost:			
Annual Required Contribution (ARC)			831,915
Interest on NPO			
Adjustments to the ARC			
Contributions Made	-	-	831,915
Increase in NPO			
NPO at the end of the period	\$ -	\$ -	\$ -

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the actuarial accrued liability. The numbers above reflect changes in actuarial assumptions since the previous actuarial valuation, which had the effect of increasing the City's contribution rate by 1.67% for 2011. Because of the one-year lag between the actuarial valuation date and the calendar year when the newly calculated rate goes into effect, the new actuarial assumptions will first affect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded actuarial accrued liability by \$676,641. The 2012 rate will be 3.91%.

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

Fireman's Pension Plan

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE K. PENSION PLAN (CONTINUED)**

(Prior to Plan Change)	12/31/09	12/31/08	12/31/07	12/31/06	12/31/05
\$	15,705,424	\$ 17,001,070	\$ 15,705,424	\$ 14,910,028	\$ 13,912,836
	30,697,078	27,821,973	25,524,437	19,506,553	18,092,798
	62.55%	61.10%	61.50%	76.40%	76.90%
	11,497,544	10,820,903	9,819,013	4,596,525	4,179,962
	10,083,824	9,899,222	9,099,212	7,821,257	7,955,459
	114.02%	109.30%	107.90%	58.70%	52.50%
	1,472,331	1,196,828	984,969	795,931	592,416
	<u>1,472,331</u>	<u>1,196,828</u>	<u>984,969</u>	<u>795,931</u>	<u>592,416</u>
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The date of the most recent valuation was December 31, 2009. The valuation was based on the plan of benefits in effect on the valuation date. Valuations are required on this fund every three years. The actuarial cost method used was the Entry Age Actuarial Cost Method. The unfunded accrued liability is being amortized with a level percentage of projected payroll, assuming a 4.0% annual increase. At the current funding levels it is expected to be amortized over nine years.

The City of Weslaco contributed \$411,962 to the plan during this fiscal year including \$6,594 towards amortizing an unfunded accrued liability of \$4,308,720.

At the end of the fiscal year 2011 the City was contributing 10% on gross wages for all full-time firemen and \$240 annually for each volunteer fireman. The full-time firemen contributed 10% of their gross wages to the plan. In 2012 the City's contribution rate will remain at 10%.

Actuarial Present Value of Accrued Benefits	\$ 9,285,971
Actuarial Present Value of Assets	<u>(4,977,251)</u>
Unfunded Actuarial Accrued Liabilities	<u>\$ 4,308,720</u>

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

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE K. PENSION PLAN (CONTINUED)**

Other Plans

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

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

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

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

**NOTE L. INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at September 30, 2012 consisted of the following individual fund receivables and payables:

	Receivable	Payable
<u>General Fund</u>		
Special Revenue - EDC	\$ -	\$ 217,899
Debt Service Fund		599,044
Total General Fund	-	816,943
<u>Special Revenue Fund</u>		
General Fund	217,899	
Total Special Revenue Fund	217,899	
<u>Debt Service Fund</u>		
General Fund	599,044	
Total Debt Service Fund	599,044	
Total All Funds	\$ 816,943	\$ 816,943

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE M. OPERATING TRANSFERS**

	Transfers In	Transfers Out
<u>General Fund</u>		
Internal Service Fund	\$ -	\$ 280,000
Airport Fund		200,000
Total General Fund	-	480,000
Internal Service Fund		
General Fund	280,000	
Total Internal Service Fund	280,000	-
Enterprise Funds		
Airport Fund		
General Fund	200,000	
Total Enterprise Funds	200,000	-
Total All Funds	\$ 480,000	\$ 480,000

**NOTE N. DEFERRED REVENUES**

Deferred Revenues at September 30, 2012 are composed of the following:

General Fund		
Taxes receivable net of allowances	\$ 1,037,621	
Paving assessments	26,885	
Confiscated property	5,000	
Other	8,702	
Total General Fund		\$ 1,078,208
Economic Development Corporation	2,627,867	
Total Economic Development Corporation		2,627,867
Debt Service Fund		
Taxes receivable net of allowances	438,053	
Total Debt Service Fund		438,053
Total Deferred Revenues		\$ 4,144,128

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE O. CITY ADVISORY NON-PROFIT CORPORATION**

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

**NOTE P. COMMITMENTS**

The City contracts with the County of Hidalgo, Office of Tax Assessor-Collector to assess, maintain accountability, and collect its property taxes. The City is also committed to the Hidalgo County Appraisal District for the appraisal of property within the City. Also, on October 1, 1993, the Sewer Plant Operations were contracted to OMI, a private management company. The water plant operations were contracted to OMI, on October 1994. The brush collection was contracted to BFI on April 1996. Minimum annual payments are as follows for the fiscal year ended September 30, 2012:

	<u>2012</u>	<u>2011</u>
County of Hidalgo-Tax Collection	\$ 44,060	\$ 44,060
Hidalgo County Appraisal District	112,675	80,219
OMI Management Company Sewer Plant	1,380,900	1,097,174
OMI Management Company Water Plant	953,509	1,330,372
Browning Ferris Industries (Brush Collections)	1,036,896	896,004
Browning Ferris Industries (Garbage Collections)	2,826,754	2,795,552
Upper Valley Humane Society	69,245	109,093
Municipal Judge	65,190	87,180
Medical Doctor (EMS)	<u>46,664</u>	<u>40,005</u>
Total	<u>\$ 6,535,893</u>	<u>\$ 6,479,659</u>

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE P. COMMITMENTS (CONTINUED)**

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

	<u>Commitment</u>	<u>Paid in Prior Years</u>	<u>Paid in Current Year</u>	<u>Balance Duc</u>
<u>Loan/Rent Incentives</u>				
La Abuela Foods, Inc.	132,500	129,437	-	3,063
Total Loan/Rent Incentives	\$ 132,500	\$ 129,437	\$ -	\$ 3,063
<u>Monetary Incentives</u>				
Arturo's Bar & Grill	10,000			10,000
Becknell Development	250,000			250,000
Darden Restaurants	120,000	60,000	60,000	-
Maverick Ind. Service	125,000		75,406	49,594
Pharmacy Care USA	75,000	50,000		25,000
RGV W.O.R.D Properties, LLC	375,000	275,000	100,000	-
Tan 'US Sales Company (Payable over 7 years)	2,000,000	1,731,000	221,863	47,137
TD Industries	71,000		30,200	40,800
Weslaco Hills Aprtments	620,000	558,144		61,856
L & W Supply	250,000		83,333	166,667
Motion Industries	56,000		8,500	47,500
Mission Foods	60,000		12,500	47,500
Ulises E. Perez	36,150		36,150	-
Colimex, Inc.	100,000		100,000	-
TX Health Care Imaging	50,000		50,000	-
Grande Valle Builders	13,500		13,500	-
Total Monetary Incentives	<u>4,211,650</u>	<u>2,674,144</u>	<u>791,452</u>	<u>746,054</u>
Total	<u>\$ 4,344,150</u>	<u>\$ 2,803,581</u>	<u>\$ 791,452</u>	<u>\$ 749,117</u>

Subsequent year balances of \$749,117 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 Q. PROPRIETARY FUND-SANITARY LANDFILL**

Recognition of closure and post-closure costs

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE Q. PROPRIETARY FUND-SANITARY LANDFILL (CONTINUED)**

Approximately twenty-five percent of the landfill capacity has been used to date. Based on the current capacity used, \$717,878 was estimated as a closure and post-closure cost. The transfer station, underground petroleum storage tanks, closure and post-closure costs were estimated at \$131,556. The landfill has been closed and post-closure costs liability is estimated at \$717,878. These costs are currently reflected in the financial statements of the Sanitation Fund. As costs are incurred during the year, the liability will be reduced. The City met the state's financial assurance requirements during the current fiscal year. The landfill remains in an inactive status as of September 30, 2012. The post-closure costs include lab tests, gas monitoring, leachate disposal and general monitoring maintenance during its inactive status.

**NOTE R. CONTINGENT LIABILITIES**

The City participates in a number of federally assisted grant programs which are the Community Development Block Grants, the Local Public Works Program, and the Texas Department of Transportation. These programs are subject to program compliance audits by the grantors or their representatives. The audit of these programs for/or including the year ending September 30, 2012 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE S. LITIGATION**

There are several pending lawsuits in which the City is involved. The City attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at September 30, 2012.

**NOTE T. 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENT**

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

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

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE T. 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENT (CONTINUED)**

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

Agreement	Total Payments	Payments		Balance
		Prior Years	Current Year	
SDI Weslaco Holdings, LLC	\$ 3,213,255	\$ 487,593	\$ 200,854	\$ 2,524,808
HEB Grocery Company, L.P.	4,193,162	283,837	537,796	3,371,529
Lowe's Home Center, Inc.	222,890	42,675	41,912	138,303
<b>Total</b>	<b>\$ 7,629,307</b>	<b>\$ 814,105</b>	<b>\$ 780,562</b>	<b>\$ 6,034,640</b>

The City has recorded \$949,938 in accrued interest earned from fiscal year 2010 up to 2012 based on the 380 Agreement with SDI Weslaco Holdings, LLC.

In addition to the 380 Agreement, the City also offered sales rebates as additional incentives to the developer and retail establishments, locating within the SDI development project. These rebates are not recorded as a liability or commitment, as the individual amounts are not known until the sales taxes are collected. The total rebates have been set at \$5,250,000. These are to be reimbursed over ten years, beginning April 1, 2011. Total amount reimbursed sales tax proceeds to date is \$942,472, of which \$843,933 is current proceeds reimbursed. Total rebates balance owed is \$4,307,528.

**NOTE U. SUBSEQUENT EVENTS**

On December 1, 2012, the City of Weslaco, Texas issued a Limited Tax Refunding Bonds, Series 2012 for \$11,915,000 for financing the design, construction, equipping, renovation and/or rehabilitation of the City's Waterworks and Sewer System

Subsequent events were evaluated through June 25, 2013, which is the date the financial statements were issued.

**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**CITY OF WESLACO, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

Fiscal Year	(1) Actuarial Value of Assets**	(2) Actuarial Accrued Liability *	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability As A Percentage of Covered Payroll
2009	\$ 15,705,424	\$ 30,697,078	62.5%	\$ 11,497,544	\$ 10,083,824	114.02%
2010	28,318,513	27,479,052	103.10%	(839,461)	9,802,203	-8.6%
2011	28,450,881	27,926,939	101.9%	(523,942)	7,569,083	-6.90%

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

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

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

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

**CITY OF WESLACO, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>			
	<u>Hotel/ Motel Tax</u>	<u>Library Fund</u>	<u>2012 Total Funds</u>	<u>2011 Total Funds</u>
<b>Assets</b>				
Cash and Cash Investments	\$ 508,415	\$ 14,364	\$ 522,779	\$ 588,921
Accounts Receivable	96,156	-	96,156	64,964
Due From Other Governments	103,617	-	103,617	-
<b>Total Assets</b>	<u>\$ 708,188</u>	<u>\$ 14,364</u>	<u>\$ 722,552</u>	<u>\$ 653,885</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 140,536	\$ -	\$ 140,536	\$ 4
Deferred Revenue	-	-	-	-
<b>Total Liabilities</b>	<u>140,536</u>	<u>-</u>	<u>140,536</u>	<u>4</u>
<b>Fund Balances</b>				
Unreserved				
Designated			-	
Undesignated	567,652	14,364	582,016	653,881
<b>Total Fund Balance</b>	<u>567,652</u>	<u>14,364</u>	<u>582,016</u>	<u>653,881</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 708,188</u>	<u>\$ 14,364</u>	<u>\$ 722,552</u>	<u>\$ 653,885</u>

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

**CITY OF WESLACO, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>		<u>2012 Total Funds</u>	<u>2011 Total Funds</u>
	<u>Hotel/ Motel Tax</u>	<u>Library Fund</u>		
<b>Revenues</b>				
Hotel/Motel Tax	\$ 336,419	\$ -	\$ 336,419	\$ 358,390
Intergovernmental	503,617		503,617	
Investment Income			-	
Contributions			-	
Miscellaneous	7,227		7,227	
<b>Total Revenue</b>	<u>847,263</u>	<u>-</u>	<u>847,263</u>	<u>358,390</u>
<b>Expenditures</b>				
Current:				
Development services	28,719		28,719	27,724
Cultural and recreational	311,171		311,171	216,409
Capital outlay	579,238		579,238	
<b>Total Expenditures</b>	<u>919,128</u>	<u>-</u>	<u>919,128</u>	<u>244,133</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(71,865)</u>	<u>-</u>	<u>(71,865)</u>	<u>114,257</u>
<b>Other financing sources (uses)</b>				
Bonds issued				
Transfers in			-	
Transfers out			-	
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of (deficiency) revenues and other sources over expenditures and other (uses)</b>	<u>(71,865)</u>	<u>-</u>	<u>(71,865)</u>	<u>114,257</u>
<b>Fund balances at beginning of year</b>	<u>639,517</u>	<u>14,364</u>	<u>653,881</u>	<u>539,624</u>
<b>Fund balances at end of year</b>	<u>\$ 567,652</u>	<u>\$ 14,364</u>	<u>\$ 582,016</u>	<u>\$ 653,881</u>

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

**CITY OF WESLACO, TEXAS  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2012  
WITH COMPARATIVE ACTUAL TOTALS FOR 2011**

	2012			2011	
	Budget Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
<b>Revenues</b>					
Occupancy tax	\$ 360,000	\$ 360,000	\$ 336,419	\$ (23,581)	\$ 358,390
Intergovernmental revenue	-	-	503,617	503,617	
Investment income	520	520		(520)	
Miscellaneous Income	-	-	7,227	7,227	
<b>Total Revenues</b>	<u>360,520</u>	<u>360,520</u>	<u>847,263</u>	<u>486,743</u>	<u>358,390</u>
<b>Expenditures</b>					
Current:					
Development services	27,800	27,800	28,719	(919)	27,724
Cultural and recreational	101,110	315,917	311,171	4,746	216,409
Capital outlay	700,000	516,336	579,238	(62,902)	
<b>Total Expenditures</b>	<u>828,910</u>	<u>860,053</u>	<u>919,128</u>	<u>(59,075)</u>	<u>244,133</u>
<b>Excess of revenues over expenditures</b>	(468,390)	(499,533)	(71,865)	427,668	114,257
<b>Other financing (uses)</b>					
Transfers out				-	
<b>Excess of revenues over expenditures and other (uses)</b>	<u>\$ (468,390)</u>	<u>\$ (499,533)</u>	(71,865)	<u>\$ 427,668</u>	114,257
<b>Fund balances at beginning of year</b>			<u>639,517</u>		<u>525,260</u>
<b>Fund balances at end of year</b>			<u>\$ 567,652</u>		<u>\$ 639,517</u>

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

**CITY OF WESLACO, TEXAS  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2012  
WITH COMPARATIVE ACTUAL TOTALS FOR 2011**

	2012			2011	
	Budget Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
<b>Revenues</b>					
Sales tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	
Investment income	-	-	-	-	
Other	-	-	-	-	
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Current:					
Cultural/recreation	-	-	-	-	
Capital outlay	-	-	-	-	
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>					
Transfers in					
Transfers out					
<b>Total other financing sources (uses)</b>		<u>-</u>	<u>-</u>	<u>-</u>	
<b>Excess of (deficiency) revenues and other sources over expenditures and other (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	
<b>Fund balance at beginning of year</b>			<u>14,364</u>		<u>14,364</u>
<b>Fund balances at end of year</b>			<u>\$ 14,364</u>		<u>\$ 14,364</u>

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

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

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## **GENERAL FUND**

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

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash	\$ 3,047,762	\$ 466,809
Investments		
Receivable (Net of allowance)		
Property taxes	1,110,030	1,160,936
Sales taxes	871,595	810,427
Ambulance fee	191,763	104,952
Other	254,594	246,722
Other assets	5,000	5,000
Inventories	65,791	57,391
Due from other funds		929,905
Due from other governments	199,612	194,970
Restricted Cash-Boy's & Girls Club	398,045	397,595
Restricted Cash-Friends of the Library	487,034	486,479
Restricted Cash-PEG	70,563	29,167
	<u>6,701,789</u>	<u>4,890,353</u>
<b>Total Assets</b>	<b>\$ 6,701,789</b>	<b>\$ 4,890,353</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 816,454	\$ 695,627
Accrued salaries and payroll taxes	31,155	32,363
Compensated absences		191,261
Contract payable	999,219	150,807
Due to other funds	816,943	727,880
Other liabilities	311,270	240,035
Trust-Boy's & Girl's Club	398,045	397,595
Trust-Friends of the Library	487,034	486,479
Trust-PEG	70,563	29,167
Deferred revenues	1,078,208	1,102,321
	<u>5,008,891</u>	<u>4,053,535</u>
<b>Total Liabilities</b>	<b>5,008,891</b>	<b>4,053,535</b>
<b>Fund Balance</b>		
<b>Restricted for:</b>		
Reserve for inventories	65,791	57,391
<b>Assigned to:</b>		
Designated for public safety equipment	253,905	102,257
Designated for excess sales tax receipts	167,976	167,976
Designated for swimming pool project	25,000	25,000
Undesignated	1,180,226	484,194
	<u>1,692,898</u>	<u>836,818</u>
<b>Total Fund Balance</b>	<b>1,692,898</b>	<b>836,818</b>
	<u>\$ 6,701,789</u>	<u>\$ 4,890,353</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,701,789</b>	<b>\$ 4,890,353</b>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2011)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2011 Actual</u>
<b>Revenues</b>				
Taxes	\$ 15,791,826	\$ 16,622,140	\$ 830,314	\$ 16,296,631
Licenses and permits	332,950	381,323	48,373	363,068
Intergovernmental	315,613	241,977	(73,636)	577,538
Charges for services	2,571,140	2,540,973	(30,167)	2,565,294
Fines and forfeits	479,372	772,752	293,380	463,778
Interest	3,000	10,218	7,218	10,774
Miscellaneous revenue	197,072	223,943	26,871	283,129
Sale of assets	25,000	41,862	16,862	111,328
<b>Total Revenues</b>	<u>19,715,973</u>	<u>20,835,188</u>	<u>1,119,215</u>	<u>20,671,540</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,781,801	3,796,704	(14,903)	4,255,134
Public safety	10,282,862	10,327,350	(44,488)	11,664,128
Public works	1,276,719	1,299,033	(22,314)	1,342,074
Health	85,668	84,348	1,320	100,315
Culture and recreation	841,420	861,319	(19,899)	959,685
Nondepartmental expenses	528,431	395,172	133,259	684,020
Capital outlay	520,453	354,730	165,723	215,182
Debt service				
Principal			-	1,300,000
Interest			-	16,861
<b>Total Expenditures</b>	<u>17,317,354</u>	<u>17,118,656</u>	<u>198,698</u>	<u>20,537,399</u>
<b>Excess (Deficiency) of Revenues Over Expenditures Before Operating Transfers and Extraordinary Items</b>	<u>2,398,619</u>	<u>3,716,532</u>	<u>1,317,913</u>	<u>134,141</u>
<b>Operating Transfers and Extraordinary Items</b>				
Note proceeds			-	1,300,000
Operating transfers in (out)	(551,041)	(480,000)	71,041	(200,000)
Revaluation of compensated absences		191,261	191,261	
Interest for 380 Agreement		(949,938)	(949,938)	
Proceeds from 380 Agreements				
380 Agreement expenditures and rebates	(1,937,961)	(1,624,495)	313,466	(912,644)
<b>Total Operating Transfers and Extraordinary Items</b>	<u>(2,489,002)</u>	<u>(2,863,172)</u>	<u>(374,170)</u>	<u>187,356</u>
<b>Excess (Deficiency) of Revenues Operating Transfers, and Extraordinary Items Over Expenditures</b>	<u>\$ (90,383)</u>	<u>\$ 853,360</u>	<u>\$ 943,743</u>	<u>\$ 321,497</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2011)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2011 Actual</u>
Excess (Deficiency) of Revenues, Operating Transfers, and Extraordinary Items Over Expenditures	<u>\$ (90,383)</u>	\$ 853,360	<u>\$ 943,743</u>	\$ 321,497
Prior period adjustments				2,720
Fund Balance, October 1, Restated		<u>839,538</u>		<u>515,321</u>
Fund Balance, September 30,		<u>\$ 1,692,898</u>		<u>\$ 839,538</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Taxes</b>			
General property taxes			
Advalorem taxes	\$ 6,650,000	\$ 6,843,281	\$ 193,281
Penalties and interest on taxes	200,000	213,985	13,985
<b>Total General Property Taxes</b>	<u>6,850,000</u>	<u>7,057,266</u>	<u>207,266</u>
City sales tax	7,250,000	7,933,740	683,740
Alcoholic beverage tax	52,500	62,214	9,714
Bingo tax	3,000	3,436	436
Payment in lieu of taxes	-	-	-
Franchise taxes	1,636,326	1,565,484	(70,842)
Other	-	-	-
<b>Total Taxes</b>	<u>15,791,826</u>	<u>16,622,140</u>	<u>830,314</u>
<b>Licenses and Permits</b>			
Business licenses and permits	284,500	322,370	37,870
Non-business licenses and permits	48,450	58,953	10,503
<b>Total Licenses and Permits</b>	<u>332,950</u>	<u>381,323</u>	<u>48,373</u>
<b>Intergovernmental Revenue</b>			
Urban County Development Grant			-
Federal Grants	290,309	4,600	(285,709)
State Grants	25,304	237,377	212,073
<b>Total Intergovernmental Revenue</b>	<u>315,613</u>	<u>241,977</u>	<u>(73,636)</u>
<b>Charges for Services</b>			
Administrative fee (other city funds)	1,221,140	1,221,140	-
Public safety	1,177,000	1,128,433	(48,567)
Health	125,000	142,461	17,461
Cemetery charges	48,000	48,939	939
<b>Total Charges for Services</b>	<u>\$ 2,571,140</u>	<u>\$ 2,540,973</u>	<u>\$ (30,167)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fines and Forfeits</b>			
Corporation court fines	\$ 327,000	\$ 358,889	\$ 31,889
Municipal court technology	8,000	11,665	3,665
Parking meter fines		-	-
Money confiscated	57,172	323,319	266,147
Court fines	81,000	72,987	(8,013)
Library fines	6,200	5,892	(308)
<b>Total Fines and Forfeits</b>	<u>479,372</u>	<u>772,752</u>	<u>293,380</u>
<b>Interest</b>			
Interest revenue	3,000	10,218	7,218
<b>Total Interest</b>	<u>3,000</u>	<u>10,218</u>	<u>7,218</u>
<b>Miscellaneous Revenues</b>			
Rents	72,200	78,138	5,938
Royalties	2,000	959	(1,041)
Contribution	18,150	500	(17,650)
Reimbursements		89,320	89,320
Other income	104,722	55,026	(49,696)
<b>Total Miscellaneous Revenues</b>	<u>197,072</u>	<u>223,943</u>	<u>26,871</u>
<b>Sale of Assets</b>			
Proceeds Sale of Assets	25,000	41,862	16,862
<b>Total Sale of Assets</b>	<u>25,000</u>	<u>41,862</u>	<u>16,862</u>
<b>Total Revenues</b>	<u>\$ 19,715,973</u>	<u>\$ 20,835,188</u>	<u>\$ 1,119,215</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT</b>			
<b>Control</b>			
<b>Legislative-City Commission</b>			
Personal services	\$ 12,272	\$ 10,200	\$ 2,072
Other services & charges	157,571	164,276	(6,705)
Supplies	6,631	6,767	(136)
<b>Total Legislative-City Commission</b>	<u>176,474</u>	<u>181,243</u>	<u>(4,769)</u>
<b>Executive-/City Manager's Office</b>			
Personal services	228,073	227,768	305
Other services & charges	31,579	31,397	182
Supplies	4,921	5,148	(227)
<b>Total Executive-City Manager's Office</b>	<u>264,573</u>	<u>264,313</u>	<u>260</u>
<b>City Secretary's Office</b>			
Personal services	163,165	162,808	357
Other services & charges	28,186	27,567	619
Supplies	4,000	3,440	560
<b>Total City Secretary's Office</b>	<u>195,351</u>	<u>193,815</u>	<u>1,536</u>
<b>Judicial-Corporation Court</b>			
Personal services	123,032	122,725	307
Other services & charges	70,399	72,293	(1,894)
Supplies	3,130	4,081	(951)
<b>Total Judicial-Corporation Court</b>	<u>196,561</u>	<u>199,099</u>	<u>(2,538)</u>
<b>Total Control</b>	<u>832,959</u>	<u>838,470</u>	<u>(5,511)</u>
<b>Staff Agencies</b>			
<b>Elections</b>			
Personal services	-	-	-
Other services & charges	1,690	1,383	307
Supplies	-	50	(50)
<b>Total Elections</b>	<u>\$ 1,690</u>	<u>\$ 1,433</u>	<u>\$ 257</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT-continued</b>			
<b>Staff Agencies-continued</b>			
<b>Finance</b>			
Personal services	\$ 300,824	\$ 270,580	\$ 30,244
Other services & charges	110,170	111,142	(972)
Supplies	9,920	8,755	1,165
<b>Subtotal</b>	<u>420,914</u>	<u>390,477</u>	<u>30,437</u>
Assessment and Collection of Taxes	<u>240,000</u>	<u>250,058</u>	<u>(10,058)</u>
<b>Total Finance</b>	<u>660,914</u>	<u>640,535</u>	<u>20,379</u>
<b>Personnel Director</b>			
Personal services	148,152	148,152	-
Other services & charges	95,875	109,622	(13,747)
Supplies	6,500	4,323	2,177
<b>Total Personnel Director</b>	<u>250,527</u>	<u>262,097</u>	<u>(11,570)</u>
<b>Purchasing</b>			
Personal services	8,443	8,443	-
Other services & charges	1,437	1,482	(45)
Supplies	54	57	(3)
<b>Total Purchasing</b>	<u>9,934</u>	<u>9,982</u>	<u>(48)</u>
<b>Law-City Attorney</b>			
Personal services	80,160	80,160	-
Other services & charges	328,950	353,934	(24,984)
Supplies	2,047	1,877	170
<b>Total Law</b>	<u>411,157</u>	<u>435,971</u>	<u>(24,814)</u>
<b>Building Maintenance</b>			
Personal services	626,198	630,244	(4,046)
Other services & charges	422,602	417,076	5,526
Supplies	56,042	62,890	(6,848)
<b>Total Building Maintenance</b>	<u>\$ 1,104,842</u>	<u>\$ 1,110,210</u>	<u>\$ (5,368)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT-continued</b>			
<b>Data Processing</b>			
Personal services	\$ 227,108	\$ 227,113	\$ (5)
Other services & charges	135,109	131,917	3,192
Supplies	2,585	2,583	2
<b>Total Data Processing</b>	<u>364,802</u>	<u>361,613</u>	<u>3,189</u>
<b>Planning</b>			
Personal services	101,611	98,056	3,555
Other services & charges	37,018	31,857	5,161
Supplies	6,347	6,480	(133)
<b>Total Planning</b>	<u>144,976</u>	<u>136,393</u>	<u>8,583</u>
<b>Total Staff Agencies</b>	<u>2,948,842</u>	<u>2,958,234</u>	<u>(9,392)</u>
<b>Total General Government</b>	<u>\$ 3,781,801</u>	<u>\$ 3,796,704</u>	<u>\$ (14,903)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PUBLIC SAFETY</b>			
<b>Police Department</b>			
Investigation and Uniformed Patrol			
Personal services	\$ 4,413,180	\$ 4,402,645	\$ 10,535
Other services & charges	209,297	204,770	4,527
Supplies	226,780	247,791	(21,011)
<b>Total Investigation and         Uniformed Patrol</b>	<u>4,849,257</u>	<u>4,855,206</u>	<u>(5,949)</u>
<b>Parking Control</b>			
Personal services			-
Other services & charges			-
Supplies			-
<b>Total Parking Control</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Traffic Safety</b>			
Personal services	55,075	55,086	(11)
Other services & charges	10,003	9,523	480
Supplies	16,804	17,451	(647)
<b>Total Traffic Safety</b>	<u>81,882</u>	<u>82,060</u>	<u>(178)</u>
<b>Total Police Department</b>	<u>4,931,139</u>	<u>4,937,266</u>	<u>(6,127)</u>
<b>Fire Suppression</b>			
Personal services	4,164,710	4,164,710	-
Other services & charges	170,787	168,478	2,309
Supplies	148,452	150,227	(1,775)
<b>Total Protective Inspection</b>	<u>4,483,949</u>	<u>4,483,415</u>	<u>534</u>
<b>Emergency Medical Services</b>			
Personal services			-
Other services & charges	297,902	309,333	(11,431)
Supplies	132,298	152,972	(20,674)
<b>Total Emergency Medical Services</b>	<u>\$ 430,200</u>	<u>\$ 462,305</u>	<u>\$ (32,105)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PUBLIC SAFETY-continued</b>			
<b>Code Enforcement</b>			
Personal services	\$ 288,625	\$ 288,628	\$ (3)
Other services & charges	93,990	101,820	(7,830)
Supplies	24,700	27,237	(2,537)
<b>Total Code Enforcement</b>	<u>407,315</u>	<u>417,685</u>	<u>(10,370)</u>
<b>Emergency Management</b>			
Personnel Services			-
Other services & charges	24,000	22,657	1,343
Supplies	6,259	4,021	2,238
<b>Total Emergency Management</b>	<u>30,259</u>	<u>26,678</u>	<u>3,581</u>
<b>Total Fire Department</b>	<u>5,351,723</u>	<u>5,390,083</u>	<u>(38,360)</u>
<b>Total Public Safety</b>	<u>10,282,862</u>	<u>10,327,349</u>	<u>(44,487)</u>
<b>PUBLIC WORKS</b>			
<b>Administration</b>			
Personal services	145,021	145,044	(23)
Other services & charges	8,563	8,632	(69)
Supplies	3,720	4,323	(603)
<b>Total Administration</b>	<u>157,304</u>	<u>157,999</u>	<u>(695)</u>
<b>Urban Development</b>			
Personal services		-	-
Other services & charges		2,169	(2,169)
Supplies			-
<b>Total Urban Development</b>	<u>-</u>	<u>2,169</u>	<u>(2,169)</u>
<b>Drain Ditch Maintenance</b>			
Personal services	63,942	61,627	2,315
Other services & charges	28,297	25,904	2,393
Supplies	31,057	36,274	(5,217)
<b>Total Drain Ditch Maintenance</b>	<u>\$ 123,296</u>	<u>\$ 123,805</u>	<u>\$ (509)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PUBLIC WORKS-continued</b>			
<b>Streets and Highways</b>			
Personal services	\$ 411,509	\$ 411,529	\$ (20)
Other services & charges	73,679	78,850	(5,171)
Supplies	56,723	63,230	(6,507)
<b>Total Streets and Highways</b>	<u>541,911</u>	<u>553,609</u>	<u>(11,698)</u>
<b>Street Cleaning</b>			
Personal services	37,532	37,532	-
Other services & charges	2,300	9,407	(7,107)
Supplies	6,376	7,396	(1,020)
<b>Total Street Cleaning</b>	<u>46,208</u>	<u>54,335</u>	<u>(8,127)</u>
<b>Street Lighting</b>			
Other services & charges	408,000	407,116	884
<b>Total Street Lighting</b>	<u>408,000</u>	<u>407,116</u>	<u>884</u>
<b>Total Public Works</b>	<u>1,276,719</u>	<u>1,299,033</u>	<u>(22,314)</u>
<b>HEALTH</b>			
<b>Vital Statistics</b>			
Personal services	66,793	66,779	14
Other services & charges	11,848	12,296	(448)
Supplies	7,027	5,273	1,754
<b>Total Vital Statistics</b>	<u>85,668</u>	<u>84,348</u>	<u>1,320</u>
<b>Total Health</b>	<u>85,668</u>	<u>84,348</u>	<u>1,320</u>
<b>CULTURE AND RECREATION</b>			
<b>Municipal Parks</b>			
Personal services	98,132	129,165	(31,033)
Other services & charges	29,635	28,324	1,311
Supplies	6,373	6,111	262
<b>Total Municipal Parks</b>	<u>\$ 134,140</u>	<u>\$ 163,600</u>	<u>\$ (29,460)</u>

**CITY OF WESLACO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CULTURE AND RECREATION-continued</b>			
<b>Swimming Pool</b>			
Personal services	\$ 37,627	\$ 37,763	\$ (136)
Other services & charges	2,100	2,031	69
Supplies	7,700	7,425	275
<b>Total Swimming Pool</b>	<u>47,427</u>	<u>47,219</u>	<u>208</u>
<b>Library</b>			
Personal services	395,973	395,878	95
Other services & charges	145,078	143,070	2,008
Supplies	118,802	111,552	7,250
<b>Total Library</b>	<u>659,853</u>	<u>650,500</u>	<u>9,353</u>
<b>Total Culture &amp; Recreation</b>	<u>841,420</u>	<u>861,319</u>	<u>(19,899)</u>
<b>NON-DEPARTMENTAL EXPENSES</b>			
<b>General expenditures:</b>			
Personal services	87,085	46,948	40,137
Other services & charges	441,346	340,828	100,518
Community expenditures-Urban County	-	7,395	(7,395)
Community development	-	-	-
<b>Total Miscellaneous</b>	<u>528,431</u>	<u>395,171</u>	<u>133,260</u>
<b>CAPITAL OUTLAY</b>			
General Government	10,083	7,433	2,650
Public Safety	134,568	177,728	(43,160)
Public Works	319,033	116,133	202,900
Streets and Highways	-	-	-
Culture and Recreation	56,769	56,335	434
Health	-	-	-
Infrastructure (380 Agreement)	-	-	-
<b>Total Capital Outlay</b>	<u>520,453</u>	<u>357,629</u>	<u>162,824</u>
<b>DEBT SERVICE</b>			
Principal	-	-	-
Interest and fees	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 17,317,354</u>	<u>\$ 17,121,553</u>	<u>\$ 195,801</u>

## **SPECIAL REVENUE FUNDS**

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

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

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

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

**CITY OF WESLACO, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS  
SEPTEMBER 30, 2012**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

	<u>Economic Development Corporation</u>	<u>Library Fund</u>	<u>Hotel/ Motel Tax</u>
<b>Assets</b>			
Cash	\$ 1,558,578	\$ 14,364	\$ 508,415
Investments	822,847		
Accounts receivables	33,919		96,156
Due from other funds	217,899		
Due from others			103,617
Notes receivable (net)	2,816,925		
Accrued Interest			
Prepaid expenses			
Escrow			
Assets held for resale	388,534		
<b>Total Assets</b>	<u>\$ 5,838,702</u>	<u>\$ 14,364</u>	<u>\$ 708,188</u>
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 29,570	\$ -	\$ 140,536
Prepaid rent	7,812		
Accrued salaries			
Due to other funds			
Security deposits	24,000		
Deferred revenue	2,627,867		
<b>Total Liabilities</b>	<u>2,689,249</u>	<u>-</u>	<u>140,536</u>
<b>Fund Balance</b>			
Reserved			
Reserved for bond service	822,847		
Unreserved			
Designated for business loans			
Designated for administration			
Designated for economic incentive			
Designated for project development	600,000		
Undesignated	1,726,606	14,364	567,652
<b>Total Fund Balance</b>	<u>3,149,453</u>	<u>14,364</u>	<u>567,652</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 5,838,702</u>	<u>\$ 14,364</u>	<u>\$ 708,188</u>

<b>Totals</b>		
<u>2012</u>		<u>2011</u>
\$ 2,081,357		\$ 1,916,073
822,847		693,868
130,075		75,554
217,899		202,607
103,617		-
2,816,925		4,009,758
-		
-		
-		
388,534		247,721
<u>\$ 6,561,254</u>		<u>\$ 7,145,581</u>
\$ 170,106		\$ 118,211
7,812		6,917
-		
-		
24,000		13,000
<u>2,627,867</u>		<u>3,130,248</u>
<u>2,829,785</u>		<u>3,268,376</u>
822,847		693,868
-		
-		
-		
600,000		600,000
<u>2,308,622</u>		<u>2,583,337</u>
<u>3,731,469</u>		<u>3,877,205</u>
<u>\$ 6,561,254</u>		<u>\$ 7,145,581</u>

**CITY OF WESLACO, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<u>Economic Development Corporation</u>	<u>Library Fund</u>	<u>Hotel/ Motel Tax</u>
<b>Revenues</b>			
Sales taxes	\$ 2,644,580	\$ -	\$ -
Hotel taxes			336,419
Intergovernmental Contributions			503,617
Interest	35,109		
Program Income	341,845		
Sale of assets (Net)	75,346		
Other	6,241		7,227
<b>Total Revenues</b>	<u>3,103,121</u>	<u>-</u>	<u>847,263</u>
<b>Expenditures</b>			
Economic development	2,614,697		28,719
Culture & recreation	274,808		311,171
Capital outlay	1,442,487		579,238
<b>Total Expenditures</b>	<u>4,331,992</u>	<u>-</u>	<u>919,128</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,228,871)</u>	<u>-</u>	<u>(71,865)</u>
<b>Other Financing Sources (Uses):</b>			
Notes proceeds			
Bond revenues	1,155,000		
Bond issuance costs			
Operating transfers in			
Operating transfers out			
<b>Net Other Financing Sources (Uses)</b>	<u>1,155,000</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses</b>	<u>(73,871)</u>	<u>-</u>	<u>(71,865)</u>
<b>Fund Balances at Beginning of Year</b>	<u>3,223,324</u>	<u>14,364</u>	<u>639,517</u>
<b>Fund Balances at End of Year</b>	<u>\$ 3,149,453</u>	<u>\$ 14,364</u>	<u>\$ 567,652</u>

2012		Variance Favorable (Unfavorable)	2011
Totals	Budget		Totals
\$ 2,644,580	\$ 2,595,774	\$ 48,806	\$ 2,466,156
336,419	360,000	(23,581)	358,390
503,617		503,617	
-		-	
35,109	5,154	29,955	52,387
341,845	573,095	(231,250)	150,054
75,346	117,058	(41,712)	255,846
13,468	3,281	10,187	18,617
<u>3,950,384</u>	<u>3,654,362</u>	<u>296,022</u>	<u>3,301,450</u>
2,643,416	2,672,771	29,355	5,294,834
585,979	1,107,693	521,714	357,973
2,021,725	1,413,200	(608,525)	387,130
<u>5,251,120</u>	<u>5,193,664</u>	<u>(57,456)</u>	<u>6,039,937</u>
<u>(1,300,736)</u>	<u>(1,539,302)</u>	<u>238,566</u>	<u>(2,738,487)</u>
-		-	250,000
1,155,000	1,258,000	(103,000)	3,430,000
-		-	(101,814)
-		-	
<u>1,155,000</u>	<u>1,258,000</u>	<u>(103,000)</u>	<u>3,578,186</u>
(145,736)	\$ (281,302)	\$ 135,566	839,699
<u>3,877,205</u>			<u>3,037,506</u>
<u>\$ 3,731,469</u>			<u>\$ 3,877,205</u>

**ECONOMIC DEVELOPMENT CORPORATION OF WESLACO**

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION  
OF WESLACO  
COMPARATIVE SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Administration</b>		
Personal services	\$ 61,353	\$ 59,131
Other services & charges	131,668	95,624
<b>Total Administration</b>	<u>193,021</u>	<u>154,755</u>
<b>Property Management</b>		
Personal services	128,119	135,087
Other services & charges	194,325	274,623
Bad debt expense	405,205	
<b>Total Property Management</b>	<u>727,649</u>	<u>409,710</u>
<b>Promotion &amp; Development</b>		
Personal services	84,902	69,788
Consultants		
Other services & charges	189,906	44,052
<b>Total Promotion &amp; Development</b>	<u>274,808</u>	<u>113,840</u>
<b>Contract Services-Funding of Economic Development Projects</b>		
Weslaco Chamber of Commerce		32,500
Vida Grant	55,000	50,000
City of Weslaco Airport		23,463
Weslaco Borderland Hardware		10,000
Valley Nature Center	42,000	5,000
The Bungalow & Company		2,875
Rita's Dance Studio		15,000
Sandy Oliveria Pena		1,970
Ezequiel Reyna		2,475
Juan Molina		20,000
Manuel Silva		8,000
Weslaco Little League		2,500
LRGVDC Relocation	38,973	
El Cid Hair Designs	5,000	
Aisla Coat Products, LLC	6,275	
Royal Flower Shop	10,500	
Jeff Everitt & Associates	15,000	
Happiness Cupcakes	5,925	
Jitters Coffee Shop	4,007	
<b>Total Contract Services</b>	<u>182,680</u>	<u>173,783</u>

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION  
OF WESLACO  
COMPARATIVE SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Economic Incentives to Area Businesses:</b>		
Tan 'US Sales Company	\$ 221,863	\$ 302,999
Pharmacy Care		50,000
Weslaco Hills Apts.		485,644
Ulises E. Perez	36,150	
TDI Industries	30,200	
RGV Word	100,000	50,000
L & W Supply	83,333	
Mission Foods	12,500	
Mountain Glacier		30,000
Colimex, Inc.	100,000	
TD Health Care Imaging	50,000	
Ship & More		10,000
Trinity MEP Engineering		35,000
Motion Industries	8,500	
Grande Valley Builders	13,500	
Javier O. De La Garza, DDS		35,000
DOS Logistics		95,000
DT Hospitality/dba Weslaco Inn & Suites		35,000
Darden Restaurants	60,000	60,000
Maverick Industries	75,406	
<b>Total Economic Incentives</b>	<u>791,452</u>	<u>1,188,643</u>
<b>Capital Outlay</b>		
Administration	4,110	
Message Center	23,423	
Land & Building		
Federal Inspections Facility (Mid Valley Airport)		326,459
Custom's Landings Rights		521
Long-Term Note Receivable (SDI Weslaco Holdings, LLC)		
BVEC Building	1,414,954	60,150
<b>Total Capital Outlay</b>	<u>1,442,487</u>	<u>387,130</u>
<b>Debt Service</b>		
Principal on bonds and notes	355,627	3,075,627
Loan refinancing costs		
Interest on bonds and notes	333,945	292,315
Contingency expense		
Fiscal charges	30,323	101,814
<b>Total Debt Service</b>	<u>719,895</u>	<u>3,469,756</u>
<b>Total Expenditures</b>	<u>\$ 4,331,992</u>	<u>\$ 5,897,617</u>

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## **DEBT SERVICE FUND**

### **GENERAL OBLIGATION BONDS**

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

**CITY OF WESLACO, TEXAS  
DEBT SERVICE FUND  
COMBINING BALANCE SHEETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<b>Totals</b>	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 313,488	\$ 524,966
Investments		
Taxes receivable net of estimated uncollectible taxes	475,316	451,167
Due from other funds	<u>599,044</u>	<u>361,961</u>
<b>Total Assets</b>	<u><u>\$ 1,387,848</u></u>	<u><u>\$ 1,338,094</u></u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Interest payable		
Deferred revenues-tax	<u>438,053</u>	<u>413,907</u>
<b>Total Liabilities</b>	<u>438,053</u>	<u>413,907</u>
<b>Fund Balances</b>		
Reserved for debt service	<u>949,795</u>	<u>924,187</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,387,848</u></u>	<u><u>\$ 1,338,094</u></u>

**CITY OF WESLACO, TEXAS**  
**DEBT SERVICE FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Property taxes	\$ 2,569,724	\$ 2,570,931
Penalty/interest	83,647	103,276
Interest	21,292	432
Other	19,062	
<b>Total Revenues</b>	2,693,725	2,674,639
<b>Expenditures</b>		
Debt service		
Defeased Bonds		3,920,396
Redemption of serial bonds	1,648,950	1,332,002
Interest on bonds and notes	1,018,467	1,111,016
Fiscal charges	700	850
Bond Issuance Costs		54,364
Bank Service Charges		
<b>Total Expenditures</b>	2,668,117	6,418,628
<b>Excess (Deficiency) of Revenues Over Expenditure</b>	25,608	(3,743,989)
<b>Other Financing Sources</b>		
Bond Proceeds/Interest		4,064,918
Transfers In		
	-	4,064,918
<b>Excess of Revenues and Other Sources, Over-Expenditures</b>	25,608	320,929
Fund Balances, October 1,	924,187	603,258
<b>Fund Balances, September 30,</b>	\$ 949,795	\$ 924,187

**CITY OF WESLACO, TEXAS**  
**DEBT SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>Interest and Sinking Fund</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 2,457,823	\$ 2,569,724	\$ 111,901
Penalty and Interest	91,000	83,647	(7,353)
Interest	1,510	21,292	19,782
Other		19,062	19,062
<b>Total Revenues</b>	2,550,333	2,693,725	143,392
<b>Expenditures</b>			
Debt service			
Defeased bonds			-
Redemption of serial bonds	1,303,980	1,648,950	(344,970)
Interest on bonds and notes	1,119,351	1,018,467	100,884
Fiscal charges	10,000	700	9,300
Bond issuance costs			-
Bank Service Charges			-
<b>Total Expenditures</b>	2,433,331	2,668,117	(234,786)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	117,002	25,608	91,394
<b>Other Financing Sources</b>			
Bond proceeds			-
Transfers in			-
Transfers out			-
	-	-	-
<b>Excess of Revenues and Other Sources, Over-Expenditures</b>	\$ 117,002	25,608	\$ 91,394
Fund Balance, October 1,		924,187	
<b>Fund Balance, September 30,</b>		\$ 949,795	

**CAPITAL PROJECTS FUND**

## **CAPITAL PROJECTS FUNDS**

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

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

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

**CITY OF WESLACO, TEXAS**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEETS**  
**SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<b>2003</b>	<b>2007</b>	<b>Totals</b>	
	<b>Certificate of Obligation Construction Fund</b>	<b>Certificate of Obligation Construction Fund</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>				
Cash	\$ 63,450	\$ 530,316	\$ 593,766	\$ 606,560
Investments			-	
Due from other funds			-	
Due from others			-	
<b>Total Assets</b>	\$ 63,450	\$ 530,316	\$ 593,766	\$ 606,560
 <b>Liabilities</b>				
Contract payable	\$ 27,264	\$ -	\$ 27,264	\$ -
Retainage payable			-	
Due to others			-	
Due to other funds			-	
<b>Total Liabilities</b>	27,264	-	27,264	-
 <b>Fund Balances</b>				
Unreserved-designated for capital expenditures	36,186	530,316	566,502	606,560
<b>Total Liabilities and Fund Balance</b>	\$ 63,450	\$ 530,316	\$ 593,766	\$ 606,560

**CITY FOR WESLACO, TEXAS**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	2003	2007	Totals	
	Certificate of Obligation Construction Fund	Certificate of Obligation Construction Fund	2012	2011
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ -	\$ 554
Other income			-	226
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780</u>
<b>Expenditures</b>				
Administrative expenditures			-	
Capital outlay				
Street improvements	40,058		40,058	30,746
Park improvements			-	
Mainstreet improvements			-	
Library Improvements			-	
Building improvements			-	
Equipment				
Streets & Highways			-	
Fire Department			-	
Emergency Management			-	
Police Department			-	
Land acquisition			-	
Cemetery improvements			-	
<b>Total Expenditures</b>	<u>40,058</u>	<u>-</u>	<u>40,058</u>	<u>30,746</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(40,058)</u>	<u>-</u>	<u>(40,058)</u>	<u>(29,966)</u>
<b>Other financing sources (uses)</b>				
Bond Management Fees			-	
Transfers in			-	
Transfers out			-	
<b>Total Other Financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(40,058)</u>	<u>-</u>	<u>(40,058)</u>	<u>(29,966)</u>
<b>Fund Balances, October 1,</b>	<u>76,244</u>	<u>530,316</u>	<u>606,560</u>	<u>636,526</u>
<b>Fund Balances, September 30,</b>	<u>\$ 36,186</u>	<u>\$ 530,316</u>	<u>\$ 566,502</u>	<u>\$ 606,560</u>

**CITY OF WESLACO, TEXAS**  
**2003 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest	\$ -	\$ -	\$ -
Intergovernmental revenues			-
Miscellaneous revenue			-
<b>Total Revenue</b>	-	-	-
 <b>Expenditures</b>			
Administration expenditures			
Capital outlay			
Street Improvements	67,749	40,058	27,691
Park Improvements			-
Mainstreet Beautification			-
Cemetary Expansion			-
<b>Total Expenditures</b>	67,749	40,058	27,691
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>	(67,749)	(40,058)	27,691
 <b>Other financing sources (uses)</b>			
Bond Management Fees			-
Transfers in			-
Transfers out			-
<b>Total Other Financing sources (uses)</b>	-	-	-
 <b>Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	\$ (67,749)	(40,058)	\$ 27,691
 <b>Fund Balances, October 1</b>		76,244	
<b>Fund Balances, September 30</b>		\$ 36,186	

**CITY OF WESLACO, TEXAS**  
**2007 CERTIFICATE OF OBLIGATION CONSTRUCTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest	\$ -	\$ -	\$ -
Intergovernmental revenues			-
Miscellaneous revenue			-
<b>Total Revenue</b>	-	-	-
<b>Expenditures</b>			
Administration expenditures			
Capital outlay			
Generator-fire station #2			-
Ambulance - Type I			
Rescue truck-pumper			-
Carpeting-library media center			-
Street improvements			
TxDot Advance Funding Agreement			-
Border st. (18th to 34th)			-
Frost proof drive			-
Westgate Drive	335,000		335,000
Renovation-public works bldg			-
Reserved			-
<b>Total Expenditures</b>	335,000	-	335,000
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(335,000)	-	335,000
<b>Other financing sources (uses)</b>			
Bond Management Fees			-
Transfers in			-
Transfers out			-
<b>Total Other Financing sources (uses)</b>	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (335,000)	-	\$ 335,000
<b>Fund Balances, October 1</b>		530,316	
<b>Fund Balances, September 30</b>		\$ 530,316	

## **ENTERPRISE FUNDS**

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

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

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

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

**CITY OF WESLACO, TEXAS  
ENTERPRISE FUND  
COMBINING BALANCE SHEETS  
SEPTEMBER 30, 2012**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Airport Fund</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 3,833,297	\$ 962,316	\$ -
Investments	-		
Receivables			
Customers (net of allowance)	1,886,192	729,075	6,557
Inventory	93,824		50,203
Prepaid Expenses			
Due from other funds	260,088	-	
Due from other governments	1,985,896		962
Due from others		76,577	
<b>Total Current Assets</b>	<b>8,059,297</b>	<b>1,767,968</b>	<b>57,722</b>
<b>Restricted Assets</b>			
Cash Escrow (TXDOT)			
Construction account			
Cash in bank			
Investments			
Due from other funds			
Revenue bond debt service account	70,818		
Revenue bond reserve account	469,687		
Revenue bond construction account	25,603,417		
Capital fee for construction	1,815,731		
<b>Total Restricted Assets</b>	<b>27,959,653</b>	<b>-</b>	<b>-</b>
<b>Property, Plant, and Equipment</b>			
Water and sewer plant	77,141,675		
Sanitation fixed assets		3,045,447	
Airport fixed assets			7,785,177
<b>Total</b>	<b>77,141,675</b>	<b>3,045,447</b>	<b>7,785,177</b>
Less: Allowances for depreciation	<b>(24,508,450)</b>	<b>(2,371,127)</b>	<b>(3,395,352)</b>
<b>Net Property, Plant, and Equipment</b>	<b>52,633,225</b>	<b>674,320</b>	<b>4,389,825</b>
<b>Total Assets</b>	<b>\$ 88,652,175</b>	<b>\$ 2,442,288</b>	<b>\$ 4,447,547</b>

<u>Totals</u>	
<u>2012</u>	<u>2011</u>
\$ 4,795,613	\$ 1,936,201
-	-
-	-
2,621,824	2,085,976
144,027	147,097
-	-
260,088	331,778
1,986,858	221,630
76,577.00	
9,884,987	4,722,682
-	-
-	-
-	-
-	-
70,818	25,906
469,687	469,687
25,603,417	388,490
1,815,731	1,700,358
27,959,653	2,584,441
-	-
77,141,675	69,107,455
3,045,447	3,045,447
7,785,177	7,372,636
87,972,299	79,525,538
(30,274,929)	(28,451,357)
57,697,370	51,074,181
\$ 95,542,010	\$ 58,381,304

**CITY OF WESLACO, TEXAS**  
**ENTERPRISE FUND-COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 524,028	\$ 404,490	\$ 7,886
Bank overdraft			12,539
Accrued salaries and payroll taxes		-	
Compensated absences	105,980	-	89,399
Volunteer separation payable	-	-	-
Due to other funds	-	-	-
Customer deposits	850,601		2,634
Other liabilities	146,639		
<b>Total Current Liabilities</b>	<u>1,627,248</u>	<u>404,490</u>	<u>112,458</u>
<b>Current Liabilities Payable from Restricted Assets</b>			
Construction contracts and retainage	1,655,426		
Accrued interest on bonds	315,832		
Revenue bonds payable-current	1,430,024		
<b>Total Current Liabilities Payable from Restricted Assets</b>	<u>3,401,282</u>	<u>-</u>	<u>-</u>
<b>Other Liabilities</b>			
Revenue bonds payable (net of current and unamortized issuance costs)	56,746,188	113,601	
Landfill closure and post-closure costs		717,878	
<b>Total Other Liabilities</b>	<u>56,746,188</u>	<u>831,479</u>	<u>-</u>
<b>Total Liabilities</b>	<u>61,774,718</u>	<u>1,235,969</u>	<u>112,458</u>
<b>Equity</b>			
<b>Contributed Capital</b>			
Contributed capital donation	11,000		
Contribution from City	2,926,974	3,715,956	1,398,150
Contributions in Aid of Construction	707,629		
Contributions from State Grants	3,954,105		1,617,395
Contributions from Revenue Sharing Fund			175,130
Contributions from Federal Grants	5,114,658	8,187	3,391,137
<b>Total Contributed Capital</b>	<u>12,714,366</u>	<u>3,724,143</u>	<u>6,581,812</u>
<b>Retained Earnings</b>			
Reserve for bond debt service	469,687		
Unreserved (Deficit)	13,693,404	(2,517,824)	(2,246,723)
<b>Total Retained Earnings</b>	<u>14,163,091</u>	<u>(2,517,824)</u>	<u>(2,246,723)</u>
<b>Total Equity</b>	<u>26,877,457</u>	<u>1,206,319</u>	<u>4,335,089</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 88,652,175</u>	<u>\$ 2,442,288</u>	<u>\$ 4,447,547</u>

<b>Totals</b>	
<b>2012</b>	<b>2011</b>
\$ 936,404	\$ 729,674
12,539	36,406
-	
195,379	208,958
-	
-	1,098,371
853,235	822,065
146,639	133,063
<u>2,144,196</u>	<u>3,028,537</u>
1,655,426	513,692
315,832	176,932
<u>1,430,024</u>	<u>940,492</u>
<u>3,401,282</u>	<u>1,631,116</u>
56,859,789	24,142,879
717,878	786,238
<u>57,577,667</u>	<u>24,929,117</u>
<u>63,123,145</u>	<u>29,588,770</u>
11,000	11,000
8,041,080	8,041,080
707,629	707,629
5,571,500	5,571,500
175,130	175,130
8,513,982	8,513,982
<u>23,020,321</u>	<u>23,020,321</u>
469,687	469,687
8,928,857	5,302,526
<u>9,398,544</u>	<u>5,772,213</u>
<u>32,418,865</u>	<u>28,792,534</u>
<u>\$ 95,542,010</u>	<u>\$ 58,381,304</u>

**CITY OF WESLACO, TEXAS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	Water and Sewer Fund	Sanitation Fund	Airport Fund
<b>Operating Revenues</b>			
Water sales	\$ 5,665,661	\$ -	\$ -
Sewer charges	4,336,976		
Sanitation charges		4,564,848	
Fuel sales			58,964
Hangar rental fees			44,423
Intergovernmental Revenues	-		-
Other Operating Revenues	351,403	81,717	7,507
<b>Total Operating Revenues</b>	<u>10,354,040</u>	<u>4,646,565</u>	<u>110,894</u>
<b>Operating Expenses Before Depreciation</b>			
Personal services	1,031,403	3,461	178,248
Other services and charges	1,061,030	232,645	101,535
Supplies	399,232	32	22,748
Contractual services	3,354,799	3,864,264	-
<b>Total Operating Expenses</b>	<u>5,846,464</u>	<u>4,100,402</u>	<u>302,531</u>
<b>Operating Income Before Depreciation</b>	4,507,576	546,163	(191,637)
Depreciation	(1,478,946)	(141,705)	(202,921)
<b>Operating Income (Loss)</b>	<u>3,028,630</u>	<u>404,458</u>	<u>(394,558)</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest earned	13,629	-	-
Unrealized gain on investments	-		
Bond issuance costs	(801,793)		
Bond interest and fiscal charges	(1,947,921)	(6,400)	
Capital improvement fee	680,865		
Capital grants	2,004,959		419,642
Loss on sale of asset	-		
<b>Total Non-operating Revenues (Expenses)</b>	<u>(50,261)</u>	<u>(6,400)</u>	<u>419,642</u>
<b>Income (Loss) Before Operating Transfers and Extraordinary Items</b>	2,978,369	398,058	25,084
<b>Operating Transfers and Extrordinary Items</b>			
Operating Transfers In	-	-	200,000
Operating Transfers (Out)	-	-	-
<b>Total Net Operating Transfers</b>	<u>-</u>	<u>-</u>	<u>200,000</u>
<b>Net Income (Loss)</b>	2,978,369	398,058	225,084
<b>Retained Earnings, October 1,</b>	<u>11,184,722</u>	<u>(2,915,882)</u>	<u>(2,471,807)</u>
<b>Retained Earnings, September 30,</b>	<u>\$ 14,163,091</u>	<u>\$ (2,517,824)</u>	<u>\$ (2,246,723)</u>

**Totals**

<u>2012</u>	<u>2011</u>
\$ 5,665,661	\$ 4,728,977
4,336,976	3,772,857
4,564,848	4,058,601
58,964	60,233
44,423	47,332
-	
<u>440,627</u>	<u>360,030</u>
<u>15,111,499</u>	<u>13,028,030</u>
1,213,112	1,420,337
1,395,210	1,505,688
422,012	374,615
<u>7,219,063</u>	<u>7,099,030</u>
<u>10,249,397</u>	<u>10,399,670</u>
4,862,102	2,628,360
<u>(1,823,572)</u>	<u>(1,676,776)</u>
<u>3,038,530</u>	<u>951,584</u>
13,629	109
-	
(801,793)	
(1,954,321)	(1,284,831)
680,865	621,306
2,424,601	154,017
-	
<u>362,981</u>	<u>(509,399)</u>
3,401,511	442,185
200,000	200,000
-	
<u>200,000</u>	<u>200,000</u>
3,601,511	642,185
<u>5,797,033</u>	<u>5,130,028</u>
<u>\$ 9,398,544</u>	<u>\$ 5,772,213</u>

**CITY OF WESLACO, TEXAS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(WITH COMPARATIVE TOTALS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011)**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 9,975,853	\$ 4,481,181	\$ 384,688
Cash received from others	31,170	-	
Cash received from operating grants	-	212,175	-
Cash received from other funds for services	(926,819)		
Cash payments to suppliers for goods and services	(4,618,882)	(4,150,027)	(387,461)
Cash payments to employees for services	(1,042,769)	(3,461)	(180,461)
Cash payments to other funds for services	(140,485)	(171,552)	
Net cash provided (used) by operating activities	<u>3,278,068</u>	<u>368,316</u>	<u>(183,234)</u>
<b>Cash flows from non-capital financing activities</b>			
Capital Grants			419,642
Transfers from other funds	-	-	200,000
Transfers to other funds	-	-	-
Volunteer separation plan	-		
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>619,642</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(6,627,122)	-	(412,541)
Casualty loss			
Proceeds from sales of capital assets			
Retirement of accounts payable			-
Capital improvements/administrative fees	680,865		
Interest paid on bonds	(1,809,021)	(10,701)	
Retirement of bonds	(941,050)	(50,000)	
Bond proceeds (net)	25,701,793		
Note proceeds	8,500,000		
Landfill closure costs		(68,360)	
Sewer Backup Issues	(801,793)		
Contributed capital -Urban County	-		
Net cash provided (used) from capital and related financing activities	<u>24,703,672</u>	<u>(129,061)</u>	<u>(412,541)</u>
<b>Cash flow from investing activities:</b>			
Interest on cash and investments	13,629	-	-
Unrealized loss on investments	-		
Net increase (decrease) in cash and cash investments	<u>27,995,369</u>	<u>239,255</u>	<u>23,867</u>
Cash and cash investments, October 1	<u>3,797,581</u>	<u>723,061</u>	<u>(36,406)</u>
Cash and cash investments, September 30	<u>\$ 31,792,950</u>	<u>\$ 962,316</u>	<u>\$ (12,539)</u>

<b>Totals</b>	
<u>2012</u>	<u>2011</u>
\$ 14,841,722	\$ 13,003,732
31,170	49,227
212,175	
(926,819)	474,577
(9,156,370)	(9,185,444)
(1,226,691)	(1,483,854)
<u>(312,037)</u>	<u>(474,577)</u>
<u>3,463,150</u>	<u>2,383,661</u>
419,642	
200,000	200,000
-	
<u>619,642</u>	<u>200,000</u>
(7,039,663)	(4,619,702)
-	
-	
-	
680,865	621,306
(1,819,722)	(1,291,037)
(991,050)	(5,047,677)
25,701,793	3,902,082
8,500,000	
(68,360)	(104,110)
(801,793)	
-	<u>8,162</u>
<u>24,162,070</u>	<u>(6,530,976)</u>
13,629	109
-	
<u>28,258,491</u>	<u>(3,947,206)</u>
4,484,236	8,431,442
<u>\$ 32,742,727</u>	<u>\$ 4,484,236</u>

**CITY OF WESLACO, TEXAS  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>
<b>Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:</b>			
Income (Loss) from operations:	\$ 3,028,630	\$ 404,458	\$ (394,558)
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:			
Depreciation	1,478,946	141,705	202,921
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivables	(378,187)	(165,384)	7,723
(Increase) Decrease in Due from Other Funds	(140,485)	212,175	-
(Increase) Decrease in Due from Others	-		(813)
(Increase) Decrease in Inventories	-	(76,577)	3,070
Increase (Decrease) in Accounts Payable	182,603	23,491	636
Increase (Decrease) in Due to Other Funds	(926,819)	(171,552)	-
Increase (Decrease) in Deposits	31,170		-
Increase (Decrease) in other Liabilities	13,576	-	
Increase (Decrease) in Compensated Absences	(11,366)	-	(2,213)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,278,068</u>	<u>\$ 368,316</u>	<u>\$ (183,234)</u>

**Reconciliation of Total Cash and Cash Investments**

Current Cash - Cash And Cash Investments	\$ 3,833,297	\$ 962,316	\$ -
Restricted Assets - Cash And Cash Investments	27,959,653	-	-
Current Liabilities - Bank Overdraft	-	-	(12,539)
<b>Total Cash and Cash Investments</b>	<u>\$ 31,792,950</u>	<u>\$ 962,316</u>	<u>\$ (12,539)</u>

<u>Totals</u>	
<u>2012</u>	<u>2011</u>
\$ 3,038,530	\$ 951,584
1,823,572	1,676,776
(535,848)	(262,155)
71,690	474,577
(813)	101
(73,507)	(10,018)
206,730	60,950
(1,098,371)	(474,577)
31,170	49,227
13,576	(33,803)
(13,579)	(49,001)
<u>\$ 3,463,150</u>	<u>\$ 2,383,661</u>
\$ 4,795,613	\$ 1,936,201
27,959,653	2,584,441
(12,539)	(36,406)
<u>\$ 32,742,727</u>	<u>\$ 4,484,236</u>

**WATER AND SEWER FUND**

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012 AND 2011**

<b>Assets</b>	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash	\$ 3,833,297	\$ 1,213,140
Investments		
Accounts receivable (net of allowance)	1,886,192	1,508,005
Inventory	93,824	93,824
Due from other funds	260,088	119,603
Due from others	1,985,896	221,481
<b>Total Current Assets</b>	<u>8,059,297</u>	<u>3,156,053</u>
<b>Restricted Assets</b>		
Revenue bond debt service	70,818	25,906
Revenue bond reserve		
Cash	469,687	469,687
Investments:		
Revenue bond construction	25,603,417	388,490
Capital Fee for Construction	1,815,731	1,700,358
<b>Total Restricted Assets</b>	<u>27,959,653</u>	<u>2,584,441</u>
<b>Property, Plant, and Equipment</b>		
Water Plant in service	16,649,938	16,555,801
Sewer Plant in service	28,936,428	28,621,782
<b>Total Plant and Equipment</b>	<u>45,586,366</u>	<u>45,177,583</u>
Construction-in-Progress	31,555,309	23,929,872
Total Property, Plant and Equipment	77,141,675	69,107,455
Less: Accumulated depreciation	<u>(24,508,450)</u>	<u>(23,029,504)</u>
<b>Total Net Property, Plant, and Equipment</b>	<u>52,633,225</u>	<u>46,077,951</u>
<b>Total Assets</b>	<u>\$ 88,652,175</u>	<u>\$ 51,818,445</u>

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUNDS  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012 AND 2011**

	2012	2011
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Payable from current assets		
Accounts payable	\$ 524,028	\$ 341,425
Accrued salaries and payroll taxes		
Compensated absences	105,980	117,346
Volunteer separation payable		
Due to other funds		926,819
Customer deposits	850,601	819,431
Other liabilities	146,639	133,063
<b>Total Current Liabilities</b>	<b>1,627,248</b>	<b>2,338,084</b>
<b>Payable from Restricted Assets</b>		
Construction contracts and retainage	1,655,426	513,692
Accrued interest on bonds	315,832	176,932
Revenue bonds payable-current	1,430,024	940,492
<b>Total Payable from Restricted Assets</b>	<b>3,401,282</b>	<b>1,631,116</b>
<b>Other Liabilities</b>		
Revenue bonds payable (net of current and unamortized issuance costs)	56,746,188	23,974,977
<b>Total Liabilities</b>	<b>61,774,718</b>	<b>27,944,177</b>
<b>Equity</b>		
<b>Contributed Capital</b>		
Contributions from Individuals	11,000	11,000
Contributions from City	2,926,974	2,926,974
Contributions in Aid of Construction	707,629	707,629
Contributions from State Grants	3,954,105	3,954,105
Contributions from Federal Grants	5,114,658	5,114,658
<b>Total Contributed Capital</b>	<b>12,714,366</b>	<b>12,714,366</b>
<b>Retained Earnings</b>		
Reserve for bond debt service	469,687	469,687
Unreserved	13,693,404	10,690,215
<b>Total Retained Earnings</b>	<b>14,163,091</b>	<b>11,159,902</b>
<b>Total Equity</b>	<b>26,877,457</b>	<b>23,874,268</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 88,652,175</b>	<b>\$ 51,818,445</b>

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUNDS  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Water sales	\$ 5,665,661	\$ 4,728,977
Sewer charges	4,336,976	3,772,857
Other Operating Revenues:		
Tap fees	40,973	44,320
Penalties	201,562	164,221
Intergovernmental Revenues		
Miscellaneous	108,868	79,379
<b>Total Operating Revenues</b>	<u>10,354,040</u>	<u>8,789,754</u>
<b>Operating Expenses Before Depreciation</b>		
Personal services	1,031,403	1,183,183
Other services and charges	1,061,030	1,149,868
Supplies	399,232	355,096
Contractual services-operations	2,334,409	2,427,547
Contractual services-administrative	1,020,390	979,291
<b>Total Operating Expenses</b>	<u>5,846,464</u>	<u>6,094,985</u>
<b>Operating Income Before Depreciation</b>	4,507,576	2,694,769
Depreciation	<u>(1,478,946)</u>	<u>(1,378,793)</u>
<b>Operating Income (Loss)</b>	<u>3,028,630</u>	<u>1,315,976</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest earned	13,629	109
Unrealized gain on investments		
Bond issuance costs	(801,793)	
Bond interest and fiscal charges	(1,947,921)	(1,274,234)
Capital Improvement fee	680,865	621,306
Capital Grants	2,004,959	107,090
Loss on Sale of Asset		
<b>Total Non-operating Revenues (Expenses)</b>	<u>(50,261)</u>	<u>(545,729)</u>
<b>Income (Loss) Before Operating Transfers and Extraordinary Items</b>	2,978,369	770,247
<b>Operating Transfers and Extraordinary Items</b>		
Operating Transfers In		
Operating Transfers (Out)		
<b>Total Net Operating Transfers</b>	<u>-</u>	<u>-</u>
<b>Net Income (Loss)</b>	2,978,369	770,247
<b>Retained Earnings, October 1, As Restated</b>	<u>11,184,722</u>	<u>10,389,655</u>
<b>Prior Period Adjustments</b>		24,820
<b>Retained Earnings, September 30,</b>	<u>\$ 14,163,091</u>	<u>\$ 11,184,722</u>

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 9,975,853	\$ 8,537,164
Cash received from others	31,170	49,227
Cash received from operating grants		
Cash received from other funds for services	(926,819)	474,577
Cash payments to suppliers for good and services	(4,618,882)	(4,874,414)
Cash payments to employees for services	(1,042,769)	(1,212,312)
Cash payments to other funds for services	(140,485)	
<b>Net cash provided (used) by operating activities</b>	<u>3,278,068</u>	<u>2,974,242</u>
<b>Cash flow from non-capital financing activities</b>		
Transfers from other funds		
Transfers to other funds		
<b>Net cash provided (used) by non-capital financing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets:		
Capital improvements/administrative fees	(6,627,122)	(4,612,291)
Interest paid on bonds	680,865	621,306
Bond proceeds	(1,809,021)	(1,283,237)
Retirement of bonds	34,201,793	3,902,082
Bond issuance costs	(941,050)	(4,997,677)
Contributed capital - Urban County		8,162
<b>Net cash provided (used) by capital and related financing activities</b>	<u>24,703,672</u>	<u>(6,361,655)</u>
<b>Cash flow from investing activities:</b>		
Interest on cash and investments	13,629	109
Unrealized loss on investments		
	<u>13,629</u>	<u>109</u>
<b>Net (decrease) in cash and cash investments</b>	27,995,369	(3,387,304)
Cash and cash investments, October 1	<u>3,797,581</u>	<u>7,184,885</u>
<b>Cash and cash investments, September 30</b>	<u>\$ 31,792,950</u>	<u>\$ 3,797,581</u>

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

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>2012</b>	<b>2011</b>
<b>Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:</b>		
Income (Loss) from operations:	\$ 3,028,630	\$ 1,315,976
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	1,478,946	1,378,793
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	(378,187)	(252,590)
(Increase) Decrease in Due from Other Funds	(140,485)	474,577
(Increase) Decrease in Due from Others	-	-
(Increase) Decrease in Inventories	-	-
Increase (Decrease) in Accounts Payable	182,603	56,675
Increase (Decrease) in Due to Other Funds	(926,819)	
Increase (Decrease) in Deposits	31,170	49,227
Increase (Decrease) in other Liabilities	13,576	(19,287)
Increase (Decrease) in Compensated Absences	(11,366)	(29,129)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,278,068</b>	<b>\$ 2,974,242</b>

**Reconciliation of Total Cash and Cash Investments**

Current Cash - Cash And Cash Investments	\$ 3,833,297	\$ 1,213,140
Restricted Assets - Cash And Cash Investments	27,959,653	2,584,441
<b>Total Cash and Cash Investments</b>	<b>\$ 31,792,950</b>	<b>\$ 3,797,581</b>

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

**CITY OF WESLACO, TEXAS  
WATER AND SEWER FUND  
SCHEDULE OF CHANGES IN RESTRICTED ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Revenue Bond Debt Service</u>	<u>Revenue Bond Reserve</u>	<u>Reserve for Construction</u>	<u>Capital Fee- Construction</u>	<u>Totals</u>
<b>Asset Balances,</b> October 1, 2011	\$ 25,906	\$ 469,687	\$ 388,490	\$ 1,700,358	\$ 2,584,441
<b>Cash Receipts:</b>					
Bond proceeds			24,335,000		24,335,000
Note proceeds	2,786,919		8,500,000		11,286,919
Transfers in					-
Capital Fee				680,865	680,865
Interest earned	8,264		5,364		13,628
Unrealized loss					-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>					
<b>Available</b>	<u>2,821,089</u>	<u>469,687</u>	<u>33,228,854</u>	<u>2,381,223</u>	<u>38,900,853</u>
<b>Cash Disbursements:</b>					
Construction contracts			7,625,437		7,625,437
Operating Costs					-
Transfer out				565,492	565,492
Bond issuance costs					-
Principal payments	941,050				941,050
Interest payments	1,808,721				1,808,721
Fiscal agent's fees	500				500
Rebatable liability					-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Disbursements</b>	<u>2,750,271</u>	<u>-</u>	<u>7,625,437</u>	<u>565,492</u>	<u>10,941,200</u>
<b>Asset Balances</b> September 30, 2012	<u>\$ 70,818</u>	<u>\$ 469,687</u>	<u>\$ 25,603,417</u>	<u>\$ 1,815,731</u>	<u>\$ 27,959,653</u>

**CITY OF WESLACO, TEXAS  
WATER AND SEWER OPERATIONS  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
TO INDICATE NET REVENUE AVAILABLE FOR DEBT SERVICE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Water sales	\$ 5,665,661	\$ 4,728,977
Sewer charges	4,336,976	3,772,857
Other revenues	351,403	287,920
<b>Total Operating Revenues</b>	<u>10,354,040</u>	<u>8,789,754</u>
<b>Operating Expenses</b>		
Personal services	1,031,403	1,183,183
Other services and charges	1,061,030	1,149,868
Supplies	399,232	355,096
Contractual services	3,354,799	3,406,838
<b>Total Operating Expenses</b>	<u>5,846,464</u>	<u>6,094,985</u>
<b>Income Before Non-operating Revenues (Expenses)</b>	<u>4,507,576</u>	<u>2,694,769</u>
<b>Non-operating Revenues (Expenses)</b>		
Capital Improvement Fee	680,865	621,306
Interest earned	13,629	109
Unrealized gain on investments	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>694,494</u>	<u>621,415</u>
<b>Net Revenue Available For Debt Service</b>	<u>\$ 5,202,070</u>	<u>\$ 3,316,184</u>

**CITY OF WESLACO, TEXAS  
WATER OPERATIONS  
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION  
SEPTEMBER 30, 2012**

	<b>Fixed Assets</b>			<b>Balance 9/30/2012</b>
	<b>Balance 10/1/2011</b>	<b>Current</b>		
		<b>Additions</b>	<b>Retirements</b>	
<b>Water System and Equipment</b>				
Land	\$ 163,584	\$ -	\$ -	\$ 163,584
Buildings	236,047			236,047
Improvements than buildings	12,533,905			12,533,905
Equipment	3,622,265	94,137		3,716,402
<b>Total Water System and Equipment</b>	<b>16,555,801</b>	<b>94,137</b>	<b>-</b>	<b>16,649,938</b>
Construction-in-progress	4,258,082	7,011,653		11,269,735
<b>Total Utility Plant-in- Service</b>	<b>\$ 20,813,883</b>	<b>\$ 7,105,790</b>	<b>\$ -</b>	<b>\$ 27,919,673</b>

**Allowance for Depreciation**

<b>Depreciation Rate</b>	<b>Balance</b>	<b>Current</b>		<b>Balance</b>	<b>Net Book Value</b>
	<b>10/1/2011</b>	<b>Depreciation</b>	<b>Retirements</b>	<b>9/30/2012</b>	
	\$ -	\$ -	\$ -	\$ -	\$ 163,584
2 1/2-5%	150,766	7,398	-	158,164	77,883
2 1/2-20%	7,038,836	342,682	-	7,381,518	5,152,387
2 1/2-20%	2,842,347	167,259	-	3,009,606	706,796
	<u>10,031,949</u>	<u>517,339</u>	<u>-</u>	<u>10,549,288</u>	<u>6,100,650</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,269,735</u>
	<u>\$ 10,031,949</u>	<u>\$ 517,339</u>	<u>\$ -</u>	<u>\$ 10,549,288</u>	<u>\$ 17,370,385</u>

**CITY OF WESLACO, TEXAS**  
**SEWER OPERATIONS**  
**SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION**  
**SEPTEMBER 30, 2012**

	<b>Fixed Assets</b>			<b>Balance 9/30/2012</b>
	<b>Balance 10/1/2011</b>	<b>Current</b>		
		<b>Additions Adjustment</b>	<b>Retirements Adjustment</b>	
<b>Sewer Plant Systems and Equipment</b>				
Land	\$ 501,591		\$ -	\$ 501,591
Buildings	126,276	-	-	126,276
Improvements other than buildings	26,708,969		-	26,708,969
Equipment	1,284,946	74,102	-	1,359,048
<b>Total Sewer Plant Systems and Equipment</b>	<b>28,621,782</b>	<b>74,102</b>	<b>-</b>	<b>28,695,884</b>
Construction-in-progress	19,671,790	613,784	-	20,285,574
<b>Total Sewer Plant-in- Service</b>	<b>48,293,572</b>	<b>687,886</b>	<b>-</b>	<b>48,981,458</b>
Total Water Plant-In-Service	20,813,883	7,105,790	-	27,919,673
<b>Total Water and Sewer Plant-In-Service</b>	<b>\$ 69,107,455</b>	<b>\$ 7,793,676</b>	<b>\$ -</b>	<b>\$ 76,901,131</b>

**Allowance for Depreciation**

Depreciation Rate	Balance 10/1/2011	Current		Balance 9/30/2012	Net Book Value
		Depreciation	Retirements		
	\$ 39,951	\$ - (883)	\$ - -	\$ - 39,068	\$ 501,591 87,208
2 1/2-4%	11,740,975	935,708		12,676,683	14,032,286
2 1/2-20%	1,216,629	26,782		1,243,411	115,637
	<u>12,997,555</u>	<u>961,607</u>	<u>-</u>	<u>13,959,162</u>	<u>14,736,722</u>
					<u>20,285,574</u>
	<u>12,997,555</u>	<u>961,607</u>	<u>-</u>	<u>13,959,162</u>	<u>35,022,296</u>
	<u>10,031,949</u>	<u>517,339</u>	<u>-</u>	<u>10,549,288</u>	<u>17,370,385</u>
	<u>\$ 23,029,504</u>	<u>\$ 1,478,946</u>	<u>\$ -</u>	<u>\$ 24,508,450</u>	<u>\$ 52,392,681</u>

**CITY OF WESLACO, TEXAS**  
**COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES**  
**FROM WATER OPERATIONS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012 AND 2011**

	2012	2011
<b>Operating Revenues</b>		
Water sales	\$ 5,665,661	\$ 4,728,977
Intergovernmental Revenues		8,162
Other Operating Revenues		
Tap fees	40,973	44,320
Penalties	108,563	86,325
Miscellaneous	84,292	79,379
<b>Total Operating Revenues</b>	5,899,489	4,947,163
<b>Operating Expenses Before Depreciation</b>		
Personal services	931,638	956,520
Other services and charges	523,344	583,380
Supplies	390,862	345,732
Contractual services-water operations	953,509	1,330,372
Contractual services-administrative services	600,000	650,000
<b>Total Operating Expenses</b>	3,399,353	3,866,004
<b>Operating Income Before Depreciation</b>	2,500,136	1,081,159
Depreciation	(517,340)	(464,100)
<b>Operating Income (Loss)</b>	1,982,796	617,059
<b>Non-operating Revenue (Expenses)</b>		
Interest earned	4,089	33
Unrealized gain on investments		
Bond insurance costs	(721,614)	
Rebatable arbitrage		
Capital Grants	1,299,952	98,928
Bond interest and fiscal charges	(584,336)	(382,270)
<b>Total Non-operating Revenues (Expenses)</b>	(1,909)	(283,309)
<b>Income(Loss) Before Operating Transfers and Extraordinary Items</b>	1,980,887	333,750
Operating Transfers In		
Operating Transfers Out		
Volunteer Separation Expense		
<b>Total Net Operating Transfers and Extraordinary Items</b>	-	-
<b>Net Income (Loss)</b>	\$ 1,980,887	\$ 333,750

**CITY OF WESLACO, TEXAS**  
**COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES**  
**FROM SEWER OPERATIONS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Sewer charges	\$ 4,336,976	\$ 3,772,857
Intergovernmental Revenue	-	-
Other Operating Revenues		
Penalties	92,999	77,896
Miscellaneous	24,576	
<b>Total Operating Revenues</b>	<u>4,454,551</u>	<u>3,850,753</u>
<b>Operating Expenses Before Depreciation</b>		
Personal services	99,765	226,663
Other services and charges	537,686	566,488
Supplies	8,370	9,364
Contractual services-sewer operations	1,380,900	1,097,175
Contractual services-administrative services	420,390	329,291
<b>Total Operating Expenses</b>	<u>2,447,111</u>	<u>2,228,981</u>
<b>Operating Income Before Depreciation</b>	2,007,440	1,621,772
Depreciation	<u>(961,606)</u>	<u>(914,693)</u>
<b>Operating Income (Loss)</b>	<u>1,045,834</u>	<u>707,079</u>
<b>Non-operating Revenues (Expenses)</b>		
Capital Improvement Fee	680,865	621,306
Interest earned	9,540	76
Bond insurance costs	(80,179)	
Loss on Sale of Asset		
Capital Grants	464,463	
Bond interest and fiscal charges	<u>(1,363,585)</u>	<u>(891,964)</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>(288,896)</u>	<u>(270,582)</u>
<b>Income (Loss) Before Operating Transfers and Extraordinary Items</b>	756,938	436,497
Operating Transfers In		
Operating Transfers (Out)		
Volunteer Separation Expense		
<b>Total Net Operating Transfers and Extraordinary Extraordinary Expense</b>	<u>-</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>\$ 756,938</u>	<u>\$ 436,497</u>

**CITY OF WESLACO, TEXAS  
WATER OPERATIONS  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>DEPARTMENT</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Water Supply, Pumping and Purification</b>			
Personal services	\$ 143,647	\$ 134,477	\$ 9,170
Other services & charges	223,112	217,016	6,096
Supplies	452,591	331,042	121,549
Contractual services	1,289,583	953,509	336,074
<b>Total Water Supply, Pumping and Purification</b>	<b>2,108,933</b>	<b>1,636,044</b>	<b>472,889</b>
<b>Water Transmission and Distribution</b>			
Personal services	396,492	400,478	(3,986)
Other services & charges	138,672	123,666	15,006
Supplies	37,914	30,111	7,803
Contractual services	-	-	-
<b>Total Water Transmission and Distribution</b>	<b>573,078</b>	<b>554,255</b>	<b>18,823</b>
<b>Maintenance Shop</b>			
Personal services	161,592	164,620	(3,028)
Other services & charges	68,819	62,182	6,637
Supplies	18,831	16,616	2,215
Contractual	-	-	-
<b>Total Maintenance Shop</b>	<b>249,242</b>	<b>243,418</b>	<b>5,824</b>
<b>Administration and Finance</b>			
Personal services	224,497	232,063	(7,566)
Other services & charges	86,292	84,484	1,808
Supplies	14,885	13,094	1,791
Contractual/General government	600,000	600,000	-
Bad debt expense	-	35,995	(35,995)
<b>Total Administration and Finance</b>	<b>925,674</b>	<b>965,636</b>	<b>(39,962)</b>
<b>Total Operating Expenses</b>	<b>\$ 3,856,927</b>	<b>\$ 3,399,353</b>	<b>\$ 457,574</b>

**CITY OF WESLACO, TEXAS  
SEWER OPERATIONS  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>DEPARTMENT</b>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Sewage Pumping and Collection</b>			
Personal services	\$ 117,042	\$ 99,765	\$ 17,277
Other services & charges	65,463	64,063	1,400
Supplies	8,540	8,370	170
Contractual services	<u>302,661</u>	<u>309,117</u>	<u>(6,456)</u>
<b>Total Sewage Pumping and Collections</b>	<u>493,706</u>	<u>481,315</u>	<u>12,391</u>
<b>Sewage Treatment</b>			
Other services & charges	449,713	449,713	-
Supplies	-	-	-
Contractual services	<u>1,069,111</u>	<u>1,071,783</u>	<u>(2,672)</u>
<b>Total Sewage Treatment</b>	<u>1,518,824</u>	<u>1,521,496</u>	<u>(2,672)</u>
<b>Administration and Finance</b>			
Bad debt expense		23,910	(23,910)
Contractual/General government	<u>420,390</u>	<u>420,390</u>	<u>-</u>
<b>Total Administration and Finance</b>	<u>420,390</u>	<u>444,300</u>	<u>(23,910)</u>
<b>Total Operating Expense</b>	<u>\$ 2,432,920</u>	<u>\$ 2,447,111</u>	<u>\$ (14,191)</u>

**SANITATION FUND**

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012**

	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 962,316	\$ 723,061
Accounts receivable (net of allowance)	729,075	563,691
Due from other funds		212,175
Due from others	76,577	-
<b>Total Current Assets</b>	<b>1,767,968</b>	<b>1,498,927</b>
<b>Property, Plant and Equipment</b>		
Equipment in service	3,045,447	3,045,447
Less: Accumulated depreciation	(2,371,127)	(2,229,422)
<b>Total Property, Plant and Equipment</b>	<b>674,320</b>	<b>816,025</b>
<b>Total Assets</b>	<b>\$ 2,442,288</b>	<b>\$ 2,314,952</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 404,490	\$ 380,999
Accrued salaries and payroll tax		
Compensated absences		
Due to other funds		171,552
<b>Total Current Liabilities</b>	<b>404,490</b>	<b>552,551</b>
<b>Long-Term Liabilities</b>		
Revenue bonds payable (net of current and unamortized issuance costs)	113,601	167,902
Long-term closure and post-closure liabilities	717,878	786,238
<b>Total Liabilities</b>	<b>1,235,969</b>	<b>1,506,691</b>
<b>Equity</b>		
Contributions from city	3,715,956	3,715,956
Contributions from federal government	8,187	8,187
<b>Total Contributed Capital</b>	<b>3,724,143</b>	<b>3,724,143</b>
<b>Retained Earnings</b>		
Unreserved (Deficit)	(2,517,824)	(2,915,882)
<b>Total Equity</b>	<b>1,206,319</b>	<b>808,261</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,442,288</b>	<b>\$ 2,314,952</b>

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Garbage fees	\$ 3,509,237	\$ 3,112,296
Brush fees	1,055,611	946,305
Other operating revenues/insurance proceeds	76,819	67,271
Recycling fees	4,898	1,143
<b>Total Operating Revenues</b>	<u>4,646,565</u>	<u>4,127,015</u>
<b>Operating Expenses Before Depreciation</b>		
Personal services	3,461	31,601
Other services and charges	232,645	249,395
Supplies	32	91
Contractual	3,864,264	3,692,192
<b>Total Operating Expenses</b>	<u>4,100,402</u>	<u>3,973,279</u>
<b>Operating Income (Loss) Before Depreciation</b>	546,163	153,736
Depreciation	<u>(141,705)</u>	<u>(96,700)</u>
<b>Operating Income (Loss)</b>	404,458	57,036
<b>Non-operating Revenues (Expenses)</b>		
Interest earned		
Capital Grants		
Bond Interest and Fiscal Changes	<u>(6,400)</u>	<u>(10,597)</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>(6,400)</u>	<u>(10,597)</u>
<b>Income (Loss) Before Operating Transfers And Extraordinary Items</b>	398,058	46,439
<b>Operating Transfers and Extraordinary Items</b>		
Operating Transfers In		
Operating Transfers (Out)		
Volunteer Separation Expense		
<b>Total Net Operating Transfers and Extraordinary Items</b>	<u>-</u>	<u>-</u>
<b>Net Income (Loss)</b>	398,058	46,439
<b>Prior Period Adjustment</b>		
Retained Earnings, October 1	<u>(2,915,882)</u>	<u>(2,962,321)</u>
Retained Earnings, September 30	<u>\$ (2,517,824)</u>	<u>\$ (2,915,882)</u>

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 4,481,181	\$ 4,121,041
Cash received from others		
Cash received from other funds	212,175	
Cash payments to suppliers for goods and services	(4,150,027)	(3,936,800)
Cash payments to employees for services	(3,461)	(74,288)
Cash payments to other funds	<u>(171,552)</u>	<u>(474,577)</u>
<b>Net cash provided (used) by operating activities</b>	<u>368,316</u>	<u>(364,624)</u>
 <b>Cash flows from non-capital financing activities</b>		
Transfers from other funds		
Transfers to other funds		
<b>Net cash provided (used) by non-capital financing activities</b>	<u>-</u>	<u>-</u>
 <b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets		
Interest Paid on Bonds	(10,701)	(7,800)
Bond revenue proceeds (net)	(50,000)	(50,000)
Landfill closure costs	(68,360)	(104,110)
Capital Contribution		
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(129,061)</u>	<u>(161,910)</u>
 <b>Cash flow from investing activities:</b>		
Interest on cash and investments		
 <b>Net increase (decrease) in cash and cash investments</b>	239,255	(526,534)
 Cash and cash investments, October 1	<u>723,061</u>	<u>1,249,595</u>
 <b>Cash and cash investments, September 30</b>	<u>\$ 962,316</u>	<u>\$ 723,061</u>

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>2012</b>	<b>2011</b>
<b>Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:</b>		
Income (Loss) from operations:	\$ 404,458	\$ 57,036
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	141,705	96,700
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	(165,384)	(5,974)
(Increase) Decrease in Due from Other Funds	212,175	
(Increase) Decrease in Due From Others	(76,577)	
Increase (Decrease) in Accounts Payable	23,491	4,878
Increase (Decrease) in Due to Other Funds	(171,552)	(474,577)
Increase (Decrease) in Accrued Liabilities		(14,516)
Increase (Decrease) in Compensated Absences		(28,171)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 368,316</b>	<b>\$ (364,624)</b>

**Reconciliation of Total Cash and Cash Investments**

Current Cash - Cash And Cash Investments	\$ 962,316	\$ 723,061
Restricted Assets - Cash And Cash Investments	-	-
<b>Total Cash and Cash Investments</b>	<b>\$ 962,316</b>	<b>\$ 723,061</b>

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>DEPARTMENT</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
<b>Waste Collection</b>			
Personal services	\$ 2,535	\$ 2,337	\$ 198
Other services & charges	6,026	6,026	-
Supplies			-
Contractual	<u>2,729,721</u>	<u>2,826,754</u>	<u>(97,033)</u>
<b>Total Waste Collection</b>	<u>2,738,282</u>	<u>2,835,117</u>	<u>(96,835)</u>
<b>Waste Disposal</b>			
Personal services	1,413	1,124	289
Other services & charges	1,485	1,485	-
Supplies	3,000	32	2,968
Landfill-Tipping fees			-
<b>Total Waste Disposal</b>	<u>5,898</u>	<u>2,641</u>	<u>3,257</u>
<b>Brush Collection</b>			
Personal services			
Contractual	<u>995,500</u>	<u>1,036,896</u>	<u>(41,396)</u>
<b>Total Brush Collection</b>	<u>995,500</u>	<u>1,036,896</u>	<u>(41,396)</u>
<b>Landfill</b>			
Other services & charges	112,065	3,457	108,608
Supplies			-
Contractual	<u>614</u>	<u>614</u>	<u>-</u>
<b>Total Landfill</b>	<u>112,679</u>	<u>4,071</u>	<u>108,608</u>
<b>Administration and Financing</b>			
Personal services			-
Contractual/General government	200,750	200,750	-
Bad debt expense		<u>20,927</u>	<u>(20,927)</u>
<b>Total Administration and Financing</b>	<u>200,750</u>	<u>221,677</u>	<u>(20,927)</u>
<b>Total Operating Expenses</b>	<u>\$ 4,053,109</u>	<u>\$ 4,100,402</u>	<u>\$ (47,293)</u>

**CITY OF WESLACO, TEXAS  
SANITATION FUND  
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION  
SEPTEMBER 30, 2012**

<b>SANITATION FIXED ASSETS</b>	<b>Fixed Assets</b>			<b>Balance 9/30/12</b>
	<b>Balance 10/1/11</b>	<b>Current Additions</b>	<b>Retirements</b>	
Land	\$ 421,247	\$ -	\$ -	\$ 421,247
Improvements other than buildings	64,461			64,461
Equipment	1,890,958			1,890,958
<b>Total Sanitation Fixed Assets</b>	2,376,666	-	-	2,376,666
Recycling Center	668,781			668,781
<b>Total Fixed Assets</b>	\$ 3,045,447	\$ -	\$ -	\$ 3,045,447

Depreciation Rate	Allowance for Depreciation			Balance 9/30/12	Net Book Value
	Balance 10/1/11	Current Depreciation	Retirements		
	\$ -	\$ -	\$ -	\$ -	\$ 421,247
20%	27,984	1,940		29,924	34,537
10-33%	1,532,657	139,765		1,672,422	218,536
	<u>1,560,641</u>	<u>141,705</u>	-	<u>1,702,346</u>	<u>674,320</u>
	668,781	-		668,781	-
	<u>\$ 2,229,422</u>	<u>\$ 141,705</u>	<u>\$ -</u>	<u>\$ 2,371,127</u>	<u>\$ 674,320</u>

**AIRPORT FUND**

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash	\$ -	\$ -
Accounts receivable (Net of Allowance)	6,557	14,280
Inventory	50,203	53,273
Due from other governments	962	149
<b>Total Current Assets</b>	<b>57,722</b>	<b>67,702</b>
 <b>Restricted Assets</b>		
Cash Escrow (TXDOT)	-	-
 <b>Property, Plant, and Equipment</b>		
Airport fixed assets	7,785,177	7,372,636
Less: allowance for depreciation	(3,395,352)	(3,192,431)
<b>Total Property, Plant, and Equipment</b>	<b>4,389,825</b>	<b>4,180,205</b>
 <b>Total Assets</b>	 <b>\$ 4,447,547</b>	 <b>\$ 4,247,907</b>
 <b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 7,886	\$ 7,250
Bank Overdraft	12,539	36,406
Due from other funds		
Compensated absences	89,399	91,612
Deposits	2,634	2,634
<b>Total Current Liabilities</b>	<b>112,458</b>	<b>137,902</b>
 <b>Equity</b>		
<b>Contributed Capital</b>		
Contributions from City	1,398,150	1,398,150
Contributions from State grants	1,617,395	1,617,395
Contributions from Revenue Sharing Fund	175,130	175,130
Contributions from Federal grants	3,391,137	3,391,137
<b>Total Contributed Capital</b>	<b>6,581,812</b>	<b>6,581,812</b>
 Retained Earnings		
Unreserved (Deficit)	(2,246,723)	(2,471,807)
<b>Total Equity</b>	<b>4,335,089</b>	<b>4,110,005</b>
 <b>Total Liabilities and Equity</b>	 <b>\$ 4,447,547</b>	 <b>\$ 4,247,907</b>

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Fuel sales (net of cost)	\$ 58,964	\$ 60,233
Hangar/Bldg. Rentals	44,423	47,332
Operating Grants	-	
Other operating revenues	7,507	3,696
<b>Total Operating Revenues</b>	<u>110,894</u>	<u>111,261</u>
<b>Operating Expenses Before Depreciation</b>		
Personal services	178,248	205,553
Other services and charges	101,535	106,425
Supplies	22,748	19,428
<b>Total Operating Expenses</b>	<u>302,531</u>	<u>331,406</u>
<b>Operating Income (Loss) Before Depreciation</b>	(191,637)	(220,145)
Depreciation	(202,921)	(201,283)
<b>Net Operating Income(Loss)</b>	<u>(394,558)</u>	<u>(421,428)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest earned		
Capital Grants	419,642	46,927
<b>Total Non-operating Revenues (Expenses)</b>	<u>419,642</u>	<u>46,927</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>25,084</u>	<u>(374,501)</u>
<b>Operating Transfers</b>		
Operating transfers in	200,000	200,000
Operating transfers out		
<b>Total Operating Transfers</b>	<u>200,000</u>	<u>200,000</u>
Net Income (Loss)	225,084	(174,501)
<b>Retained earnings (Deficit), October 1</b>	<u>(2,471,807)</u>	<u>(2,297,306)</u>
<b>Retained earnings (Deficit), September 30,</b>	<u>\$ (2,246,723)</u>	<u>\$ (2,471,807)</u>

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 384,688	\$ 345,527
Cash received from operating grants		
Cash payments to suppliers for goods and services	(387,461)	(374,230)
Cash payments to employees for services	<u>(180,461)</u>	<u>(197,254)</u>
<b>Net cash provided (used) for by operating activities</b>	<u>(183,234)</u>	<u>(225,957)</u>
 <b>Cash flows from non-capital financing activities:</b>		
Capital Grants	419,642	
Transfers from other funds	200,000	200,000
Payment of due to other fund		
	<u>619,642</u>	<u>200,000</u>
 <b>Cash flow from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(412,541)	(7,411)
Interest paid on loans		
Retirements on accounts payable		
<b>Net cash provided (used) for capital activities</b>	<u>(412,541)</u>	<u>(7,411)</u>
 <b>Cash flows from investing activities:</b>		
Interest on investments		
<b>Net cash from investing activities</b>	<u>-</u>	<u>-</u>
 <b>Net increase (decrease) in cash</b>	23,867	(33,368)
 Cash at beginning of year	<u>(36,406)</u>	<u>(3,038)</u>
 <b>* Cash at end of year</b>	<u>\$ (12,539)</u>	<u>\$ (36,406)</u>

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

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	2012	2011
<b>Reconciliation of Income (Losses) from operations to net cash provided (used) by operating activities:</b>		
Income (Loss) from operations:	\$ (394,558)	\$ (421,428)
Adjustments to reconcile Income (Loss) from operations to net cash provided (used) by operating activities:		
Depreciation	202,921	201,283
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivables	7,723	(3,591)
(Increase) Decrease in Due from Other Funds		
(Increase) Decrease in Due from Others	(813)	101
(Increase) Decrease in Inventories	3,070	(10,018)
Increase (Decrease) in Accounts Payable	636	(603)
Increase (Decrease) in Due to Other Funds		
Increase (Decrease) in Deposits		
Increase (Decrease) in Compensated Absences	(2,213)	8,299
<b>Net cash provided (used) by operating activities</b>	<b>\$ (183,234)</b>	<b>\$ (225,957)</b>

**Reconciliation of Total Cash and Cash Investments**

Current Cash - Cash And Cash Investments	\$ -	\$ -
Curren Liabilities - Bank Overdraft	(12,539)	(36,406)
<b>Total Cash and Cash Investments</b>	<b>\$ (12,539)</b>	<b>\$ (36,406)</b>

**CITY OF WESLACO, TEXAS  
AIRPORT FUND  
SCHEDULE OF FIXED ASSETS AND ALLOWANCE FOR DEPRECIATION  
SEPTEMBER 30, 2012**

Fixed Assets	Fixed Assets			
	Balance	Current		Balance
	10/1/2011	Additions	Retirements	9/30/2012
Land-airport site	\$ 98,439	\$ -	\$ -	\$ 98,439
Land-Airpark	1,327,009			1,327,009
Land-Industrial Park	40,000			40,000
Custom Permit Costs	30,000			30,000
Landscaping	69,333			69,333
Paving-runway and taxi strip	819,210			819,210
Helo Pad	9,265			9,265
Paving-runway	726,012			726,012
Buildings	648,540			648,540
Equipment	528,945			528,945
Improvements-runway lights	55,576			55,576
Improvements-parking	61,055			61,055
Improvements-runway paving	813,391			813,391
Improvements-fence	121,593			121,593
Terminal apron expansion	1,758,370			1,758,370
Sub Total	7,106,738	-	-	7,106,738
Construction-In-Progress	265,898	412,541	-	678,439
Total Fixed Assets	<u>\$ 7,372,636</u>	<u>\$ 412,541</u>	<u>\$ -</u>	<u>\$ 7,785,177</u>

**Allowance for Depreciation**

Depreciation Rate	Balance	Current		Balance	Net Book
	10/1/2011	Depreciation	Retirements	9/30/2012	Value
	\$ -	\$ -	\$ -	\$ -	\$ 98,439
					1,327,009
					40,000
		2,000		2,000	28,000
	47,462	2,507		49,969	19,364
3%	275,618	37,584		313,202	506,008
	3,754	698		4,452	4,813
	471,907	29,040		500,947	225,065
4-20%	336,067	15,250		351,317	297,223
	494,636	5,134		499,770	29,175
10%	55,576	-		55,576	-
3-10%	61,055	-		61,055	-
3-4%	601,546	22,089		623,635	189,756
10%	103,691	3,373		107,064	14,529
	741,119	85,246		826,365	932,005
	<u>3,192,431</u>	<u>202,921</u>	<u>-</u>	<u>3,395,352</u>	<u>3,711,386</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,439</u>
	<u>\$ 3,192,431</u>	<u>\$ 202,921</u>	<u>\$ -</u>	<u>\$ 3,395,352</u>	<u>\$ 4,389,825</u>

## **INTERNAL SERVICE FUNDS**

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

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

**CITY OF WESLACO, TEXAS  
EQUIPMENT REPLACEMENT FUND  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 75,744	\$ -
Investments		2,095
Accrued interest		
Due from other funds		
	75,744	2,095
<b>Total Current Assets</b>		
<b>Fixed Assets</b>		
Equipment	2,867,853	2,406,778
Allowance on depreciation	(2,443,062)	(2,406,778)
<b>Total Fixed Assets</b>	424,791	-
<b>Total Assets</b>	\$ 500,535	\$ 2,095
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	260,088	
Current portion -long term debt		
<b>Total Current Liabilities</b>	260,088	-
<b>Long Term Debt</b>		
Note payable (net of current portion)	-	
<b>Total Long Term Debt</b>	-	-
<b>Total Liabilities</b>	260,088	-
<b>Equity</b>		
Contributed capital		
Retained earnings	240,447	2,095
<b>Total Equity</b>	240,447	2,095
<b>Total Liabilities and Equity</b>	\$ 500,535	\$ 2,095

**CITY OF WESLACO, TEXAS  
EQUIPMENT REPLACEMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
<b>Charges for Service</b>		
Equipment Leases	\$ -	\$ -
<b>Total Operating Revenues</b>	<u>-</u>	<u>-</u>
<b>Operating Expenses</b>		
Other services and charges		
Health insurance premium		
<b>Total Operating Expenses</b>	<u>-</u>	<u>-</u>
<b>Operating Income Before Depreciation</b>	-	-
Depreciation	(36,284)	-
<b>Operating Income (Loss)</b>	<u>(36,284)</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest earned		
Interest expense	(5,364)	
Realized gain or loss in investments		
Operating transfers in	280,000	
Operating transfers out		
<b>Total Non-operating Revenues</b>	<u>274,636</u>	<u>-</u>
<b>Net Income (Loss)</b>	238,352	-
<b>Retained Earnings (Deficit), October 1,</b>	<u>2,095</u>	<u>2,095</u>
<b>Retained Earnings, September 30,</b>	<u>\$ 240,447</u>	<u>\$ 2,095</u>

**CITY OF WESLACO, TEXAS  
EQUIPMENT REPLACEMENT FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Other operating cash receipts	\$ -	\$ -
Cash payments to suppliers for goods and services		
<b>Net cash used provided by operating activities</b>	<u>-</u>	<u>-</u>
<b>Cash flow from non-capital financing activities:</b>		
Acquisition of notes		-
Retirement of notes		
Interest paid on notes	(5,364)	
Transfers to other funds	(130,044)	
Transfers from other funds	670,132	
Acquisition and construction of capital assets	<u>(461,075)</u>	
<b>Total Cash Flow From Non-Capital Financing</b>	<u>73,649</u>	
<b>Cash flow from investing activities:</b>		
Interest on investments		
<b>Net increase (decrease) in cash</b>	73,649	-
*Cash at beginning of year	<u>2,095</u>	<u>2,095</u>
<b>Cash at end of year</b>	<u>\$ 75,744</u>	<u>\$ 2,095</u>

\* Note: Cash includes cash in bank and investments.

**TRUST AND AGENCY FUNDS**

## **TRUST AND AGENCY FUNDS**

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

### **Pension Trust Fund**

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

**PENSION TRUST  
FUND**

**CITY OF WESLACO, TEXAS  
FIREMEN'S RETIREMENT FUND  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 429,308	\$ 371,578
Investments	6,488,010	5,615,253
Accounts receivable (pension contributions)	1,192	1,192
Due from other funds	-	-
Due from individuals	-	-
	<b>\$ 6,918,510</b>	<b>\$ 5,988,023</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 26,536	\$ 8,127
Due to other governments	-	-
Due to other funds	-	-
	<b>26,536</b>	<b>8,127</b>
<b>Fund Balance</b>		
Reserved	6,891,974	5,979,896
Unreserved		
Undesignated		
	<b>6,891,974</b>	<b>5,979,896</b>
	<b>\$ 6,918,510</b>	<b>\$ 5,988,023</b>

**CITY OF WESLACO, TEXAS  
FIREMEN'S RETIREMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>Operating revenues</b>		
Charges for services	\$ 648,587	\$ 761,271
<b>Operating expenses</b>		
Other charges and services	<u>595,055</u>	<u>351,532</u>
<b>Operating income (loss) before Non-operating Revenues</b>	<u>53,532</u>	<u>409,739</u>
<b>Non-operating Revenues</b>		
Interest Earned	65,394	60,807
Miscellaneous income		
Dividends	124,638	81,262
(Loss) or Gain on Realized Appreciation	<u>668,514</u>	<u>(42,444)</u>
<b>Total Non-Operating Revenues</b>	<u>858,546</u>	<u>99,625</u>
<b>Net Income (loss) Before Transfers</b>	912,078	509,364
<b>Transfers</b>		
Transfers In (Out)	<u>-</u>	<u>-</u>
<b>Net Income (loss)</b>	912,078	509,364
Fund Balance, October 1,	<u>5,979,896</u>	<u>5,470,532</u>
<b>Fund Balance, September 30,</b>	<u>\$ 6,891,974</u>	<u>\$ 5,979,896</u>

**CITY OF WESLACO, TEXAS  
FIREMEN'S RETIREMENT FUND  
COMPARATIVE STATEMENT OF CASH FLOW  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Operating income (loss)	\$ 53,532	\$ 409,739
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net Change in investments (increase) decrease:	(872,757)	(1,181,967)
Decrease (increase) in due to pension receivable	-	-
Increase (decrease) in due from other funds	-	-
Increase (decrease) in accounts payable	18,409	(8,515)
(Increase) decrease in due to others	-	-
<b>Net cash provided by operating activities</b>	<u>(800,816)</u>	<u>(780,743)</u>
<b>Cash flows from investing activities:</b>		
Purchase of mutual fund securities	-	-
Interest on investments	65,394	60,807
Dividends	124,638	81,262
Miscellaneous income	-	-
Gain (Loss) on Realized Appreciation	<u>668,514</u>	<u>(42,444)</u>
<b>Net cash (used) provided by investing activities</b>	<u>858,546</u>	<u>99,625</u>
<b>Net increase (decrease) in cash</b>	57,730	(681,118)
Cash, beginning of year	<u>371,578</u>	<u>1,052,696</u>
<b>*Cash, end of year</b>	<u>\$ 429,308</u>	<u>\$ 371,578</u>

\* Cash - This reflects cash in the operating account.

### **GENERAL FIXED ASSETS ACCOUNT GROUP**

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

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY SOURCE**  
**SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>General Fixed Assets</b>		
Land	\$ 4,215,555	\$ 4,223,735
Buildings	20,243,707	18,828,753
Improvements other than buildings	45,353,410	44,617,981
Machinery & equipment	9,265,704	8,999,574
<b>Total General Fixed Assets</b>	<b>\$ 79,078,376</b>	<b>\$ 76,670,043</b>
 <b>Investment in General Fixed Assets From</b>		
Capital Projects Funds		
Miscellaneous	\$ 1,696,720	\$ 1,696,720
General obligation bonds	17,525,771	17,525,771
Certification of obligation	22,001,900	22,001,900
Federal grants	3,457,845	3,414,497
State grants	1,438,667	1,021,897
General Fund	11,632,797	11,288,637
Special Revenue Fund	13,236,142	11,801,835
Special Assessments	459,227	289,479
380 Agreements	7,629,307	7,629,307
<b>Total Investment in General Fixed Assets</b>	<b>\$ 79,078,376</b>	<b>\$ 76,670,043</b>

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2012**

<u>Function &amp; Activity</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improv. Other than Buildings</u>	<u>Machinery and Equipment</u>
<b>General Government</b>					
<b>Control:</b>					
Legislative	\$ 4,341,311	\$ -	\$ 4,310,782	\$ -	\$ 30,529
Executive	9,891			1,090	8,801
City secretary	39,984				39,984
Judicial	88,022			1,530	86,492
<b>Total Control</b>	<u>4,479,208</u>	<u>-</u>	<u>4,310,782</u>	<u>2,620</u>	<u>165,806</u>
<b>Staff Agencies:</b>					
Finance	219,327		156,675	15,515	47,137
Data Processing	554,505		259,292		295,213
Data Planning	27,550				27,550
Purchasing	23,014				23,014
Building maintenance	7,439,409	1,387,150	5,007,264	867,114	177,881
<b>Total Agencies</b>	<u>8,263,805</u>	<u>1,387,150</u>	<u>5,423,231</u>	<u>882,629</u>	<u>570,795</u>
<b>Total General Government</b>	<u>12,743,013</u>	<u>1,387,150</u>	<u>9,734,013</u>	<u>885,249</u>	<u>736,601</u>
<b>Public Safety</b>					
Police protection	2,168,312		629,757	189,094	1,349,461
Fire protection	4,014,527		1,328,732	5,575	2,680,220
Civil defense	-				
Risk management	587,590			16,828	570,762
Parking control	292				292
Protective inspection	55,722				55,722
Traffic safety	62,664	19,108		9,846	33,710
Emergency medical Services	1,098,787				1,098,787
Building maintenance	-				
<b>Total Public Safety</b>	<u>7,987,894</u>	<u>19,108</u>	<u>1,958,489</u>	<u>221,343</u>	<u>5,788,954</u>
<b>Public Works</b>					
Administration	735,251		573,641	120,752	40,858
Streets, drainage & sidewalks	30,692,198	361,566	419,421	29,243,634	667,577
380 Agreement investment	7,629,307			7,629,307	
<b>Total Public Works</b>	<u>39,056,756</u>	<u>361,566</u>	<u>993,062</u>	<u>36,993,693</u>	<u>708,435</u>
<b>Other</b>					
Health	65,772		58,934		6,838
Library	3,491,866	3,900	1,748,951	410,801	1,328,214
Community recreations	9,049,833	1,520,730	1,538,498	5,442,425	548,180
Cemetery	356,954	18,796		338,158	
Economic development	6,017,016	892,910	4,790,998	184,626	148,482
Capital lease equipment	-				
Miscellaneous	128,959	11,395		117,564	
Construction-in-progress	180,313			180,313	
<b>Total Other</b>	<u>19,290,713</u>	<u>2,447,731</u>	<u>8,137,381</u>	<u>6,673,887</u>	<u>2,031,714</u>
<b>Total General Fixed Assets</b>	<u>\$ 79,078,376</u>	<u>\$ 4,215,555</u>	<u>\$ 20,822,945</u>	<u>\$ 44,774,172</u>	<u>\$ 9,265,704</u>

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>Function &amp; Activity</b>	<b>General Fixed Assets 10/1/11</b>	<b>Additions</b>	<b>Deductions</b>	<b>General Fixed Assets 9/30/12</b>
<b>General Government</b>				
<b>Control:</b>				
Legislative	\$ 4,341,311	\$ -	\$ -	\$ 4,341,311
Executive	9,891			9,891
City secretary	39,984			39,984
Judicial	88,022			88,022
<b>Total Control</b>	<u>4,479,208</u>	<u>-</u>	<u>-</u>	<u>4,479,208</u>
<b>Staff Agencies:</b>				
Finance	216,199	3,128		219,327
Data processing	541,375	13,130		554,505
Planning	27,550	-		27,550
Purchasing	23,014			23,014
Building maintenance	7,435,104	4,305		7,439,409
<b>Total Agencies</b>	<u>8,243,242</u>	<u>20,563</u>	<u>-</u>	<u>8,263,805</u>
<b>Total General Government</b>	<u>12,722,450</u>	<u>20,563</u>	<u>-</u>	<u>12,743,013</u>
<b>Public Safety</b>				
Police protection	2,053,854	114,458		2,168,312
Fire protection	4,014,527			4,014,527
Risk management	544,990	42,600		587,590
Parking control	292			292
Protective inspection	55,722			55,722
Traffic safety	62,664	-		62,664
Emergency medical services	1,081,016	17,771		1,098,787
<b>Total Public Safety</b>	<u>7,813,065</u>	<u>174,829</u>	<u>-</u>	<u>7,987,894</u>
<b>Public Works</b>				
Administration	735,251			735,251
Streets, drainage & sidewalks	30,536,007	156,191		30,692,198
380 Agreement infrastructure	7,629,307			7,629,307
<b>Total Public Works</b>	<u>38,900,565</u>	<u>156,191</u>	<u>-</u>	<u>39,056,756</u>
<b>Other</b>				
Health	65,772			65,772
Library	3,448,661	43,205		3,491,866
Community recreation	8,470,595	579,238		9,049,833
Cemetery	356,954			356,954
Economic development	4,582,709	1,442,487	8,180	6,017,016
Capital lease equipment	-			-
Miscellaneous	128,959			128,959
Construction-in-progress	180,313	-		180,313
<b>Total Other</b>	<u>17,233,963</u>	<u>2,064,930</u>	<u>8,180</u>	<u>19,290,713</u>
<b>Total General Fixed Assets</b>	<u>\$ 76,670,043</u>	<u>\$ 2,416,513</u>	<u>\$ 8,180</u>	<u>\$ 79,078,376</u>

**SUPPLEMENTAL STATEMENTS AND SCHEDULES**

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF TAXES RECEIVABLE -BY FUNDS**  
**AT SEPTEMBER 30, 2012**

Year	Total	General Fund		I & S Fund	
		%	Amount	%	Amount
2002 & Prior	\$ 323,658	Various	\$ 189,523	Various	\$ 134,134
2003	52,541	68.42%	35,949	31.58%	16,592
2004	67,568	72.78%	49,176	27.22%	18,392
2005	122,017	70.95%	86,571	29.05%	35,446
2006	107,172	72.41%	77,603	27.59%	29,569
2007	147,428	73.96%	109,038	26.04%	38,390
2008	200,316	74.78%	149,796	25.22%	50,520
2009	208,142	73.95%	153,921	26.05%	54,221
2010	290,580	72.47%	210,583	27.53%	79,997
2011	473,098	72.33%	342,192	27.67%	130,906
	1,992,520		1,404,352		588,167
Less					
Allowances for uncollectible	(413,917)		(289,828)		(124,089)
Net Amount	\$ 1,578,603		\$ 1,114,524		\$ 464,078

**CITY OF WESLACO, TEXAS  
ANALYSIS OF TAX COLLECTIONS, ADJUSTMENTS,  
AND ALLOCATION TO FUNDS  
OCTOBER 1, 2011 TO SEPTEMBER 30, 2012**

**TAX COLLECTIONS AND ADJUSTMENTS**

Year	Uncollected 10/1/11	Current Assessments & Correction	Collections	Adjustments	Uncollected 9/30/12
2002 & Prior	\$ 355,199		\$ 12,428	\$ (19,113)	\$ 323,658
2003	59,975		6,097	(1,338)	52,540
2004	75,671		6,154	(1,948)	67,569
2005	133,203		8,254	(2,932)	122,017
2006	121,185		14,205	192	107,172
2007	177,573		23,687	(6,458)	147,428
2008	248,380		48,072	8	200,316
2009	295,666		86,304	(1,220)	208,142
2010	537,459		227,152	(19,727)	290,580
2011	-	9,346,948	8,859,282	(14,569)	473,097
<b>Total</b>	<b>\$ 2,004,311</b>	<b>\$ 9,346,948</b>	<b>\$ 9,291,635</b>	<b>\$ (67,105)</b>	<b>\$ 1,992,519</b>

**ALLOCATION TO FUNDS**

Year	Collections	General Fund		I & S Fund	
		%	\$	%	\$
2002 & Prior	\$ 12,428	Various	\$ 7,587	Various	\$ 4,841
2003	6,097	68.62%	4,184	31.38%	1,913
2004	6,154	68.42%	4,211	31.38%	1,943
2005	8,254	72.78%	6,007	27.22%	2,247
2006	14,205	70.95%	10,078	29.05%	4,127
2007	23,687	72.41%	17,152	27.59%	6,535
2008	48,072	73.96%	35,554	26.04%	12,518
2009	86,304	74.78%	64,538	25.22%	21,766
2010	227,152	72.47%	164,617	26.05%	62,535
2011	8,859,282	72.33%	6,407,919	26.05%	2,451,363
<b>Total</b>	<b>\$ 9,291,635</b>		<b>\$ 6,721,847</b>		<b>\$ 2,569,788</b>

## **BONDED DEBT REQUIREMENTS**

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF CHANGES IN BONDED DEBT**  
**OCTOBER 1, 2011 TO SEPTEMBER 30, 2012**

Description	Date Issued	Original Amount Issued	Bonds Outstanding 10/1/2010
<u>GENERAL BONDS PAYABLE SERIALLY</u>			
General Obligation Refunding Bonds Series 2002	10/10/2002	\$ 5,030,400	\$ 620,800
Tax System Surplus Revenue Certificates of Obligation Series 2003	9/24/2003	14,080,000	13,665,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	6,105,000	5,955,000
General Obligation Refinancing Bond Series 2010 (Target Savings)	12/6/2010	4,064,918	<u>3,603,916</u>
Total General Bonds Payable Serially			<u>23,844,716</u>
<u>REVENUE BONDS PAYABLE SERIALLY</u>			
General Obligation Refunding Bonds Series 2002	10/10/2002	2,829,600	349,200
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	21,710,000	21,120,000
General Obligation Refinancing Bond Series 2010 (Target Savings)	12/6/2010	1,075,082	951,084
Waterworks and Sewer System Revenue Refunding Bond Series 2010	12/6/2010	2,845,000	2,845,000
Tax and Revenue Certificates of Obligation, Series 2012	1/15/2012	24,335,000	
Tax Notes, Series 2011	12/28/2011	8,500,000	
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2007	9/30/2007	360,000	<u>170,000</u>
Total Revenue Bonds Payable Serially			<u>25,435,284</u>
<u>ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS</u>			
Series 2003A	3/27/2003	4,060,000	2,945,000
Series 2011A	6/2/2011	1,090,000	1,090,000
Series 2011B	6/2/2011	1,290,000	1,290,000
Series 2012	8/21/2012	1,155,000	<u>5,325,000</u>
Total Economic Development Sales Tax			<u>5,325,000</u>
<u>TOTAL ALL BONDS PAYABLE SERIALLY</u>			<u>\$ 54,605,000</u>

(1) Wachovia Bank, Houston, Texas  
(2) Compass Bank, McAllen, Texas  
(3) Bank of Texas, McAllen, Texas  
(4) Frost Bank, Weslaco, Texas

**CITY OF WESLACO, TEXAS  
SCHEDULE OF CHANGES IN BONDED DEBT  
OCTOBER 1, 2011 TO SEPTEMBER 30, 2012**

<u>Issued/ Adjusted</u>	<u>Retired</u>	<u>Bonds Outstanding 9/30/2011</u>	<u>Interest Rates</u>	<u>Optional Date</u>	<u>Principal Date</u>	<u>Agent</u>
	\$ 201,600	\$ 419,200	Various	None	15-Feb	(2)
	880,000	12,785,000	Various	None	15-Feb	(2)
	200,000	5,755,000	Various	None	15-Feb	(2)
	<u>367,350</u>	<u>3,236,566</u>	3.10%	None	1-Feb	(2)
-	<u>1,648,950</u>	<u>22,195,766</u>				
	113,400	235,800	Various	None	15-Feb	(2)
	355,000	20,765,000	Various	None	15-Feb	(2)
	97,092	853,992	3.10%	None	1-Feb	(2)
	375,000	2,470,000	3.19%	None	1-Dec	(2)
24,335,000		24,335,000	Various	None	1-Feb	(3)
8,500,000		8,500,000	2.75%	None	1-Feb	(4)
	<u>55,000</u>	<u>115,000</u>	Various	None	15-Feb	(2)
<u>32,835,000</u>	<u>995,492</u>	<u>57,274,792</u>				
	180,000	2,765,000	Various	None	15-Feb	(1)
		1,090,000	4.47%	None	15-Feb	(2)
		1,290,000	3.840%	None	15-Feb	(2)
<u>1,155,000</u>		<u>1,155,000</u>	2.60%	None	15-Feb	(2)
<u>1,155,000</u>	<u>180,000</u>	<u>6,300,000</u>				
<u>\$ 33,990,000</u>	<u>\$ 2,824,442</u>	<u>\$ 85,770,558</u>				

**CITY OF WESLACO, TEXAS**  
**SUMMARY OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY**  
**AT SEPTEMBER 30, 2012**

Fiscal Year Ending	Governmental-Activities			
	General Obligation Bonds and Certificates of Obligation		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
30-Sep				
2013	\$ 1,786,534	\$ 953,593	\$ 190,000	\$ 280,619
2014	1,835,688	883,240	560,000	262,103
2015	1,757,852	812,073	585,000	236,830
2016	1,829,720	739,937	610,000	210,455
2017	1,904,500	663,943	640,000	182,847
2018	1,995,324	581,640	665,000	154,920
2019	2,081,148	492,354	685,000	125,891
2020	1,635,000	406,855	720,000	94,594
2021	1,710,000	325,165	750,000	61,787
2022	1,800,000	238,000	435,000	34,105
2023	1,890,000	145,750	460,000	11,590
2024	455,000	87,125		
2025	480,000	63,750		
2026	505,000	39,125		
2027	530,000	13,250		
2028				
2029				
2030				
2031				
2032				
Total	<u>\$ 22,195,766</u>	<u>\$ 6,445,800</u>	<u>\$ 6,300,000</u>	<u>\$ 1,655,741</u>

<u>Business-Type Activities</u>		<u>Total Requirements</u>		
Revenue, General Obligation, and Certificates of Obligation				
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
\$ 1,430,024	\$ 2,394,492	\$ 3,406,558	\$ 3,628,704	\$ 7,035,262
1,433,312	2,344,129	3,829,000	3,489,472	7,318,472
2,482,148	2,292,259	4,825,000	3,341,162	8,166,162
3,075,280	2,210,389	5,515,000	3,160,781	8,675,781
3,580,500	2,111,122	6,125,000	2,957,912	9,082,912
4,064,676	1,992,434	6,725,000	2,728,994	9,453,994
2,873,852	1,849,801	5,640,000	2,468,046	8,108,046
2,990,000	1,733,094	5,345,000	2,234,543	7,579,543
3,110,000	1,614,229	5,570,000	2,001,181	7,571,181
3,235,000	1,487,756	5,470,000	1,759,861	7,229,861
3,370,000	1,353,156	5,720,000	1,510,496	7,230,496
3,510,000	1,212,551	3,965,000	1,299,676	5,264,676
3,690,000	1,034,456	4,170,000	1,098,206	5,268,206
3,880,000	847,331	4,385,000	886,456	5,271,456
4,075,000	650,581	4,605,000	663,831	5,268,831
1,895,000	503,581	1,895,000	503,581	2,398,581
1,990,000	408,831	1,990,000	408,831	2,398,831
2,090,000	309,331	2,090,000	309,331	2,399,331
2,195,000	204,831	2,195,000	204,831	2,399,831
2,305,000	95,081	2,305,000	95,081	2,400,081
<u>\$ 57,274,792</u>	<u>\$ 26,649,435</u>	<u>\$ 85,770,558</u>	<u>\$ 34,750,976</u>	<u>\$ 120,521,534</u>

**CITY OF WESLACO, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2002  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 419,200
2013	3.750%	7,990	4,030	211,200	208,000
2014	3.875%	<u>4,030</u>	<u>-</u>	<u>208,000</u>	-
Total		<u>\$ 12,020</u>	<u>\$ 4,030</u>	<u>\$ 419,200</u>	

**CITY OF WESLACO, TEXAS  
TAX AND WATERWORKS & SEWER SYSTEM-SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2003  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due	Outstanding
		15-Feb	15-Aug	15-Feb	30-Sep
2012		\$ -	\$ -	\$ -	\$ 12,785,000
2013	4.125%	298,860	279,886	920,000	11,865,000
2014	4.250%	279,886	259,592	955,000	10,910,000
2015	4.375%	259,592	237,717	1,000,000	9,910,000
2016	4.450%	237,717	214,466	1,045,000	8,865,000
2017	4.500%	214,466	189,940	1,090,000	7,775,000
2018	4.625%	189,940	163,463	1,145,000	6,630,000
2019	4.750%	163,463	134,963	1,200,000	5,430,000
2020	4.875%	134,963	104,250	1,260,000	4,170,000
2021	5.000%	104,250	71,250	1,320,000	2,850,000
2022	5.000%	71,250	36,500	1,390,000	1,460,000
2023	5.000%	36,500		1,460,000	-
<b>Total</b>		<u>\$ 1,990,887</u>	<u>\$ 1,692,027</u>	<u>\$ 12,785,000</u>	

**CITY OF WESLACO, TEXAS  
TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2007  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 5,755,000
2013	4.00%	136,949	131,449	275,000	5,480,000
2014	4.00%	131,449	125,749	285,000	5,195,000
2015	4.13%	125,749	119,665	295,000	4,900,000
2016	4.13%	119,665	113,271	310,000	4,590,000
2017	4.25%	113,271	106,471	320,000	4,270,000
2018	5.25%	106,471	97,546	340,000	3,930,000
2019	5.25%	97,546	88,227	355,000	3,575,000
2020	4.70%	88,227	79,415	375,000	3,200,000
2021	4.70%	79,415	70,250	390,000	2,810,000
2022	5.00%	70,250	60,000	410,000	2,400,000
2023	5.00%	60,000	49,250	430,000	1,970,000
2024	5.00%	49,250	37,875	455,000	1,515,000
2025	5.00%	37,875	25,875	480,000	1,035,000
2026	5.00%	25,875	13,250	505,000	530,000
2027	5.00%	13,250	-	530,000	-
Total		<u>\$ 1,255,242</u>	<u>\$ 1,118,293</u>	<u>\$ 5,755,000</u>	

**CITY OF WESLACO, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS SERIES 2010  
(TARGET SAVINGS)  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2012		\$ -	\$ -	\$ -	\$ 3,236,566
2013	3.10%	50,158	44,271	379,776	2,856,790
2014	3.10%	44,272	38,262	387,688	2,469,102
2015	3.10%	38,262	31,088	462,852	2,006,250
2016	3.10%	31,088	23,730	474,720	1,531,530
2017	3.10%	23,730	16,065	494,500	1,037,030
2018	3.10%	16,065	8,155	510,324	526,706
2019	3.10%	<u>8,155</u>	<u>-</u>	<u>526,706</u>	-
Total		<u>\$ 211,730</u>	<u>\$ 161,571</u>	<u>\$ 3,236,566</u>	

**CITY OF WESLACO, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS-SERIES 2002  
WATER AND SEWER FUND  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 235,800
2013	3.750%	4,494	2,267	118,800	117,000
2014	3.875%	<u>2,267</u>	<u></u>	<u>117,000</u>	-
Total		<u>\$ 6,761</u>	<u>\$ 2,267</u>	<u>\$ 235,800</u>	

**CITY OF WESLACO, TEXAS**  
**TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**  
**AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 20,765,000
2013	4.00%	503,224	495,824	370,000	20,395,000
2014	4.00%	495,824	487,724	405,000	19,990,000
2015	4.13%	487,724	472,049	760,000	19,230,000
2016	4.13%	472,049	455,653	795,000	18,435,000
2017	4.25%	455,653	438,015	830,000	17,605,000
2018	5.25%	438,015	415,178	870,000	16,735,000
2019	5.25%	415,178	378,690	1,390,000	15,345,000
2020	4.70%	378,690	340,973	1,605,000	13,740,000
2021	4.70%	340,973	301,375	1,685,000	12,055,000
2022	5.00%	301,375	257,250	1,765,000	10,290,000
2023	5.00%	257,250	210,875	1,855,000	8,435,000
2024	5.00%	210,875	162,125	1,950,000	6,485,000
2025	5.00%	162,125	110,750	2,055,000	4,430,000
2026	5.00%	110,750	56,750	2,160,000	2,270,000
2027	5.00%	56,750	-	2,270,000	
<b>Total</b>		<u>\$ 5,086,455</u>	<u>\$ 4,583,231</u>	<u>\$ 20,765,000</u>	

**CITY OF WESLACO, TEXAS  
GENERAL OBLIGATION REFINANCING BONDS SERIES 2010  
(TARGET SAVINGS)  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 1-Feb	Outstanding 30-Sep
		1-Feb	1-Aug		
2012		\$ -	\$ -	\$ -	\$ 853,992
2013	3.10%	13,237	11,684	100,224	753,768
2014	3.10%	11,684	10,098	102,312	651,456
2015	3.10%	10,098	8,205	122,148	529,308
2016	3.10%	8,205	6,262	125,280	404,028
2017	3.10%	6,263	4,240	130,500	273,528
2018	3.10%	4,240	2,152	134,676	138,852
2019	3.10%	<u>2,152</u>	<u></u>	<u>138,852</u>	-
Total		<u>\$ 55,879</u>	<u>\$ 42,641</u>	<u>\$ 853,992</u>	

**CITY OF WESLACO, TEXAS**  
**WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010**  
**AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payment		Principal	Outstanding
		1-Dec	1-Jun	Due 1-Dec	30-Sep
2012		\$ -	\$ -	\$ -	\$ 2,470,000
2013	3.19%	39,396	33,335	380,000	2,090,000
2014	3.19%	33,336	27,115	390,000	1,700,000
2015	3.19%	27,115	20,575	410,000	1,290,000
2016	3.19%	20,575	13,876	420,000	870,000
2017	3.19%	13,877	7,018	430,000	440,000
2018	3.19%	7,018		440,000	-
Total		<u>\$ 141,317</u>	<u>\$ 101,919</u>	<u>\$ 2,470,000</u>	

**CITY OF WESLACO, TEXAS  
TAX NOTES, SERIES 2011  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
		\$ -	\$ -	\$ -	\$ 8,500,000
2013		116,875	116,875	460,000	8,040,000
2014	2.75%	110,550	110,550	305,000	7,735,000
2015	2.75%	106,356	106,356	1,190,000	6,545,000
2016	2.75%	89,994	89,993	1,735,000	4,810,000
2017	2.75%	66,138	66,138	2,190,000	2,620,000
2018	2.75%	36,025	36,025	2,620,000	-
Total		<u>\$ 525,938</u>	<u>\$ 525,937</u>	<u>\$ 8,500,000</u>	

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

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 24,335,000
2013		526,891	526,891	-	24,335,000
2014	2.00%	526,891	526,891	-	24,335,000
2015	3.00%	526,891	526,891	-	24,335,000
2016	3.00%	526,891	526,891	-	24,335,000
2017	3.00%	526,891	526,891	-	24,335,000
2018	3.00%	526,891	526,891	-	24,335,000
2019	3.00%	526,891	526,891	1,345,000	22,990,000
2020	3.00%	506,716	506,716	1,385,000	21,605,000
2021	3.00%	485,941	485,941	1,425,000	20,180,000
2022	3.00%	464,566	464,566	1,470,000	18,710,000
2023	3.00%	442,516	442,516	1,515,000	17,195,000
2024	5.00%	419,791	419,791	1,560,000	15,635,000
2025	5.00%	380,791	380,791	1,635,000	14,000,000
2026	5.00%	339,916	339,916	1,720,000	12,280,000
2027	5.00%	296,916	296,916	1,805,000	10,475,000
2028	5.00%	251,791	251,791	1,895,000	8,580,000
2029	5.00%	204,416	204,416	1,990,000	6,590,000
2030	5.00%	154,666	154,666	2,090,000	4,500,000
2031	5.00%	102,416	102,416	2,195,000	2,305,000
2032	4.125%	47,541	47,541	2,305,000	
<b>Total</b>		<u>\$ 7,786,220</u>	<u>\$ 7,786,220</u>	<u>\$ 24,335,000</u>	

**CITY OF WESLACO, TEXAS**  
**TAX & WATERWORKS & SEWER SYSTEM SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**  
**AS OF SEPTEMBER 30, 2012**

Fiscal Year	Interest Rate	Interest Payments		Principal Due 15-Feb	Outstanding 30-Sep
		15-Feb	15-Aug		
2012		\$ -	\$ -	\$ -	\$ 115,000
2013	4.00%	2,300	1,200	55,000	60,000
2014	4.00%	1,200		60,000	-
Total		<u>\$ 3,500</u>	<u>\$ 1,200</u>	<u>\$ 115,000</u>	

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS  
SERIES 2003A  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
			15-Feb	15-Aug		
2012			\$ -	\$ -	\$ -	\$ 2,765,000
2013		5.25%	78,075	73,088	190,000	2,575,000
2014		5.25%	73,088	67,838	200,000	2,375,000
2015		5.25%	67,838	62,325	210,000	2,165,000
2016		5.25%	62,325	56,550	220,000	1,945,000
2017		5.25%	56,550	50,381	235,000	1,710,000
2018		5.25%	50,381	43,950	245,000	1,465,000
2019		6.00%	43,950	36,150	260,000	1,205,000
2020		6.00%	36,150	27,900	275,000	930,000
2021		6.00%	27,900	19,200	290,000	640,000
2022		6.00%	19,200	9,900	310,000	330,000
2023		6.00%	9,900		330,000	-
			<u>\$ 525,357</u>	<u>\$ 447,282</u>	<u>\$ 2,765,000</u>	

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT SALES TAX REVENUE REFUNDING BONDS  
SERIES 2011A  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
			15-Feb	15-Aug		
2012			\$ -	\$ -	\$ -	\$ 1,090,000
2013		4.470%	24,361	24,361		1,090,000
2014		4.470%	24,361	18,550	260,000	830,000
2015		4.470%	18,550	12,516	270,000	560,000
2016		4.470%	12,516	6,258	280,000	280,000
2017		4.470%	6,258		280,000	-
			<u>\$ 86,046</u>	<u>\$ 61,685</u>	<u>\$ 1,090,000</u>	

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS  
SERIES 2011B  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
			15-Feb	15-Aug		
2012			\$ -	\$ -	\$ -	\$ 1,290,000
2013		3.840%	24,768	24,768		1,290,000
2014		3.840%	24,768	24,768		1,290,000
2015		3.840%	24,768	24,768		1,290,000
2016		3.840%	24,768	24,768		1,290,000
2017		3.840%	24,768	24,480	15,000	1,275,000
2018		3.840%	24,480	18,624	305,000	970,000
2019		3.840%	18,624	12,672	310,000	660,000
2020		3.840%	12,672	6,432	325,000	335,000
2021		3.840%	6,432		335,000	-
			<u>\$ 186,048</u>	<u>\$ 161,280</u>	<u>\$ 1,290,000</u>	

**CITY OF WESLACO, TEXAS  
ECONOMIC DEVELOPMENT SALES TAX REVENUE BONDS  
SERIES 2002  
AS OF SEPTEMBER 30, 2012**

Fiscal Year	Bond Numbers	Interest Rate	Interest Payment		Principal Due 15-Feb	Principal Outstanding 30-Sep
			15-Feb	15-Aug		
2012			\$ -	\$ -	\$ -	1,155,000
2013		2.60%	16,183	15,015		1,155,000
2014		2.60%	15,015	13,715	100,000	1,055,000
2015		2.60%	13,715	12,350	105,000	950,000
2016		2.60%	12,350	10,920	110,000	840,000
2017		2.60%	10,920	9,490	110,000	730,000
2018		2.60%	9,490	7,995	115,000	615,000
2019		2.60%	7,995	6,500	115,000	500,000
2020		2.60%	6,500	4,940	120,000	380,000
2021		2.60%	4,940	3,315	125,000	255,000
2022		2.60%	3,315	1,690	125,000	130,000
2023		2.60%	1,690		130,000	-
			<u>\$ 102,113</u>	<u>\$ 85,930</u>	<u>\$ 1,155,000</u>	

**PART III**

**STATISTICAL SECTION**

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

Table I

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 438,179	\$ 9,749,470	\$ 12,006,633	\$ 14,042,568	\$ 13,564,135
Restricted	6,474,762	8,335,324	6,455,866	6,259,134	5,760,438
Unrestricted	535,440	1,568,080	1,591,672	1,330,224	4,806,131
Total governmental activities net assets	<u>\$ 7,448,381</u>	<u>\$ 19,652,874</u>	<u>\$ 20,054,171</u>	<u>\$ 21,631,926</u>	<u>\$ 24,130,704</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 6,190,908	\$ 11,808,483	\$ 21,631,773	\$ 25,204,572	\$ (1,550,862)
Restricted	20,642,296	14,231,044	4,875,514	1,054,121	27,959,653
Unrestricted	(971,432)	1,076,733	1,479,750	2,533,841	5,769,530
Total business-type activities net assets	<u>\$ 25,861,772</u>	<u>\$ 27,116,260</u>	<u>\$ 27,987,037</u>	<u>\$ 28,792,534</u>	<u>\$ 32,178,321</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 6,629,087	\$ 21,557,953	\$ 33,638,406	39,247,140	12,013,273
Restricted	27,117,058	22,566,368	11,331,380	7,313,255	33,720,091
Unrestricted	(435,992)	2,644,813	3,071,422	3,864,065	10,575,661
Total primary government net assets	<u>\$ 33,310,153</u>	<u>\$ 46,769,134</u>	<u>\$ 48,041,208</u>	<u>\$ 50,424,460</u>	<u>\$ 56,309,025</u>

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

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

Table II

	2008	2009	2010	2011	2012
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,618,476	\$ 3,710,070	\$ 4,307,902	\$ 4,426,526	\$ 4,079,035
Public safety	13,173,159	12,486,600	12,676,095	11,562,667	10,195,023
Emergency medical service	-	-	343,818	398,347	462,305
Public works	1,567,815	1,843,346	1,870,276	2,669,907	2,626,866
Health	135,502	127,044	132,612	104,426	88,459
Culture and recreation	1,815,439	2,484,004	2,486,171	1,144,997	1,693,692
Development services	1,847,396	4,994,533	3,358,829	3,101,439	3,256,023
Interest on long-term debt	5,735,318	1,488,868	1,478,830	1,452,443	2,326,416
Total governmental activities expenses	<u>26,893,105</u>	<u>27,134,465</u>	<u>26,654,533</u>	<u>24,860,752</u>	<u>24,727,819</u>
Business-type activities:					
Water and sewer	10,726,658	7,662,631	7,433,263	7,768,721	9,054,734
Sanitation	3,480,521	3,468,755	3,517,000	3,863,097	4,047,757
Airport	1,092,428	564,958	532,828	532,689	505,452
Total business-type activities expenses	<u>15,299,607</u>	<u>11,696,344</u>	<u>11,483,091</u>	<u>12,164,507</u>	<u>13,607,943</u>
Total primary government expenses	<u>\$ 42,192,712</u>	<u>\$ 38,830,809</u>	<u>\$ 38,137,624</u>	<u>\$ 37,025,259</u>	<u>\$ 38,335,762</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, fines, and charges for services:					
General government	\$ 3,471,856	\$ 406,099	\$ 370,890	\$ 363,068	\$ 381,323
Public Safety	1,217,389	1,912,015	933,006	695,632	919,126
Emergency medical services	-	-	976,166	948,437	976,167
Other activities	187,056	404,985	372,935	260,053	399,142
Operating grants and contributions	1,186,137	81,000	-	-	16,000
Capital grants and contributions	-	917,556	702,133	500,163	724,994
Total governmental activities program revenues	<u>6,062,438</u>	<u>3,721,655</u>	<u>3,355,130</u>	<u>2,767,353</u>	<u>3,416,752</u>
Business-type activities:					
Charges for services:					
Water and sewer	8,630,895	8,993,459	8,719,988	9,411,060	11,034,908
Sanitation	3,579,091	3,992,622	4,215,582	4,127,015	4,646,563
Airport	518,288	112,917	186,184	111,261	110,894
Operating grants and contributions	121,040	20,267	8,098	-	-
Capital grants and contributions	-	224,315	80,875	154,017	2,184,057
Total business-type activities program revenues	<u>12,849,314</u>	<u>13,343,580</u>	<u>13,210,727</u>	<u>13,803,353</u>	<u>17,976,422</u>
Total primary government program revenues	<u>\$ 18,911,752</u>	<u>\$ 17,065,235</u>	<u>\$ 16,565,857</u>	<u>\$ 16,570,706</u>	<u>\$ 21,393,174</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (20,830,667)	\$ (23,412,810)	\$ (23,299,403)	\$ (22,093,399)	\$ (21,311,067)
Business-type activities	(2,450,293)	1,647,236	1,727,636	1,638,846	4,368,479
Total primary government net expense	<u>\$ (23,280,960)</u>	<u>\$ (21,765,574)</u>	<u>\$ (21,571,767)</u>	<u>\$ (20,454,553)</u>	<u>\$ (16,942,588)</u>

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

Table III

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:					
Taxes:					
Ad valorem	\$ 16,449,025	\$ 9,752,261	\$ 9,729,729	\$ 9,632,751	\$ 9,710,670
Sales	2,656,019	9,175,453	9,218,352	9,864,624	10,578,320
Occupancy	-	403,467	359,421	358,390	336,419
Other	-	57,047	71,255	71,488	65,650
Franchise fees	-	1,418,405	1,414,910	1,653,298	1,565,484
Intergovernmental	-	143,800	144,499	77,375	4,600
Investment earnings	447,930	226,519	139,903	64,147	66,619
Gain (loss) on sale/retirement of capital assets	(398,361)	482,859	(115,940)	100,339	116,255
Miscellaneous	415,452	433,260	348,954	301,972	249,246
Rescindment of contingency				550,000	
Revaluation of Compensated Absences					191,261
Transfers	(218,000)	2,403,930	1,475,209	996,770	1,021,140
Total governmental activities	<u>19,352,065</u>	<u>24,497,001</u>	<u>22,786,292</u>	<u>23,671,154</u>	<u>23,905,664</u>
Business-type activities					
Investment earnings	916,833	849,733	618,350	109	13,629
Transfers	218,000	(2,403,930)	(1,475,209)	(996,770)	(1,021,140)
Total business-type activities	<u>1,134,833</u>	<u>(1,554,197)</u>	<u>(856,859)</u>	<u>(996,661)</u>	<u>(1,007,511)</u>
Total primary government	<u>\$ 20,486,898</u>	<u>\$ 22,942,804</u>	<u>\$ 21,929,433</u>	<u>\$ 22,674,493</u>	<u>\$ 22,898,153</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (1,478,602)	\$ 1,084,191	\$ (513,111)	\$ 1,577,755	\$ 2,594,597
Business-type activities	(1,315,370)	93,039	870,777	642,185	2,948,426
Total primary government	<u>\$ (2,793,972)</u>	<u>\$ 1,177,230</u>	<u>\$ 357,666</u>	<u>\$ 2,219,940</u>	<u>\$ 5,543,023</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
General Fund					
Reserved	\$ -	\$ 61,244	\$ 69,467	\$ 57,391	\$ 65,791
Unreserved	(213,081)	900,326	(104,146)	779,427	1,627,107
Total general fund	<u>\$ (213,081)</u>	<u>\$ 961,570</u>	<u>\$ (34,679)</u>	<u>\$ 836,818</u>	<u>\$ 1,692,898</u>
All Other Governmental Funds					
Reserved	\$ 5,642,293	\$ 1,286,791	\$ 1,505,458	\$ 1,618,055	\$ 1,772,642
Unreserved, reported in:					
Special revenue funds	2,792,788	3,824,971	3,748,561	4,718,358	4,303,648
Capital projects funds	-	2,261,992	1,236,526	1,206,560	1,166,502
Unrestricted					
Total all other governmental funds	<u>\$ 8,435,081</u>	<u>\$ 7,373,754</u>	<u>\$ 6,490,545</u>	<u>\$ 7,542,973</u>	<u>\$ 7,242,792</u>

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

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

Table IV  
(Page 1 of 2)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Revenues</b>					
Taxes:					
Ad valorem	\$ 16,339,978	\$ 9,302,285	\$ 9,369,933	\$ 9,492,754	\$ 9,413,005
Penalty and interest	109,047	402,066	347,496	354,830	297,632
Sales	2,656,019	9,175,453	9,218,352	9,864,624	10,578,320
Occupancy	-	403,467	359,421	358,390	336,419
Other	-	57,047	71,255	71,488	65,650
Franchise fees	-	1,418,405	1,414,910	1,653,298	1,565,484
Charges for services	3,471,856	3,752,129	2,905,104	2,565,294	2,540,973
Program income	-	62,604	109,445	150,054	341,845
Intergovernmental	1,373,193	1,142,356	846,632	577,538	745,594
Licenses and permits	489,883	406,099	370,890	363,068	381,323
Investment income	447,930	226,507	139,903	64,147	66,619
Fines and forfeitures	727,506	690,602	583,066	463,778	772,752
Contributions	-	1,954	8,500	142	500
Miscellaneous	415,452	431,306	340,454	301,830	248,746
Proceeds from sales	-	905,434	131,825	367,174	124,435
<b>Total revenues</b>	<b>26,030,864</b>	<b>28,377,714</b>	<b>26,217,186</b>	<b>26,648,409</b>	<b>27,479,297</b>
<b>Expenditures</b>					
General government	5,131,719	3,484,006	3,637,628	4,310,348	3,797,404
Public Safety	13,173,159	12,486,212	12,725,966	11,664,128	10,327,350
Public Works	1,567,815	1,468,756	1,390,192	1,342,074	1,299,033
Health	135,502	123,307	128,875	100,315	84,348
Culture and recreation	1,815,439	2,291,653	2,410,330	1,073,525	1,447,298
Economic development	7,218,808	4,376,933	3,633,445	2,171,025	1,923,521
Nondepartmental	-	541,759	779,286	684,020	395,172
Capital outlay	307,097	1,879,830	9,608,984	633,058	2,416,513
Debt service					
Principal	4,177,910	1,590,747	1,682,179	9,628,025	2,004,576
Interest and fiscal charges	1,568,706	1,500,160	1,490,122	1,420,192	1,352,413
Contingency expense	-	-	-	-	-
<b>Total expenditures</b>	<b>35,096,155</b>	<b>29,743,363</b>	<b>37,487,007</b>	<b>33,026,710</b>	<b>25,047,628</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(9,065,291)</b>	<b>(1,365,649)</b>	<b>(11,269,821)</b>	<b>(6,378,301)</b>	<b>2,431,669</b>

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

Table IV  
(Page 1 of 2)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Other Financing Sources (Uses)</b>					
Debt proceeds	\$ 1,220,131	\$ 1,300,000	\$ -	\$ 9,044,918	\$ 1,155,000
Debt issuance costs	-	(120,076)		(101,814)	(30,323)
Bond interest	3,715,918	-			
Revaluation of Compensated Absences					191,261
Volunteer separation expense			(611,900)		
Proceeds from 380 Agreements			7,629,307		
380 Agreement expenditures				(912,644)	(2,574,433)
Transfers in	-	525,775	164,040		
Transfers out	(218,000)	(310,180)	(4,339)	(200,000)	(480,000)
Total other financing sources (uses)	<u>4,718,049</u>	<u>1,395,519</u>	<u>7,177,108</u>	<u>7,830,460</u>	<u>(1,738,495)</u>
Net change in fund balances	<u>\$ (4,347,242)</u>	<u>\$ 29,870</u>	<u>\$ (4,092,713)</u>	<u>\$ 1,452,159</u>	<u>\$ 693,174</u>
Debt service as a percentage of noncapital expenditures	16.5%	11.1%	11.4%	34.1%	14.8%

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

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

Table V

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 5,749,544	\$ 5,315,241	92.45%	\$ 323,182	\$ 5,638,423	98.07%
2004	5,734,805	5,303,677	92.48%	311,038	5,614,715	97.91%
2005	6,139,744	5,659,936	92.19%	270,432	5,930,368	96.59%
2006	6,451,289	6,021,477	93.34%	184,509	6,205,986	96.20%
2007	6,982,074	6,555,427	93.89%	214,183	6,769,610	96.96%
2008	7,667,715	7,171,489	93.53%	387,236	7,558,725	98.58%
2009	8,920,936	8,518,972	95.49%	647,906	9,166,878	102.76%
2010	9,249,698	8,628,830	93.29%	593,254	9,222,084	99.70%
2011	9,310,540	8,704,523	93.49%	579,960	9,284,483	99.72%
2012	9,346,948	8,859,282	94.78%	432,353	9,291,635	99.41%

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

Table VI

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

Source: Hidalgo County Appraisal District

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

Fiscal Year	Tax Year	City Direct Rates		
		Maintenance and Operation	Interest and Sinking	(Per \$100) City
<b>PROPERTY TAX RATES</b>				
2002	2001	\$ 0.4900	\$ 0.2891	\$ 0.7791
2003	2002	0.5050	0.2309	0.7359
2004	2003	0.4786	0.2209	0.6995
2005	2004	0.5091	0.1904	0.6995
2006	2005	0.4963	0.2032	0.6995
2007	2006	0.5065	0.1930	0.6995
2008	2007	0.5153	0.1814	0.6997
2009	2008	0.5210	0.1757	0.6997
2010	2009	0.5152	0.1815	0.6967
2011	2010	0.5152	0.1815	0.6967

**TAX LEVIES**

2002	2001	\$ 5,614,216
2003	2002	5,749,544
2004	2003	5,734,805
2005	2004	6,139,744
2006	2005	6,451,289
2007	2006	6,982,074
2008	2007	7,667,715
2009	2008	8,881,533
2010	2009	9,276,796
2011	2010	9,366,985

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

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

Discounts are not allowed.

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

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

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

Table VII  
(Page 2 of 2)

Overlapping Rates					
(Per \$100) Weslaco School District	South Texas Community College	(Per \$100) Hidalgo County	(Per \$100) Drainage District #1	(Per \$100) South Texas School District	(Per \$100) Total
\$ 1.4300	\$ 0.0897	\$ 0.5195	\$ 0.0456	\$ 0.0392	\$ 2.9031
1.4300	0.1776	0.5900	0.0456	0.0392	3.0183
1.4300	0.1738	0.5900	0.0435	0.0392	2.9760
1.4300	0.1647	0.5900	0.0435	0.0392	2.9669
1.4300	0.1589	0.5900	0.0435	0.0392	2.9611
1.3418	0.1548	0.5900	0.0413	0.0392	2.8666
1.1047	0.1540	0.5900	0.0492	0.0492	2.6438
1.1397	0.1498	0.5900	0.0700	0.0492	2.6954
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
1.1397	0.1497	0.5900	0.0725	0.0492	2.6978
\$ 12,867,115	\$ 12,749,702	\$ 70,959,997	\$ 5,946,384	\$ 5,589,657	\$ 113,727,071
14,067,955	26,927,038	86,128,712	6,388,052	6,004,776	145,266,077
14,663,742	28,045,487	91,965,820	6,538,099	6,512,984	153,460,937
15,870,637	29,796,163	103,605,172	7,305,724	7,221,751	169,939,191
17,168,408	31,182,415	112,523,012	7,944,984	7,816,538	183,086,646
17,881,783	33,514,193	125,028,182	8,251,877	8,624,663	200,282,772
16,140,097	37,903,742	142,503,382	11,181,038	12,290,736	227,686,710
19,808,237	40,130,123	155,425,414	16,982,072	13,321,253	254,548,632
20,312,260	41,833,109	162,197,402	18,748,048	13,910,184	266,277,799
20,544,560	41,736,459	161,779,404	18,803,344	13,870,003	266,100,755

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

Table VIII

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
H E Butt Grocery Company	\$ 35,099,188	1	2.487%	\$ 14,736,817	1	1.044%
H E Butt Weslaco Transportation	17,650,492	2	1.251%			
Clearview Weslaco LLP	11,392,186	3	0.807%			
JC Penny's #1101	10,968,874					
Lowe's Home Center, Inc. #2980	10,822,420					
CAPCOR Weslaco, LTD	9,390,047	4	0.665%			
Wal-Mart Real Estate Business TR.	8,748,862	5	0.620%	6,963,935	6	0.493%
John Knox Villages	8,623,391	6	0.611%	8,570,546	2	0.607%
Wal-Mart Property Tax Dept.	8,197,802	7	0.581%			
Reyna Family Land Dev. LTD	7,688,620	8	0.545%			
JC Penny's #1101	6,747,644	9	0.478%			
Weslaco Palm Plaza, LTD	5,889,553	10	0.417%	4,977,869	10	0.353%
AEP Texas Central Co.	5,798,030		0.411%	7,531,940	5	0.534%
Lowe's Home Center, Inc. #2980	5,557,220		0.394%			
RGV Express, LTD	5,548,064		0.393%			
Lowe's Home Center, Inc.	5,265,200		0.373%			
Capital One Nat'l Assoc.	5,035,561					
The Home Depot #6577	4,779,756					
Renya, Ezequiel Jr. & Livia	4,724,839			5,532,124	8	0.392%
535 US Highway 83 Investors, LLC	4,652,113					
HD Development Properties, LP	4,575,883			5,513,014	9	0.391%
Academy Sports & Outdoor	4,483,292					
Verizon Southwest				8,490,800	3	0.602%
Weslaco Partners, LTD				7,977,015	4	0.565%
Wal-Mart Sores Texas, LP #452				6,963,935	6	0.493%
Weslaco Distribution Center				5,785,676	7	0.410%
Ed Payne Motors, LLP				5,271,679	9	0.374%
Weslaco Pal						
	<u>\$ 191,639,037</u>		<u>10.03%</u>	<u>\$ 88,315,350</u>		<u>3.81%</u>

**CITY OF WESLACO, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AT SEPTEMBER 30, 2012**

Table IX

	<u>Gross Debt Less Sinking Fund</u>	<u>Estimated Percentage Debt Applicable to City of Weslaco</u>	<u>City of Weslaco Share of Debt</u>
City of Weslaco, Texas	\$ 85,770,558	100.00%	\$ 85,770,558
Weslaco Independent School District	74,866,000	72.69%	54,420,095
Hidalgo County	185,405,000	4.51%	8,361,766
Hidalgo County Drainage District #1	93,740,000	4.84%	4,537,016
South Texas Community College District	61,389,287	4.62%	<u>2,836,185</u>
			<u>\$ 155,925,620</u>
Percentage of Assessed Valuation			<u>10.97%</u>
Direct and Overlapping Debt Per Capita			<u>\$ 4,371</u>
Population:	<u>35,670</u>		
Assessed Valuation:	<u>1,421,739,488</u>		

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

Table X  
(Page 1 of 2)

**Legal Debt Margin Calculation fo Fiscal Year 2012**

Assessed value	\$ 1,421,739,488
Debt limit (10% of assessed value)	142,173,949
Debt applicable to limit:	
General obligation bonds	22,195,766
Less: Amount set aside for repayment of general obligation debt	(511,741)
Total net debt applicable to limit	21,684,025
Legal debt margin	\$ 120,489,924

	2003	2004	2005
Debt limit	\$ 78,129,405	\$ 81,983,807	\$ 87,773,309
Total net debt applicable to limit	25,194,127	24,662,550	23,847,724
Legal debt margin	\$ 52,935,278	\$ 57,321,257	\$ 63,925,585
Total net debt applicable to the limit as a percentage of debt limit	32.25%	30.08%	27.17%

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

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

Table X  
(Page 1 of 2)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 92,227,149	\$ 99,815,209	\$ 110,057,628	\$ 127,480,023	\$ 133,153,378	\$ 141,124,613	\$ 142,173,949
<u>22,852,031</u>	<u>27,872,725</u>	<u>27,092,739</u>	<u>25,851,763</u>	<u>24,605,645</u>	<u>24,605,645</u>	<u>21,684,025</u>
<u>\$ 69,375,118</u>	<u>\$ 71,942,484</u>	<u>\$ 82,964,889</u>	<u>\$ 101,628,260</u>	<u>\$ 108,547,733</u>	<u>\$ 116,518,968</u>	<u>\$ 120,489,924</u>
24.78%	27.92%	24.62%	20.28%	18.48%	17.44%	15.25%

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

Table XI

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Plus: CIP Fee (1) Non-Operating	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2003	\$ 5,170,164	\$ 4,318,724	\$ 524,705	\$ 1,376,145	\$ 725,000	\$ 270,366	1.38
2004	5,300,765	5,262,723	551,517	589,559	545,000	244,308	0.75
2005	7,005,742	5,116,708	562,677	2,451,711	565,000	222,245	3.11
2006	7,647,543	5,490,379	591,140	2,748,304	585,000	199,335	3.50
2007	7,244,451	6,051,989	603,306	1,795,768	310,000	181,603	3.65
2008	7,726,172	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

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

\* The Revenue Coverage computation does not include the 2007 Certificate of Obligation issue of \$21,710,000. This issue is a surplus Revenue Certificate of Obligation and does not meet the requirements to be included in the computation for pledged revenue coverage. If considered in the computation, the coverage would be .76.

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

Table XII  
 (Page 1 of 2)

<b>Fiscal Year</b>	<b>General Bonded Debt</b>			<b>Percentage of Actual Taxable Value of Property</b>
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Water District Debt Assumed</b>	
2008	\$ 2,531,200	\$ 24,566,872	-	2.71%
2009	1,913,600	24,229,568	-	1.94%
2010	1,276,800	23,755,396	-	1.79%
2011	620,800	23,223,916	-	1.689%
2012	419,200	21,776,566	-	1.56%

<b>Fiscal Year</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Revenue Bonds</b>	<b>Notes Payable</b>
2008	\$ 1,423,800	\$ 3,775,000	\$ 23,238,128	\$ -
2009	1,076,400	3,460,000	23,900,528	-
2010	718,200	3,135,000	22,724,604	
2011	1,300,284	2,845,000	21,290,000	
2012	1,300,284	2,470,000	45,215,000	8,500,000

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

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

Table XII  
(Page 1 of 2)

<u>Per Capita</u>	<u>Other Governmental Activities Debt</u>				
	<u>Arbitrage Payable</u>	<u>Compensated Absences</u>			
844.39	-	2,274,848			
783.81	-	2,725,440			
721.37	-	2,319,506			
668.48	-	2,319,506			
622.25	-	2,027,741			
 <b>Economic Development Sales Tax</b>					
<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>	
\$ 5,600,000	-	63,409,848	13.96%	1,976	
5,015,000	-	62,320,536	12.27%	1,868	
4,595,000	-	58,524,506	11.38%	1,687	
5,325,000	-	56,924,506	10.73%	1,596	
6,300,000	-	87,798,299	16.54%	2,461	

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

Table XIII

	Calendar Year				
	2007	2008	2009	2010	2011
Agriculture, Forestry, Fishing, Hunting	\$ 1,060	\$ -	\$ 10	\$ -	\$ -
Construction	1,282,144	1,085,666	835,222	998,716	1,547,374
Manufacturing	5,211,076	5,366,141	2,139,103	908,666	1,031,410
Wholesale trade	10,173,988	15,516,848	9,451,990	9,751,237	10,046,417
Retail trade	221,207,383	239,908,678	251,829,708	275,128,934	296,811,173
Transportation and warehousing	1,357,532	1,557,971	205,606	1,417,200	1,311,262
Information	6,747,785	6,441,066	7,063,176	6,916,201	7,440,719
Finance and insurance	1,770,635	1,928,421	1,966,880	2,172,227	2,096,247
Real estate, rental and leasing	30,452,578	24,776,580	11,531,735	3,062,869	2,730,662
Professional, scientific and technical	892,992	997,224	799,762	891,767	1,136,202
Administration, support, waste management, and remediation	7,496,343	6,010,391	3,434,638	1,730,296	3,592,463
Education	14,756	14,608	27,003	17,608	38,083
Health care and social assistance	357,884	365,439	305,582	696,535	512,033
Arts, entertainment, and recreation	771,049	649,832	610,900	1,143,847	1,774,225
Accommodation and food services	59,744,975	63,712,076	66,500,272	70,735,449	76,337,259
Other services	8,322,955	7,015,451	8,371,356	8,923,286	9,612,888
Other	14,532	19,758	24,022	16,125	19,346
<b>Total</b>	<b>\$ 355,819,667</b>	<b>\$ 375,366,150</b>	<b>\$ 365,096,965</b>	<b>\$ 384,510,963</b>	<b>\$ 416,037,763</b>
City direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Texas State Comptroller

**CITY OF WESLACO, TEXAS**  
**SALES TAX REVENUE PAYERS BY INDUSTRY**  
**CALENDAR YEARS 2010 AND 2006**

Table XIV  
 (Page 1 of 2)

	<b>2010</b>			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Agriculture, forestry, fishing, hunting	2	0.24%	\$ -	0.0%
Construction	37	4.40%	30,947	0.4%
Manufacturing	31	3.69%	20,628	0.2%
Wholesale trade	32	3.81%	200,928	2.4%
Retail trade	370	44.05%	5,936,223	71.3%
Transportation and warehousing	4	0.48%	26,225	0.3%
Information	20	2.38%	148,814	1.8%
Finance and insurance	20	2.38%	41,925	0.5%
Real estate, rental and leasing	14	1.67%	54,613	0.7%
Professional, scientific and technical	40	4.76%	22,724	0.3%
Administration, support, waste management, and remediation	39	4.64%	71,849	0.9%
Educational services	2	0.24%	762	0.0%
Health care and social assistance	13	1.55%	10,241	0.1%
Arts, entertainment, and recreation	11	1.31%	35,485	0.4%
Accommodation and food services	118	14.05%	1,526,745	18.3%
Other services	80	9.52%	192,258	2.3%
Other	7	0.83%	387	0.0%
<b>Total</b>	<u>840</u>	<u>100.00%</u>	<u>\$ 8,320,754</u>	<u>100.00%</u>

Source: Texas State Comptroller

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

**CITY OF WESLACO, TEXAS  
SALES TAX REVENUE PAYERS BY INDUSTRY  
CALENDAR YEARS 2010 AND 2006**

Table XIV  
(Page 1 of 2)

<b>2006</b>			
<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
4	0.56%	\$ 21	0.00%
35	4.92%	25,643	0.36%
22	3.09%	104,222	1.46%
26	3.65%	203,480	2.86%
302	42.42%	4,424,148	62.08%
6	0.84%	27,151	0.38%
14	1.97%	134,956	1.89%
17	2.39%	35,413	0.50%
12	1.69%	609,052	8.55%
27	3.79%	17,860	0.25%
35	4.92%	159,927	2.24%
4	0.56%	295	0.00%
7	0.98%	7,158	0.10%
7	0.98%	15,421	0.22%
115	16.15%	1,194,900	16.77%
69	9.69%	166,459	2.34%
10	1.40%	291	0.00%
<u>712</u>	<u>100.00%</u>	<u>\$ 7,126,397</u>	<u>100.00%</u>

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

Table XV

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>State Rate</b>	<b>Total Tax Rate</b>
2002	2.00%	6.25%	8.25%
2003	2.00%	6.25%	8.25%
2004	2.00%	6.25%	8.25%
2005	2.00%	6.25%	8.25%
2006	2.00%	6.25%	8.25%
2007	2.00%	6.25%	8.25%
2008	2.00%	6.25%	8.25%
2009	2.00%	6.25%	8.25%
2010	2.00%	6.25%	8.25%
2011	2.00%	6.25%	8.25%
2012	2.00%	6.25%	8.25%

**CITY OF WESLACO, TEXAS**  
**MISCELLANEOUS STATISTICAL FACTS**  
**SEPTEMBER 30, 2012**

Table XVI

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

**Miles of Street:**  
 Graded 1.65  
 Paved 97.54

**Miles of Sewers:**  
 Storm 50.94  
 Sanitary 118.01

**Building Permits:**  
 Permits Issued 1,946  
 Estimated Cost \$ 34,396,742

**Fire Protection:**  
 Number of Stations 3  
 Number of Employees 59  
 Number of Volunteers -

**Police Protection:**  
 Number of Sub-stations 1  
 Number of Stations 1  
 Number of Employees 75

**Recreation:**  
 Parks-Numbers of Acres 153.53  
 Skateboard Parks 1  
 Tennis Courts 9  
 Golf Courses 2  
 Swimming Pools 2  
 Parks 7

Mid Valley Christian School PK-6th Grade  
 Established 1974  
 San Martin Catholic School PK-6th Grade  
 Established 1998  
 Valley Grande Adventist Academy Grades 9-12  
 Established 1937  
 First Christian Academy  
 Established 2006

Weslaco I.S.D. (Student Population 18,100)  
 High School 3  
 Alternative Schools 1  
 Middle Schools 4  
 Elementary Schools 11

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

**Source:**  
 City of Weslaco  
 Finance Department

**City:**  
 Number of City Employees 252  
 Number of Street Lights 1,600

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

**Average Daily :** **Gallons**  
 Consumption 5,982,047  
 Daily Plant Capacity 8,250,000  
 Water Sold for Year 2,183,447,000

**Population :**  
 1940(census) 6,883  
 1950(census) 7,487  
 1960(census) 15,649  
 1970(census) 15,313  
 1980(census) 19,331  
 1990(census) 25,608  
 2000(census) 26,935  
 2010 Estimate 35,670

**Number of Hospitals:** 1  
 233 Beds

**Airports:** 1

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

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

Table XVII

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	27,967	\$ 411,198,801	14,703	15.6%
2003	30,231	434,449,701	14,371	16.6%
2004	30,416	468,528,064	15,404	13.3%
2005	30,416	508,525,104	16,719	7.2%
2006	31,442	539,041,648	17,144	6.5%
2007	32,092	571,365,968	17,804	7.3%
2008	32,092	571,365,968	17,804	7.3%
2009	33,354	507,814,650	15,225	8.3%
2010	34,701	514,199,418	14,818	5.5%
2011	35,670	530,698,260	14,878	11.3%

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

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

Table XVIII

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General government</b>										
Building permits issued	2,791	2,744	2,764	2,984	2,848	2,361	2,499	2,088	1,964	1,946
Building inspections - conducted	1,439	5,149	4,678	5,391	5,536	5,055	5,264	4,054	3,625	3,488
<b>Police</b>										
Physical Arrests-Adults	2,275	2,263	2,159	2,225	2,585	2,266	2,646	1,733	2,624	2,619
Physical Arrests-Juveniles	567	537	599	703	651	366	464	674	620	639
<b>Fire</b>										
Emergency responses	4,651	5,027	5,488	5,499	6,664	7,235	7,387	6,994	7,044	7,190
<b>Library</b>										
Volumes in collection	77,899	80,239	82,504	75,444	65,569	51,968	63,006	58,246	58,814	67,800
Total volumes borrowed	77,264	78,622	56,251	60,542	56,901	76,057	57,412	57,252	60,876	64,790
<b>Water</b>										
New connections	380	328	309	290	267	267	221	140	133	133
Average daily consumption (thousands of gallons)	4,660	4,550	5,210	5,406	4,385	5,666	5,667	5,765	6,010	6,010
Peak daily consumption (thousands of gallons)	7,330	7,022	7,770	7,741	7,799	8,086	8,307	7,685	8,860	
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	3,568	3,794	3,590	3,377	3,431	2,080	3,835	4,669	4,133	
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Substation	4	4	3	3	3	3	2	1	1	1
Patrol Units						77	79	75	26	70
<b>Fire stations</b>	3	3	3	3	3	3	3	3	3	3
<b>Other public works</b>										
Street (miles)	91.85	91.85	91.85	91.85	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
<b>Parks &amp; recreation</b>										
Acreage	154.80	154.80	153.53	153.53	153.53	153.53	153.53	153.53	153.53	153.53
Playgrounds	11	11	11	11	11	11	11	11	11	11
Golf courses	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water main (miles)	121.40	126.00	126.00	126.00	126.00	126.00	126.00	126.00	126.00	126.00
Fire hydrants										
Storage capacity (thousands of gallons)	7,900	7,900	7,900	7,900	7,900	7,900	7,900	2,385	7,900	7,900
<b>Wastewater</b>										
Sanitary sewer (miles)	107.17	107.17	111.67	111.67	118.01	118.01	118.01	118.01	118.01	118.01
Storm sewer (miles)	48.24	48.24	50.94	50.94	50.94	50.94	50.94	50.94	50.94	50.94
Treatment capacity (thousands of gallons)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	7,250	7,250	7,250

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

Table XIX

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

Source: Weslaco Economic Development Corporation

\* 2011 and 2004 information not available by Weslaco Economic Development Corporation.

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

Table XX

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	54	51	50	50	51	54	54	52	38	34
Legislative	5	5	5	5	5	7	7	7	7	7
Other	49	46	45	45	46	47	47	47	29	24
Public Safety	166	175	177	174	175	197	181	181	141	132
Public Works	23	23	27	28	29	29	29	29	25	37
Health & Welfare	3	3	3	3	3	3	3	3	2	1
Culture & Recreation	39	38	38	38	38	39	39	39	3	3
Refuse collection	23	23	15	17	17	17	17	17	4	3
Library	19	20	19	19	19	19	20	20	12	11
Water	21	23	23	23	23	24	19	19	23	22
Wastewater	9	9	9	9	9	8	10	10	0	0
Airport	4	4	4	4	4	4	4	4	4	4
Museum	2	2	2	2	2	2	2	4	0	0
<b>Total</b>	<u><u>363</u></u>	<u><u>371</u></u>	<u><u>367</u></u>	<u><u>367</u></u>	<u><u>370</u></u>	<u><u>396</u></u>	<u><u>378</u></u>	<u><u>378</u></u>	<u><u>252</u></u>	<u><u>247</u></u>

**SCHEDULE OF INSURANCE COVERAGE**

CITY OF WESLACO, TEXAS  
SCHEDULE OF INSURANCE COVERAGE  
SEPTEMBER 30, 2012

Insurer	Type of Coverage
CHUBB	Real and Personal Property All risk coverage. \$10,000 deductible \$58,189,343 blanket limit.
	Replacement cost loss valuation

Policy Number & Period Covered	Property	Total	Building	Contents
PE-4618832-00 10/1/11-10/01/12	Airplane Hangar/Maint/Office	\$ 1,200,000	\$ 900,000	\$ 300,000
	Airport Hangar/Terminal	1,900,000	900,000	1,000,000
	Old Terminal Office	35,846	35,846	
	Hanger	748,604	748,604	
	Swimming Pool Bath House	158,729	146,729	12,000
	Animal Shelter	195,000	145,000	50,000
	City Hall/Aux Fire Station	2,150,000	2,000,000	150,000
	City Shop	1,168,992	1,043,992	125,000
	General Shop	2,000,000	2,000,000	
	Health & Day Center	369,957	369,957	
	Lawn Mower Storage	6,750	6,750	
	Library	2,969,569	2,400,819	568,750
	Meeting Hall	241,511	211,511	30,000
	Museum	779,219	779,219	
	Office Building-Tower	160,520	155,520	5,000
	Office	100,214	87,714	12,500
	Office/Testing Lab	106,250	100,000	6,250
	Police/Fire Station	1,666,695	1,600,000	66,695
	Portable Building	13,500	8,500	5,000
	Recreation Building	319,352	314,352	5,000
	Water Tower	580,500	580,500	
	Tower Theatre	118,045	96,170	21,875
	Vehicle Storage	53,091	35,591	17,500
	Elev. Water Tower	769,500	769,500	
	Elev. Water Tower	769,500	769,500	
	Water Plant/Entire Complex	6,831,000	6,831,000	
	Weslaco Recycling Center	550,000	350,000	200,000
	North Wastewater Plant	5,700,000	5,700,000	
	Cemetary Storage Building	115,634	95,634	20,000
	Cemetary Fence	38,000	38,000	
	New PFA Building	5,697,759	5,697,759	
	Isaac D. Rodriguez Skate Park	67,200	67,200	
	Office Complex	780,739	736,389	44,350
	Public Parking Garage	1,700,000	1,700,000	
	South Wastewater Plant	3,800,000	3,800,000	
	Fire Station	865,000	825,000	40,000
	Cavazos Park (Entire Park)	200,000	200,000	
	City Park (Entire Park)	1,000,000	1,000,000	
	Gibson Park (Entire Park)	330,000	300,000	30,000
	Nature Center	206,000	206,000	
Plazita Park	200,000	200,000		
Old Harlon Block Park (Entire Park)	753,558	753,558		
Municipal Court	350,149	350,149		
Harlon Block Sports Complex	1,755,000	1,755,000		
City Office Building	7,350,000	6,600,000	750,000	
Airport Infrastructure	1,200,000	900,000	300,000	
	<b>Total</b>	<b>\$ 58,071,383</b>	<b>\$ 54,311,463</b>	<b>\$ 3,759,920</b>

**CITY OF WESLACO, TEXAS  
 SCHEDULE OF INSURANCE COVERAGE  
 SEPTEMBER 30, 2012**

Insurer	Type of Coverage
Argonaut Insurance Group	General Liability Policy Employment Practices Liability Aggregate Back Wages Deductible
Traveler's Casualty & Surety Company of America	Employee Theft Forgery or Alteration On Premises In Transit Money Orders & Counterfeit Money Computer Fraud Funds Transfer Fraud Deductible
Argonaut Insurance Company	General Liability Public Officials Liability Aggregate Deductible
ACE Property & Casualty	Products/Completed Ops Aggregate Personal & Advertising Injury Each Occurrence Fire Damage (any one fire) Medical Expense (Any one person) Each aircraft Each loss limit Deductible

Policy Number & Period Covered	Property	Coverage		
		Total	Building	Contents
#EP-4618832-01 10/01/2011-10/01-2013	City Operations	\$ 2,000,000		
		4,000,000		
		50,000		
		10,000		
#10568868 10/01/2011-10/01/2012	Law Enforcement	\$ 20,000		
		20,000		
		20,000		
		20,000		
		20,000		
		20,000		
		1,000		
#PO-4618832-01 10/01/2011-10/01/2013	Public Officials	2,000,000		
		4,000,000		
		10,000		
AAPN05622645003 10/01/2011-10/01/2012	Airport Liability	1,000,000		
		250,000		
		5,000		
		1,000,000		
		1,000,000		

**CITY OF WESLACO, TEXAS  
 SCHEDULE OF INSURANCE COVERAGE  
 SEPTEMBER 30, 2012**

<u>Insurer</u>	<u>Type of Coverage</u>
Traveler's Casualty & Surety Company of America	Employee Theft Forgery or Alteration On Premises In Transit Money Orders & Counterfeit Money Computer Fraud Funds Transfer Fund Deductible
CHUBB-Federal Insurance Company	Mobile Equipment Blanket Basis
Argonaut Insurance Group	Public Officials Liability Aggregate Deductible
Argonaut Insurance Group	Employment Practices Liability Aggregate Back Wages Deductible
ACE Property & Casualty	Products/Completed Ops Aggregate Personal & Advertising Injury Each Occurrence Fire Damage (any one fire) Medical Expenses (any one person) Hangar Keeper's Liability Each Aircraft Each Loss Limit Deductible

Policy Number & Period Covered	Property	Total	Coverage	
			Building	Contents
#105688868 10/01/11 - 10/01/2012	Police Liability	\$ 20,000		
		20,000		
		20,000		
		20,000		
		20,000		
		20,000		
		1,000		
#3584-19-01-DAL 10/01/2011-10/01/2012	Schedule of Equipment Policy File	297,849		
#PO-4618832-01 10/01/2011-10/01/2013	Public Officials and Employees	2,000,000		
		4,000,000		
		10,000		
#EP-4618832-01 10/01/2011-10/01-2013	Public Employees	2,000,000		
		4,000,000		
		50,000		
		10,000		
#AAPN05622645003 10/01/2011-10/01/12	Airport Liability	100,000		
		1,000,000		
		1,000,000		
		250,000		
		5,000		
		100,000		
		100,000		
1,000				

Continuing Disclosure Requirements

of

SEC Rule 15 (c) 2-12

**RULE 15c2-12 FILING COVER SHEET**

This cover sheet is sent with all submissions to the Municipal Securities Rulemaking Board (the Nationally Recognized Municipal Securities Information Repository) and any applicable State Information Depository pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 or any analogous state statute.

**Issuer Name:** City of Weslaco, Texas

**Issue(s):**

- \$ 7,860,000 General Obligation Refunding Bonds, Series 2002
- \$ 28,175,000 Tax And Waterworks And Sewer System Surplus Revenue Certificates of Obligation, Series 2007
- \$ 24,335,000 Tax and Revenue Certificates of Obligation, Series 2012
- \$ 11,915,000 Limited Tax Refunding Bonds, Series 2012

**Filing Format**  electronic  paper; If available on the Internet, give URL: \_\_\_\_\_

**CUSIP Numbers to which the information filed relates** (optional):

- Nine-digit number(s) (see following page(s)):
- Six-digit number if information filed relates to all securities of the issuer

\* \* \*

**Financial & Operating Data Disclosure Information**

- Annual Financial Report or CAFR
- Financial Information & Operating Data
- Other (describe)
- Fiscal Period Covered: FYE 2012
- Monthly  Quarterly  Annual  Other:

\* \* \*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Bret Mann

Name: Bret Mann Title: Finance Director

Employer: City of Weslaco, Texas

Voice Telephone Number: (956) 968-3181

Email Address: bmann@weslacotx.gov

## FINANCIAL STATEMENTS

The audited financial statements for the City for the fiscal year ended September 30, 2012 are being separately filed directly with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

## SIGNATURE OF ISSUER

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

### CITY OF WESLACO, TEXAS

*/s/ Bret Mann*

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Bret Mann

Finance Director

Approved for Submission:

03/26/2013

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Date

**CITY OF WESLACO, TEXAS**  
**2013 GENERAL OBLIGATION DEBT REPORTS (UNAUDITED)**

**TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2012/2013 Market Valuation Established by Hidalgo County Appraisal District (excluding totally exempt property)		\$ 1,468,639,812
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	\$ 4,238,898	
Disabled Veterans	5,344,980	
Over 65 or Disabled	23,849,866	
Charity	506,603	
Pollution	16,650	
Productivity Loss	37,891,988	
Freeport Exemption	6,276,561	
	78,125,546	
2012/2013 Net Taxable Assessed Valuation		\$ 1,390,514,266
Debt Payable from Ad Valorem Taxes ("Tax Debt") as of January 31, 2013 <sup>(1)</sup>		
Tax Bonds	\$ 16,660,000	
Certificates of Obligation	51,890,000	
Tax Notes	8,500,000	
	77,050,000	
Total Tax Debt		\$ 77,050,000
Less: Self-Supporting Debt <sup>(2)</sup>		
Certificates of Obligation, Series 2007	\$ 20,880,000	
Limited Tax Refunding Bonds, Series 2010	886,417	
Tax Notes - Series 2011	8,500,000	
Certificates of Obligation, Series 2012	24,335,000	
	54,601,417	
Net Tax Debt		\$ 22,448,583
Tax Debt Interest and Sinking Fund as of January 31, 2013		\$ 905,971
Ratio Net Tax Debt to Taxable Assessed Valuation		1.61%

2013 Estimated Population - 38,881  
Per Capita Taxable Assessed Valuation - \$35,763  
Per Capita Tax Debt - \$1,982  
Per Capita Net Tax Debt - \$577

- 
- (1) Includes self-supporting debt, payable from other bond revenues. The above statement of indebtedness does not include currently outstanding \$2,470,000 waterworks and sewer system revenue bonds, as these bonds are payable solely from the net revenues of the Waterworks and Sewer System (the "System"), as defined in the ordinance authorizing the bonds.
- (2) Tax Debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10 herein. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

**TABLE 2 -- TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2013		2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 658,827,083	44.86%	\$ 639,835,322	44.77%	\$ 640,671,828	45.23%
Real, Residential, Multi-Family	52,848,300	3.60%	50,239,811	3.52%	49,845,676	3.52%
Real, Vacant Lots/Tracts	85,638,796	5.83%	79,973,894	5.60%	83,470,608	5.89%
Real, Acreage (Land Only)	42,843,531	2.92%	44,691,975	3.13%	39,781,549	2.81%
Real, Farm and Ranch Improvements	2,821,955	0.19%	2,793,257	0.20%	3,045,755	0.22%
Real, Commercial and Industrial	399,049,678	27.17%	392,130,947	27.44%	384,284,909	27.13%
Real, Oil and Gas	17,050	0.00%	14,750	0.00%	28,120	0.00%
Real and Tangible Personal, Utilities	14,944,144	1.02%	16,005,284	1.12%	17,502,933	1.24%
Tangible Personal, Business	154,344,631	10.51%	149,060,828	10.43%	146,580,220	10.35%
Tangible Personal, Other	34,001,847	2.32%	30,413,969	2.13%	27,981,017	1.98%
Real Property, Inventory	10,042,684	0.68%	14,167,898	0.99%	15,170,536	1.07%
Special Inventory	13,260,113	0.90%	9,282,035	0.65%	7,661,452	0.54%
Miscellaneous	-	0.00%	591,494	0.04%	589,757	0.04%
Total Appraised Value Before Exemptions	\$1,468,639,812	100.00%	\$ 1,429,201,464	100.00%	\$ 1,416,614,360	100.00%
Less: Total Exemptions/Reductions	78,125,546		73,284,074		67,356,872	
Taxable Assessed Value	<u>\$1,390,514,266</u>		<u>\$ 1,355,917,390</u>		<u>\$ 1,349,257,488</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2010		2009	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 634,802,483	44.75%	\$ 621,444,969	44.18%
Real, Residential, Multi-Family	51,678,580	3.64%	52,333,876	3.72%
Real, Vacant Lots/Tracts	95,382,582	6.72%	100,933,060	7.18%
Real, Acreage (Land Only)	43,065,013	3.04%	34,288,888	2.44%
Real, Farm and Ranch Improvements	3,521,412	0.25%	3,744,924	0.27%
Real, Commercial & Industrial	374,032,590	26.37%	365,196,174	25.96%
Real, Oil and Gas	133,360	0.01%	111,030	0.01%
Real and Tangible Personal, Utilities	17,930,544	1.26%	20,355,940	1.45%
Tangible Personal, Business	140,354,437	9.89%	147,005,156	10.45%
Tangible Personal, Other	28,647,259	2.02%	30,252,341	2.15%
Real Property, Inventory	18,682,534	1.32%	17,253,479	1.23%
Special Inventory	10,420,942	0.73%	13,617,579	0.97%
Miscellaneous	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$1,418,651,736	100.00%	\$ 1,406,537,416	100.00%
Less: Total Exemptions/Reductions	69,896,632		74,397,206	
Taxable Assessed Value	<u>\$1,348,755,104</u>		<u>\$ 1,332,140,210</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Hidalgo County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the years as contested values are resolved and the Appraisal District updates records.

**TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of Net Tax Debt to Taxable Assessed Valuation	Net Tax Debt Per Capita
2009	32,288	\$ 1,332,140,210	\$ 41,258	\$ 26,143,168	1.96%	\$ 810
2010	35,670	1,348,755,104	37,812	26,144,672	1.94%	733
2011	36,721	1,349,257,488	36,743	23,177,335	1.72%	631
2012	37,786	1,355,917,390	35,884	21,743,583	1.60%	575
2013	38,881	1,390,514,266	35,763	19,894,034 <sup>(4)</sup>	1.43% <sup>(4)</sup>	512 <sup>(4)</sup>

(1) Source: City Officials.

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

(3) Excludes self-supporting debt.

(4) Projected.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2009	\$ 0.6967	\$ 0.5210	\$ 0.1757	\$ 8,920,936	95.49%	102.76%
2010	0.6967	0.5152	0.1815	9,249,698	93.29%	99.70%
2011	0.6967	0.5049	0.1918	9,310,540	94.18%	100.00%
2012	0.6967	0.5039	0.1928	9,346,948	94.78%	99.41%
2013	0.6967	0.5016	0.1951	9,493,959 <sup>(2)</sup>	76.66% <sup>(1)</sup>	78.24% <sup>(1)</sup>

(1) In Process of Collection.

(2) Calculated at 98% collections.

**TABLE 5 – TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2012/13 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
HE Butt Grocery Company	Grocery Store	\$ 35,099,188	2.52%
HEB Weslaco Transportation	Warehouse/Distribution	17,650,492	1.27%
Clearview Weslaco LLP	Development	11,392,186	0.82%
JCPenney #1101	Retail	10,968,874	0.79%
Lowe's Home Center Inc. #2980	Retail	10,822,420	0.78%
CapCor Weslaco Ltd.	Holding Company	9,390,047	0.68%
Wal-Mart Real Estate Business Trust	Real Estate/Retail	8,748,862	0.63%
John Knox Villages	Retirement Housing	8,623,391	0.62%
Wal-Mart Property Tax Department	Real Estate/Retail	8,197,802	0.59%
Reyna Family Land Development Ltd	Development	6,433,121	0.46%
		<u>\$ 127,326,383</u>	<u>9.16%</u>

**TABLE 6 – TAX ADEQUACY**

2013 Principal and Interest Requirements <sup>(1)</sup> .....	\$2,498,823
\$0.1903 Tax Rate at 94% Collection Produces .....	\$2,498,893
Average Annual Principal and Interest Requirements, 2013- 2032 <sup>(1)</sup> .....	\$1,326,669
\$0.1011 Tax Rate at 94% Collection Produces .....	\$1,327,578
Maximum Annual Principal and Interest Requirements, 2013 <sup>(1)</sup> .....	\$2,498,823
\$0.1903 Tax Rate at 94% Collection Produces .....	\$2,498,893

(1) Excludes self-supporting debt.

**TABLE 7 – ESTIMATED OVERLAPPING DEBT**

Updated information with respect to the City as contained in the “Estimated Overlapping Debt” table of the final official statements of debt issued is contained in other tables of this annual report. Information relating to other taxing entities within the territory of the City that was contained in the “Estimated Overlapping Debt” table of the final official statements has not been updated (as it is not financial information or operating data of the issuer); however, information relating to other taxing entities is contained in individual “Texas Municipal Reports” as published by the Municipal Advisory Council of Texas.

**TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt Service			Less:	Total Tax	% of Principal Retired
	Principal	Interest	Total	Self-Supporting Debt Service	Debt Service	
2013	\$ 3,230,000	\$ 2,933,825	\$ 6,163,825	\$ 3,665,002	\$ 2,498,823	
2014	2,850,000	2,940,266	5,790,266	3,501,424	2,288,842	
2015	3,760,000	2,843,509	6,603,509	4,316,897	2,286,612	
2016	4,400,000	2,719,517	7,119,517	4,831,936	2,287,581	
2017	4,950,000	2,576,414	7,526,414	5,240,742	2,285,672	24.91%
2018	5,485,000	2,410,379	7,895,379	5,610,238	2,285,141	
2019	4,800,000	2,209,630	7,009,630	4,723,730	2,285,900	
2020	4,730,000	2,030,486	6,760,486	4,723,094	2,037,392	
2021	4,900,000	1,859,169	6,759,169	4,724,229	2,034,940	
2022	5,075,000	1,683,194	6,758,194	4,722,756	2,035,438	57.34%
2023	5,270,000	1,486,956	6,756,956	4,723,156	2,033,800	
2024	3,965,000	1,299,706	5,264,706	4,722,581	542,125	
2025	4,170,000	1,098,206	5,268,206	4,724,456	543,750	
2026	4,385,000	886,456	5,271,456	4,727,331	544,125	
2027	4,605,000	663,831	5,268,831	4,725,581	543,250	86.40%
2028	1,895,000	503,581	2,398,581	2,398,581	-	
2029	1,990,000	408,831	2,398,831	2,398,831	-	
2030	2,090,000	309,331	2,399,331	2,399,331	-	
2031	2,195,000	204,831	2,399,831	2,399,831	-	
2032	2,305,000	95,081	2,400,081	2,400,081	-	100.00%
	<b>\$ 77,050,000</b>	<b>\$ 31,163,199</b>	<b>\$ 108,213,199</b>	<b>\$ 81,679,809</b>	<b>\$ 26,533,390</b>	

**TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Debt Service Requirements, Fiscal Year Ending 9/30/2013 <sup>(1)</sup>		\$2,498,823
Interest and Sinking Fund, 9/30/2012 <sup>(2)</sup>	\$ 949,795	
Calculated Interest and Sinking Fund Tax Levy @ 94% Collection	2,561,923	
Estimated Interest Income/Delinquent Taxes/Penalties	<u>247,000</u>	<u>3,758,718</u>
Estimated Balance, Fiscal Year Ending 9/30/2013		<u><u>\$ 1,259,895</u></u>

- (1) Excludes self-supporting debt.  
 (2) Unaudited, provided by City officials.

**TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT**

Net Waterworks and Sewer System Revenue Available as of 9/30/2012 <sup>(1)</sup>	\$ 5,177,274
Less: Requirements for Waterworks and Sewer System Revenue Bonds	452,732
Balance Available for Other Purposes	<u>\$ 4,724,542</u>
Requirements for Waterworks and Sewer System Tax Debt	\$ 3,606,502
Percentage of Waterworks and Sewer System Tax Debt Self-Supporting	100.00%
Net Sanitation System Revenue Available as of 9/30/2012 <sup>(1)</sup>	\$ 546,163
Less: Requirements for Sanitation System Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 546,163</u>
Requirements for Sanitation System Tax Debt	\$ 58,500
Percentage of Sanitation System Tax Debt Self-Supporting	100.00%

- (1) Unaudited, provided by City officials.

**TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

As of January 31, 2013, the City does not have any authorized but unissued general obligation bonds.

**TABLE 12 – OTHER OBLIGATIONS <sup>(1)</sup>**

As of September 30, 2012, the City does not have any other obligations outstanding.

- (1) Unaudited, provided by City officials.

**TABLE 13 -- CHANGE IN NET ASSETS**

	Fiscal Year Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
<b>REVENUES:</b>					
<b>Program Revenues:</b>					
Charges for Services	\$ 2,863,075	\$ 2,267,190	\$ 2,746,362	\$ 2,723,099	\$ 2,602,530
Operating Grants and Contributions	-	-	-	81,000	1,028,979
Capital Grants and Contributions	545,827	500,163	608,768	917,556	162
<b>General Revenues:</b>					
Property Taxes	9,710,669	9,632,751	9,729,729	9,752,261	7,816,160
Sales Taxes	10,578,320	9,864,624	9,218,352	9,175,453	9,029,384
Hotel Occupancy Taxes	314,247	358,390	359,421	403,467	455,283
Other Taxes	65,650	71,488	71,255	57,047	34,553
Franchise Fees	1,565,484	1,653,298	1,414,910	1,418,405	1,379,805
Investment Earnings	59,373	64,147	139,903	226,519	503,166
Intergovernmental	20,433	77,375	144,499	143,800	110,682
Gain (loss) on sale of assets	133,862	100,339	(115,940)	482,859	365,551
Resindement of Revolving Loan Contingency	-	550,000	-	-	-
Miscellaneous	282,064	301,972	348,954	433,260	408,284
<b>Total Revenues</b>	<b>\$ 26,139,004</b>	<b>\$ 25,441,737</b>	<b>\$ 24,666,213</b>	<b>\$ 25,814,726</b>	<b>\$ 23,734,539</b>
<b>EXPENSES:</b>					
General Government	\$ 3,846,855	\$ 4,426,526	\$ 4,307,902	\$ 3,710,070	\$ 5,011,787
Public Safety	10,164,740	11,562,667	12,676,095	12,486,600	11,132,961
Emergency medical services	462,306	398,347	343,818	-	465,405
Culture and Recreation	1,331,432	1,144,997	2,486,171	2,484,004	1,732,945
Public Works	2,693,260	2,669,907	1,870,276	1,843,346	2,254,577
Development services	3,499,454	3,101,439	3,358,829	4,994,533	3,411,805
Health and Welfare	88,665	104,426	132,612	127,044	136,637
Sales Tax Rebates	780,562	98,539	-	-	-
Interest on Long-term Debt	1,384,018	1,452,443	1,478,830	1,488,868	1,496,921
<b>Total Expenditures</b>	<b>\$ 24,251,292</b>	<b>\$ 24,959,291</b>	<b>\$ 26,654,533</b>	<b>\$ 27,134,465</b>	<b>\$ 25,643,037</b>
Increase in Net Assets Before Transfers	\$ 1,887,712	\$ 482,446	\$ (1,988,320)	\$ (1,319,739)	\$ (1,908,498)
Transfers	1,021,140	996,770	1,475,209	2,403,930	2,455,293
Increase in Net Assets	\$ 2,908,852	\$ 1,479,216	\$ (513,111)	\$ 1,084,191	\$ 546,795
Beginning Net Assets	21,533,387	20,054,171	20,567,282 <sup>(2)</sup>	18,568,683 <sup>(3)</sup>	8,926,983
Prior Period Entries	-	-	-	-	-
<b>Ending Net Assets</b>	<b>\$ 24,442,239</b>	<b>\$ 21,533,387</b>	<b>\$ 20,054,171</b>	<b>\$ 19,652,874</b>	<b>\$ 9,473,778</b>

(1) Unaudited, provided by City officials.

(2) Restated.

(3) Includes value of infrastructure, less depreciation.

**TABLE 13A – GENERAL FUND REVENUE AND EXPENDITURE HISTORY**

	Fiscal Years Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
<b>REVENUES</b>					
Taxes	\$15,056,656	\$16,296,631	\$15,614,848	\$15,623,980	\$ 14,375,274
Licenses and Permits	381,323	363,068	370,890	406,099	489,883
Intergovernmental	566,260	577,538	753,267	705,035	1,186,021
Franchise Fees	1,565,484	-	-	-	-
Charges for Services	2,454,163	2,565,294	2,905,104	3,752,129	3,471,856
Fine and Forfeitures	772,753	463,778	676,431	690,602	727,506
Interest	10,669	10,774	5,824	12,912	56,054
Contributions	1,942	-	-	-	-
Miscellaneous	222,002	283,129	337,567	390,965	345,924
Sale of Assets	41,862	111,328	-	-	-
<b>Total Revenues</b>	<b>\$21,073,114</b>	<b>\$20,671,540</b>	<b>\$20,663,931</b>	<b>\$21,581,722</b>	<b>\$ 20,652,518</b>
<b>EXPENDITURES</b>					
<b>Current Expenditures:</b>					
General Government	\$ 3,799,354	\$ 4,255,134	\$ 3,633,642	\$ 3,481,440	\$ 5,131,719
Public Safety	10,315,316	11,664,128	12,725,966	12,486,212	13,173,159
Public Works	1,299,035	1,342,074	1,390,192	1,468,756	1,567,815
Health and Welfare	84,348	100,315	128,875	123,307	1,376,845
Culture and Recreation	861,319	959,685	2,311,038	2,231,748	135,502
Miscellaneous	-	684,020	779,286	541,759	-
Nondepartmental	395,171	-	-	-	-
Capital Outlay	357,629	215,182	7,649,738 <sup>(2)</sup>	308,217	-
Debt Service	-	1,316,861	-	-	-
<b>Total Expenditures</b>	<b>\$17,112,172</b>	<b>\$20,537,399</b>	<b>\$28,618,737</b>	<b>\$20,641,439</b>	<b>\$ 21,385,040</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>					
	<b>\$ 3,960,942</b>	<b>\$ 134,141</b>	<b>\$ (7,954,806)</b>	<b>\$ 940,283</b>	<b>\$ (732,522)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Note Proceeds	\$ -	\$ 1,300,000	\$ -	\$ -	\$ -
Operating Transfers In	-	-	164,040	525,775	-
Operating Transfers Out	(480,000)	(200,000)	(611,900)	(287,000)	(218,000)
Other Financial Resources	(1,575,216)	(912,644)	7,406,417 <sup>(2)</sup>	-	158,930
<b>Total Other Financing Sources (Uses)</b>	<b>\$(2,055,216)</b>	<b>\$ 187,356</b>	<b>\$ 6,958,557</b>	<b>\$ 238,775</b>	<b>\$ (59,070)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>					
	<b>\$ 1,905,726</b>	<b>\$ 321,497</b>	<b>\$ (996,249)</b>	<b>\$ 1,179,058</b>	<b>\$ (791,592)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>					
	<b>\$ 836,818</b>	<b>\$ (34,679)</b>	<b>\$ 961,570</b>	<b>\$ (217,488) <sup>(3)</sup></b>	<b>\$ 578,511</b>
Rescindment of Revolving Loan Contingency	\$ -	\$ 550,000	\$ -	\$ -	\$ -
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 2,742,544</b>	<b>\$ 836,818</b>	<b>\$ (34,679)</b>	<b>\$ 961,570</b>	<b>\$ (213,081)</b>

(1) Unaudited, provided by City officials.

(2) In Fiscal Year 2010, capital outlays of the City included projects providing infrastructure development pursuant to Chapter 380 Economic Development Agreements.

(3) Restated.

**TABLE 14 – MUNICIPAL SALES TAX HISTORY**

Fiscal Year Ended 9/30	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita <sup>(2)</sup>
2008	\$ 6,556,949	85.51%	\$ 0.4922	\$ 204.32
2009	6,881,590	77.14%	0.5166	213.13
2010	6,913,765	74.75%	0.5126	193.83
2011	7,398,468	79.46%	0.5483	201.48
2012	7,933,740	84.88%	0.5851	209.97

(1) Excludes half-cent sales tax for economic development.

(2) Based on population estimates provided by City officials.

**TABLE 15 – CURRENT INVESTMENTS**

As of January 31, 2013, the City's investable funds were invested in the following categories:

Description	Book Value	Market Value	% of Portfolio
TexPool	\$ 4,174,037	\$ 4,174,037	100.00%
	\$ 4,174,037	\$ 4,174,037	100.00%

**TABLE 16 – HISTORICAL WATER CONSUMPTION (GALLONS)**

Fiscal Year	Daily Average	Peak Day	Peak Month	Total Usage	Water Revenue
2008	5,666,000	8,076,000	217,313,000	2,072,698,000	\$ 4,159,964
2009	5,665,373	9,077,000	235,767,000	2,067,861,000	4,293,548
2010	5,087,233	7,259,000	197,299,000	1,856,840,000	4,115,503
2011	6,010,074	8,860,000	211,669,000	2,193,677,000	4,594,471
2012	5,982,047	9,704,000	217,298,000	2,183,447,000	5,375,445

**TABLE 17 – TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)**

Customer	Type of Industry	Water Usage (000s)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Military Highway Water Supply	Water Company	576,434	26.40%	\$ 131,577	2.45%
North Side Apartments	Apartments	121,010	5.54%	30,813	0.57%
Knapp Medical Center	Hospital	102,790	4.71%	27,273	0.51%
Maverick Industrial Service	Laundry Facility	91,910	4.21%	24,037	0.45%
Weslaco High School	Education Facility	91,710	4.20%	23,567	0.44%
Country Sunshine Park	Trailer Park	87,739	4.02%	23,566	0.44%
So. Waste Sewer Plant	Waste Water	75,932	3.48%	19,989	0.37%
Sevilla Apartment Homes	Apartments	74,952	3.43%	28,286	0.53%
Snow to Sun Trailer Park	Trailer Park	74,168	3.40%	19,989	0.37%
Weslaco Labor Park	Government Housing	70,200	3.22%	21,121	0.39%
		<u>1,366,845</u>	<u>62.60%</u>	<u>\$350,220</u>	<u>6.52%</u>

**TABLE 18 – MONTHLY WATER RATES (EFFECTIVE SEPTEMBER 27, 2012)**

New Rates		Old Rates	
Inside City	Outside City	Inside City	Outside City
\$15.94 Base Fee	\$23.91 Base Fee	\$13.62 Base Fee	\$20.43 Base Fee
+ \$2.77 / 1,000 Gallons	+ \$4.15 / 1,000 Gallons	+ \$2.36 / 1,000 Gallons	+ \$3.54 / 1,000 Gallons

**TABLE 19 – WASTEWATER USAGE (GALLONS)**

Fiscal Year	Daily Average	Monthly Average	Peak Daily Usage	Peak Monthly Usage	Total Usage	Total Revenue
2008	2,079,800	109,303,000	6,238,200	128,231,000	1,309,560,000	\$ 3,375,730
2009	3,805,668	115,755,800	6,556,000	125,815,000	1,389,069,000	3,569,265
2010	4,424,425	134,576,000	8,616,000	167,311,000	1,614,915,000	3,271,450
2011	4,132,803	116,623,000	7,813,000	139,485,000	1,508,473,000	3,319,087
2012	3,979,032	121,028,917	7,071,000	129,574,000	1,452,347,000	3,783,072

**TABLE 20 – TEN LARGEST WASTEWATER CUSTOMERS**

<u>Customer</u>	<u>Type of Industry</u>	<u>Wastewater Revenue</u>	<u>% of Total Wastewater Revenue</u>
Northside Apartments	Apartments	\$ 112,711	2.98%
Weslaco High School	Educational Facility	72,658	1.92%
Sevilla Apartments	Apartments	68,296	1.81%
Country Sunshine Park	Trailer Park	58,935	1.56%
John Knox Village	Retirement Community	56,969	1.51%
Weslaco East High School	Educational Facility	54,620	1.44%
Southern Comfort Resort Park	Trailer Park	54,299	1.44%
Knapp Medical Center	Hospital	53,567	1.42%
Rio Valley Estate Mobile	Trailer Park	49,429	1.31%
Snow to Sun Trailer Park	Trailer Park	44,914	1.19%
		<u>\$ 626,398</u>	<u>16.56%</u>

**TABLE 21 – MONTHLY SEWER RATES (EFFECTIVE SEPTEMBER 27, 2012)**

<u>New Rates</u>		<u>Old Rates</u>	
<b>Residential</b>			
<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>
\$15.45 Base Fee	N/A	\$14.24 Base Fee	N/A
+ \$1.77 / 1,000 Gallons	N/A	+ \$1.63 / 1,000 Gallons	N/A
<b>Commercial</b>			
<u>Inside City</u>	<u>Outside City</u>		
80% to 95% of Water Charge	N/A		

**TABLE 22 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

Revenues	For Fiscal Year Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
Water Sales	\$ 5,665,661	\$ 4,728,977	\$ 4,132,623	\$ 4,293,548	\$ 4,159,964
Charges for Services	4,361,553	3,772,857	3,434,957	3,374,207	3,302,985
Interest Earnings	-	109	618,299	852,465	907,118
Miscellaneous	326,829	287,920	278,787	420,128	263,223
<b>Total Revenues</b>	<b>\$ 10,354,043</b>	<b>\$ 8,789,863</b>	<b>\$ 8,464,666</b>	<b>\$ 8,940,348</b>	<b>\$ 8,633,290</b>
<b>Expenses</b>					
Personal Services	\$ 1,042,768	\$ 1,183,182	\$ 1,209,215	\$ 1,325,256	\$ 1,289,818
Other Services and Charges	1,060,462	1,149,868	1,113,135	1,134,186	1,020,693
Supplies	399,605	355,096	339,157	280,560	373,062
Contractual Services - Operations	2,334,409	2,427,547	2,308,907	2,224,814	2,153,486
Contractual Services - Administrative	1,020,390	979,291	1,020,390	1,859,304	1,859,293
<b>Total Expenses</b>	<b>\$ 5,857,634</b>	<b>\$ 6,094,984</b>	<b>\$ 5,990,804</b>	<b>\$ 6,824,120</b>	<b>\$ 6,696,352</b>
<b>Net Available for Debt Service</b>	<b>\$ 4,496,409</b>	<b>\$ 2,694,879</b>	<b>\$ 2,473,862</b>	<b>\$ 2,116,228</b>	<b>\$ 1,936,938</b>
CIP Fees <sup>(2)</sup>	680,865	621,306	626,884	645,067	631,599
<b>Net Available for Debt Service Adjusted by CIP Fees</b>	<b>\$ 5,177,274</b>	<b>\$ 3,316,185</b>	<b>\$ 3,100,746</b>	<b>\$ 2,761,295</b>	<b>\$ 2,568,537</b>
Water Customers	10,090 <sup>(3)</sup>	9,972 <sup>(3)</sup>	11,306 <sup>(4)</sup>	11,306 <sup>(4)</sup>	11,034 <sup>(4)</sup>
Sewer Customers	9,171 <sup>(3)</sup>	9,056 <sup>(3)</sup>	10,432 <sup>(4)</sup>	10,432 <sup>(4)</sup>	10,212 <sup>(4)</sup>
<b>Estimated Debt Service Coverage</b>	<b>2.30</b>	<b>1.47</b>	<b>1.39</b>	<b>1.32</b>	<b>1.26</b>

(1) Unaudited, provided by City officials.

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

(3) For FYE 2011, the customer count provided for the City of Weslaco only.

(4) For FYE 2007 through 2010, the customer count includes the City of Weslaco, Military Highway Water Supply and North Alamo Water Supply Corporation.

**TABLE 23 – COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2013-2018	\$ 452,206
Coverage of Average Annual Requirements by 2012 Net Income	11.45 x
Maximum Principal and Interest Requirements, 2015	\$ 457,691
Coverage of Maximum Annual Requirements by 2012 Net Income	11.31 x
Waterworks and Sewer System Revenue Bonds Outstanding at 9/30/2012	\$ 2,470,000
Reserve Fund Balance as of September 30, 2012	\$ 469,687

**TABLE 24 – VALUE OF THE SYSTEM**

	Fiscal Year Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
<u>Waterworks System</u>					
Land	\$ 163,584	\$ 163,584	\$ 163,584	\$ 163,584	\$ 163,584
Buildings	236,047	236,047	236,047	236,047	236,047
Other Improvements	12,553,941	12,533,905	12,533,905	12,498,988	12,487,742
Machinery and Equipment	3,696,367	3,622,265	3,450,941	3,255,718	3,000,436
Construction in Progress	11,724,536	4,258,082	2,761,662	2,704,405	2,436,375
<b>Total Value</b>	<b>\$ 28,374,475</b>	<b>\$ 20,813,883</b>	<b>\$ 19,146,139</b>	<b>\$ 18,858,742</b>	<b>\$ 18,324,184</b>
Less: Depreciation	10,507,652	10,031,949	9,567,849	9,104,542	8,647,112
<b>Net System Value</b>	<b>\$ 17,866,823</b>	<b>\$ 10,781,934</b>	<b>\$ 9,578,290</b>	<b>\$ 9,754,200</b>	<b>\$ 9,677,072</b>
<u>Sewer System</u>					
Land	\$ 501,591	\$ 501,591	\$ 501,591	\$ 408,221	\$ 408,221
Buildings	126,276	126,276	126,276	126,276	188,276
Other Improvements	26,708,969	26,708,969	26,708,969	26,663,011	26,549,528
Machinery and Equipment	1,359,048	1,284,946	1,284,946	1,284,946	1,284,946
Construction in Progress	19,805,953	19,671,790	17,391,205	7,408,872	1,633,738
<b>Total Value</b>	<b>\$ 48,501,837</b>	<b>\$ 48,293,572</b>	<b>\$ 46,012,987</b>	<b>\$ 35,891,326</b>	<b>\$ 30,064,709</b>
Less: Depreciation	13,935,115	12,997,555	12,082,862	11,151,663	8,647,112
<b>Net System Value</b>	<b>34,566,722</b>	<b>35,296,017</b>	<b>33,930,125</b>	<b>24,739,663</b>	<b>21,417,597</b>
<b>Total Net System Value</b>	<b>\$ 52,433,545</b>	<b>\$ 46,077,951</b>	<b>\$ 43,508,415</b>	<b>\$ 34,493,863</b>	<b>\$ 31,094,669</b>

(1) Unaudited, provided by City officials.

**TABLE 25 – CITY'S EQUITY IN SYSTEM**

	Fiscal Year Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
<u>Resources</u>					
Total Net System Value	\$ 52,433,545	\$ 46,077,951	\$ 43,508,415	\$ 34,493,863	\$ 29,126,302
Cash and Investments	7,623,394	1,213,140	1,131,718	1,130,465	1,984
Other Resources	28,462,415	4,527,354	8,119,138	17,859,040	23,073,793
<b>Total Resources</b>	<b>\$ 88,519,354</b>	<b>\$ 51,818,445</b>	<b>\$ 52,759,271</b>	<b>\$ 53,483,368</b>	<b>\$ 52,202,079</b>
<u>Obligations</u>					
Revenue Bonds Payable	\$ 2,470,000	\$ 2,845,000	\$ 3,185,000	\$ 3,460,000	\$ 3,775,000
GO/CO Debt	47,216,080	23,855,752	24,584,249	23,676,346	24,096,703
Note Payable	8,100,000				
Other Obligations	4,437,201	-	3,758,290	3,834,990	1,961,884
<b>Total Resources</b>	<b>\$ 62,223,281</b>	<b>\$ 26,700,752</b>	<b>\$ 31,527,539</b>	<b>\$ 30,971,336</b>	<b>\$ 29,833,587</b>
<b>City's Equity in System</b>	<b>\$ 26,296,073</b>	<b>\$ 25,117,693</b>	<b>\$ 21,231,732</b>	<b>\$ 22,512,032</b>	<b>\$ 22,368,492</b>

Percentage City's Equity

(1) Unaudited, provided by City officials.

**PART IV**

**AUDIT SINGLE SECTION**

**SCHEDULE OF FEDERAL  
AND  
STATE FINANCIAL ASSISTANCE**

**CITY OF WESLACO, TEXAS  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>
<b><u>FEDERAL ASSISTANCE</u></b>			
<b><u>U.S. Department of Justice</u></b>			
Direct Program:			
Drug Enforcement Administration	16.810	2011	\$ 17,202
Drug Enforcement Administration	16.810	2012	17,202
U.S. Marshals Service-Joint Task Force	16.813	D79-10-0444	16,000
U.S. Marshals Service-Joint Task Force	16.813	D79-11-0089	15,000
U.S. Marshals Service-Joint Task Force	16.813	D79-12-0088	14,200
Bulletproof Vest Partnership	16.813	11058146	14,284
Edward Byrne Memorial (Non-Recovery)	16.738	2009-DJ-BX-1174	17,135
Edward Byrne Memorial (Recovery)	16.804	2009-SB-B9-1377	70,443
Community Oriented Policing Service	16.710	2009-RK-WX-0825	451,206
			* <u>632,672</u>
Total U.S. Department of Justice			
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Texas Department of Commerce:			
Revolving Fund Program	14.218		(1) <u>254,547</u>
<b><u>Federal Communications Commission</u></b>			
Passed through the Universal Service Administrative Company:			
* USAC Schools and Libraries E-Rate	2006-10-08	141687	* <u>561,559</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the Texas Engineering Extension Service			
2008 SHSP	97.073	2008-GE-T8-0034	34,399
2009 SHSP	97.073	2009-SS-T9-0064	25,925
2010 SHSP	97.073	2010-SS-T0-0008	26,795
Safer Grant	97.044	EMW-2006-FF-03766	1,035,000
Passed through the Federal Emergency Management Agency (FEMA)			
2010 Stone Garden	97.067	2010	73,664
			* <u>1,195,783</u>

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

\* Denotes Major Programs

<u>Accrued (Deferred) Revenue at October 1, 2011</u>	<u>Grant Revenues Received</u>	<u>Matching &amp; Miscellaneous Revenues</u>	<u>Grant Expendi- tures/Adj.</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2012</u>
\$ 4,932	\$ 4,932	\$ -	\$ -	\$ -	\$ -
-	17,202	11,134	17,202	11,134	-
-	-	-	-	-	-
2,624	2,624	-	-	-	-
-	12,878	-	14,200	-	1,322
1,348	-	-	-	-	1,348
17,135	-	-	-	-	17,135
(7,513)	-	-	7,513	-	-
30,027	-	-	97,150	-	127,177
<u>48,553</u>	<u>37,636</u>	<u>11,134</u>	<u>136,065</u>	<u>11,134</u>	<u>146,982</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,287	26,795	-	508	-	-
21,758	-	21,758	-	-	-
-	65,937	-	65,937	-	-
<u>48,045</u>	<u>92,732</u>	<u>21,758</u>	<u>66,445</u>	<u>-</u>	<u>-</u>

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor Number	Program or Award Amount
<u>U.S. Department of Federal Aviation</u>			
<u>Administrative (FAA)</u>			
Passed Through Texas Department of Transportation-Aviation Division			
Ramp Grant	20.106	M021WESLA	\$ 50,000
Airport Runway-Land	20.106	M1121WESLA	20,000
Airport Runway-Construction	20.106	M1321WESLA	7,239,520
Total Federal Aviation Administration			* <u>7,309,520</u>
<u>U.S. Department of Energy</u>			
Passed Through Texas Comptroller of Public Accounts			
Renewable Energy Technology Program	81.041	DE-EE0000116	* <u>1,812,000</u>
Total Energy			<u>1,812,000</u>
<u>Federal Emergency Management Agency</u>			
Passed Through Texas Department of Public Safety Division			
Emergency Management Disaster Relief (Hurricane Alex)	97.036	FEMA-1931	<u>51,038</u>
Total Emergency Management			<u>51,038</u>
<u>Urban and Rural Economic Development</u> <u>(HBCU Set-Aside)</u>			
	93.570	N/A	<u>384,861</u>
Total Federal Assistance			<u>\$ 12,201,980</u>
<u>STATE ASSISTANCE</u>			
<u>Texas Commission on Environmental Quality</u>			
Compost Utilization Project		582-6-80481	<u>126,600</u>
<u>Texas Department of Public Safety</u>			
Division of Emergency Management			
Border Star V (2008)		LBSP-08-050	119,102
Border Star V (2010)		LBSP-10/11	<u>35,211</u>
Total Texas Department of Public Safety			<u>154,313</u>

<u>Accrued (Deferred) Revenue at October 1, 2011</u>	<u>Grant Revenues Received</u>	<u>Matching &amp; Miscellaneous Revenues</u>	<u>Grant Expendi- tures</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2012</u>
\$ -	\$ 7,101	\$ 7,260	\$ 7,101	\$ 7,260	\$ -
-	-	-	-	-	-
-	412,541	-	412,541	-	-
-	419,642	7,260	419,642	7,260	-
90,928	-	-	1,299,952	-	1,390,880
90,928	-	-	1,299,952	-	1,390,880
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 187,526</u>	<u>\$ 550,010</u>	<u>\$ 40,152</u>	<u>\$ 1,922,104</u>	<u>\$ 18,394</u>	<u>\$ 1,537,862</u>
-	-	-	-	-	-
(7,252)	-	-	7,252	-	-
(9,331)	-	-	7,375	-	(1,956)
<u>(16,583)</u>	-	-	<u>14,627</u>	-	<u>(1,956)</u>

**CITY OF WESLACO, TEXAS  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>
<u>Texas General Land Office</u>			
Disaster Recovery Grant Program		10-5306-000-5314 *	<u>\$ 600,000</u>
<u>Texas State Parks &amp; Wildlife Department</u>			
Recreation Grants (Grants-in-Aid)			<u>400,000</u>
Total State Assistance			<u>1,280,913</u>
Total Federal and State Assistance			<u><u>\$ 13,482,893</u></u>

<u>Accrued (Deferred) Revenue at October 1, 2011</u>	<u>Grant Revenues Received</u>	<u>Matching &amp; Miscellaneous Revenues</u>	<u>Grant Expendi- tures</u>	<u>Other Expendi- tures</u>	<u>Accrued (Deferred) Revenue at September 30, 2012</u>
<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,463</u>	<u>\$ -</u>	<u>\$ 472,463</u>
<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
<u>(8,583)</u>	<u>400,000</u>	<u>-</u>	<u>879,090</u>	<u>-</u>	<u>470,507</u>
<u>\$ 178,943</u>	<u>\$ 950,010</u>	<u>\$ 40,152</u>	<u>\$ 2,801,194</u>	<u>\$ 18,394</u>	<u>\$ 2,008,369</u>

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

**CITY OF WESLACO**  
**NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2012**

1 General

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

2 Basis of Accounting

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

**RECONCILIATION TO FINANCIAL STATEMENTS**

<u>GRANT/PROGRAM TITLE</u>	<u>CFDA</u>	<u>GRANTOR NUMBER</u>	<u>REVENUE AMOUNT</u>
<b><u>FEDERAL ASSISTANCE</u></b>			
<b><u>U.S. Department of Justice</u></b>			
Drug Enforcement Administration	16.810	2012	\$ 17,202
U.S. Marshals Joint Task Force	16.813	D70-11-0089	14,200
Edward Byrne Memorial (Recovery)	16.804	2009-SB-B9-1377	7,513
Community Oriented Policing Service	16.710	2009-RK-WX-0825	97,150
Total U.S. Department of Justice			<u>136,065</u>
<b><u>U.S. Department of Homeland Security</u></b>			
2010 SHSP	97.073	2010-SS-T0-0008	508
2010 Stone Garden	97.067	2010	65,937
Total U.S. Department of Homeland Security			<u>66,445</u>
<b><u>U.S. Department of Federal Aviation Administrative</u></b>			
Ramp Grant		M021WESLA	7,101
Airport Runway-Construction		M1321WESLA	412,541
Total U.S. Department of Federal Aviation Administrative			<u>419,642</u>
<b><u>U.S. Department of Energy</u></b>			
Renewable Energy Technology Program		DE-EE0000116	1,299,952
TOTAL FEDERAL ASSISTANCE			<u>1,922,104</u>
<b><u>STATE ASSISTANCE</u></b>			
<b><u>Texas Department of Safety</u></b>			
Border Star V (2008)		LBSP-08-050	7,252
Border Star V (2010)		LBSP-10/11	7,375
Total Texas Department of Safety			<u>14,627</u>
<b><u>Texas General Land Office</u></b>			
Disaster Recovery Grant Program		10-5306-000-5314	464,463
<b><u>Texas General Land Office</u></b>			
Disaster Recovery Grant Program		10-5306-000-5314	400,000
TOTAL STATE ASSISTANCE			<u>\$ 879,090</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 2,801,194</u>

**CITY OF WESLACO**  
**NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2012**

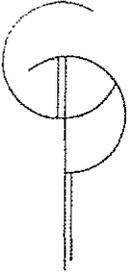
**RECONCILIATION TO FINANCIAL STATEMENTS**

**TOTAL FEDERAL AND STATE ASSISTANCE** **\$ 2,801,194**

<b>GOVERNMENT-WIDE STATEMENT OF ACTIVITIES</b>	(PAGE 15)
Capital Grants and Contributions	
Governmental Activities	\$ 687,314
Business-Type Activities	<u>2,424,601</u>
SUBTOTAL	3,111,915
LESS: OTHER REIMBURSABLE GRANTS	<u>(310,721)</u>
TOTAL	<u>\$ 2,801,194</u> <span style="float: right;"><u>\$ 2,801,194</u></span>

<b>OTHER REIMBURSABLE GRANTS:</b>	
LRGV REGIONAL ADVISORY	\$ 9,738
COUNTY OF HIDALGO	16,000
COUNTY OF HIDALGO (URBAN COUNTY)	254,547
OTHER GRANTS	<u>30,436</u>
TOTAL OTHER REIMBURSABLE GRANTS	<u>\$ 310,721</u>

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



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Jaime X. Pena, CPA

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

We have audited 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, 2012 which collectively comprise the City of Weslaco, Texas basic financial statements and have issued our report thereon dated June 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

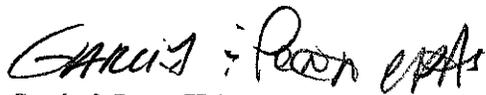
As part of obtaining reasonable assurance whether the City of Weslaco, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Honorable Mayor and  
Members of the City Commission  
City of Weslaco, Texas  
Page 2

We noted certain matters that we reported to management of the City of Weslaco, Texas in a separate letter dated June 25, 2013.

The City of Weslaco, Texas' response to the findings identified in prior years is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Weslaco, Texas' response and, accordingly, we express no opinion on it.

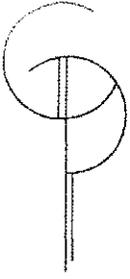
This report is intended solely for the information and use of audit committee, management and federal and state awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.



Garcia & Pena, CPAs  
Certified Public Accountants

June 25, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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## Compliance

We have audited the City of Weslaco, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Weslaco, Texas' major federal programs for the year ended September 30, 2012. The City of Weslaco, Texas' major federal programs are identified in the summary of auditors' result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Weslaco, Texas' management. Our responsibility is to express an opinion on the City of Weslaco, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Weslaco, Texas' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Weslaco, Texas' compliance with those requirements.

In our opinion, the City of Weslaco, Texas complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 12-1.

## Internal Control over Compliance

The management of the City of Weslaco, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Weslaco, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Weslaco, Texas' internal control over compliance.

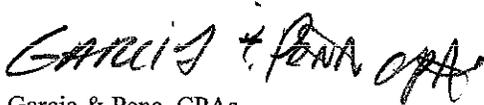
Honorable Mayor and  
Members of the City Commission  
City of Weslaco, Texas  
Page 2

*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.

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 significant deficiencies or material weaknesses. We did identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above, which are described in the accompanying schedules of findings and questioned costs as item 12-1.

The City of Weslaco, Texas' responses to the findings identified in prior years' audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Weslaco, Texas' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Mayor, City Commissioners, management, federal awarding agencies and, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Garcia & Pena, CPAs  
Certified Public Accountants

June 25, 2013

**CITY OF WESLACO, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**SECTION 1- SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:			<b>Unqualified</b>	
Internal control over financial reporting:				
* Significant deficiency (ies) identified	_____	Yes	<u>  X  </u>	No
*Significant deficiency (ies) identified that are considered to be material weaknesses?	_____	Yes	<u>  X  </u>	No
Noncompliance material to financial statement notes?	_____	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:				
* Material weakness (es) identified:	_____	Yes	<u>  X  </u>	No
*Reportable condition (s) identified that are considered to be material weaknesses?	_____	Yes	<u>  X  </u>	No
Type of auditor's report issued on compliance for major programs:			<b>Unqualified</b>	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?	_____	Yes	<u>  X  </u>	No

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.810 / 16.813 / 16.804 / 16.710	U.S. Department of Justice
97.067	U.S. Department of Homeland Security
20.106	U.S. Department of Federal Aviation Administration
81.041	U.S. Department of Energy

Dollar threshold used to distinguish between Type A and Type B programs:			<u>\$300 000</u>	
Auditee qualified as low-risk auditee:	_____	Yes	<u>  X  </u>	No

**CITY OF WESLACO, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SEPTEMBER 30, 2012**  
**Section II-Financial Statement Findings**

**PROGRAM**

**DESCRIPTION**

Findings for the fiscal year ended September 30, 2012:

**Reference Number 12-1**

**Internal Control Over Grants**

Criteria:	Internal controls are an integral part of any organization's financial policies and procedures.
Condition Found:	While conducting our audit, we observed that department heads are not maintaining objectives relating to effectiveness and efficiency over performance and financial goals, and/or compliance objectives pertaining to laws and regulations established by each grant.
Context:	The City did not properly enforce its own internal control policies. It is the responsibility of management to develop and implement a system of internal controls. The directors and department heads have oversight responsibility for internal controls, but supervisory personnel are responsible for executing control policies and procedures at the detail level within their departments.
Effect:	By overriding internal controls, the City was in non-compliance with a grant. This could conceivably cause the City a loss of funds.
Recommendation:	We recommend the City restructure its Grant Compliance Coordinator to provide assurance that all information and transactions of value are accurately recorded and retained. The City should ensure authorization procedures to include a thorough review of supporting information to verify the propriety and validity of transactions and compliance, and should ensure a monitoring process to verify that controls are operating properly.  This would set a pattern in allowing all affected departments to perform their duties more efficiently.
Response:	Subsequent to September 30, 2012, the City reorganized its Grant Compliance Coordinator under the Finance Department and redirected the flow of grant documentation and retention to this department.