



**CITY OF PHARR, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2015**



Recipients of:



City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2015

ELECTED OFFICIALS

Ambrosio “Amos” Hernandez - Mayor

Eleazar Guajardo
Edmund Maldonado, Jr.
Ricardo Medina

Bobby Carrillo
Oscar Elizondo, Jr.
Mario A. Bracamontes

CITY MANAGER

Juan G. Guerra, CPA, MBA

FINANCE DIRECTOR

Karla Moya

INDEPENDENT AUDITORS

Oscar R. Gonzalez, C.P.A. & Associates, P.L.L.C.
Certified Public Accountants

Prepared by:





Pharr

ELECTED OFFICIALS



**Ambrosio "Amos" Hernandez
Mayor**



**Eleazar Guajardo
Commissioner
Place 1**



**Bobby Carrillo
Commissioner
Place 2**



**Oscar Elizondo
Commissioner
Place 3**



**Edmund Maldonado
Commissioner
Place 4**



**Ricardo Medina
Commissioner
Place 5**



**Mario Bracamontes
Commissioner
Place 6**

CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2015

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INTRODUCTORY SECTION



“Triple Crown City”



MAYOR
Ambrosio “Amos” Hernández

February 15, 2016

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

COMMISSIONERS
Eleazar Guajardo
Roberto “Bobby” Carrillo
Oscar Elizondo, Jr.
Edmund Maldonado, Jr.
Ricardo Medina
Mario Bracamontes

CITY MANAGER
Juan G. Guerra, CPA

The Finance Department and the City Manager’s Office are pleased to submit the Comprehensive Annual Financial Report for the City of Pharr, Texas for the fiscal year ended September 30, 2015. State law requires that the City publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. To provide a reasonable basis for making these representations, management of the City 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 control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Oscar R. Gonzalez, CPA and Associates, P.L.L.C. have issued an unqualified (“clean”) opinion on the City of Pharr’s financial statements for the year ended September 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMS Circular A-133. Generally accepted auditing standards and the standards set forth in the Government Accountability Office’s Government Auditing Standards were used by the auditors in conducting the engagement. The auditors’ report on the basic financial statements and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors’ report on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The City of Pharr is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget’s Circular A-133, Audits of State and Local Governments and Non-Profit Organizations and the State of Texas Single Audit Circular. Information related to this single audit, including a schedule of expenditures of

federal and state awards, the independent auditors' report on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

On November 10, 2008 via ordinance O-2008-49, the Pharr Economic Development Corporation (PEDC) was approved by citizen vote and ratified by the City Commission to receive ½ percent (the City receives 1 ½ percent) of sales tax. City management has included PEDC in its financial reports as a blended component unit since the City appoints all board members, can remove board members at will, and must approve PEDC's budget and plan of work. The City is also a guarantor for debt that is collateralized by PEDC funds. City management has also included the Pharr Public Facilities Corporation (PFC) #1 and the Pharr Tax Increment Reinvestment Zone (TIRZ) in its financial statements as a blended component unit under same criteria followed for PEDC. More information concerning the PEDC, PFC, and TIRZ are located in the Notes to Financial Statements.

PROFILE OF THE GOVERNMENT

Located on lands originally known in the 1600's as the Seno Mejicano, the City of Pharr was founded in 1909. During a period of great social and economic transition in the Rio Grande Valley. In 1909, John C. Kelly, Henry N. Pharr, W.E Cage, and R.E Briggs formed the Pharr Townsite Company, platting and registering the new town. Kelly donated lots in the original plat for early churches, including the Methodist, Baptist, Catholic, Episcopal, and Presbyterian denominations. Pharr schools began in 1911, and the community later joined with San Juan and Alamo to create the Pharr-San Juan-and Alamo School District. The City founders were also involved with the Louisiana - Rio Grande Canal Co., organized in 1910 to furnish irrigation and domestic water to 40,000 acres in the Pharr area by means of a Rio Grande Pumping Plant. The water system led the economy to shift from ranching to crop production, and the Railroad, which came through the area in 1905 made it possible to ship the produce around the country. Amidst the explosive growth caused by the introduction of irrigation, the coming of the railroad, and the Mexican Revolution, the City incorporated in 1916, and became a hub for the confluence of Tejano, Anglo and Mejicano influences in the region.

Centrally located, Pharr played a key role as the agricultural frontier pushed into the brush and cattle country in the early 1900's to form a new fertile land dubbed the "Magic Valley". As water from the Rio Grande was being diverted for irrigation, Pharr served as headquarters for the Louisiana-Rio Grande Canal Company owned and operated by the Pharr co founders John C. Kelly and Henry N. Pharr. The company built the historic Hidalgo Pumphouse that initially irrigated 40,000 acres of land known as Pharr-Kelly tract.

Pharr, served by two state highways and the St. Louis, Brownsville and Mexico Railway Company, became a hub and a natural shipping center for the transportation and produce industries. By the early 1950's, Pharr was home to 22 processing and shipping businesses including the Valley Fruit and Vegetable Company, the largest packing facility in the world. Pharr is situated along a 43-mile corridor, U.S Business 83, once known as the longest Main Street in America. The City's image as the Hub City was firmly established when the Texas Highway Department chose Pharr as its District 21 Headquarters in 1932. The 13,869 Sq mile district is composed of ten counties and is larger than the District of Columbia, Delaware, Connecticut and Massachusetts combined. Since the early days, Pharr sat at the cross-roads of the two most important highways in the Valley: Highways 4 and 66,

known today as Memorial Highway U.S 281 (US i69) and U.S Business 83 (US i2) respectively. They intersect Pharr's historical Main Street District and are the basis for Hidalgo County's historical trails, making Pharr the region's historical hub as well. Pharr is also a center for international trade. The City boasts of the longest International Bridge in the world and is the gateway to Latin America along U.S 281. Pharr is the terminus for Interstate Highway 69, NAFTA Corridor, linking Mexico, United States and Canada. In 2006, the city of Pharr was awarded the title of All American City.

The municipal government provided by the Charter of the City of Pharr is known as the Board of Commissioners – City Manager Form of Government. The Board of Commissioners consists of a Mayor and six (6) Commissioners which enact local legislation, adopt budgets, determine policies, and appoint the City Manager, who is held responsible to the Board of Commissioners for the execution of the laws and the administration of the government of the City. All powers of the City are exercised in the manner prescribed by the City Charter, or, if the manner be not prescribed, then in such manner as may be prescribed by ordinance, the State Constitution, or by the statutes of the State of Texas. The Mayor and the other members of the Board of Commissioners are elected by the City at large for a term of four (4) years.

The City provides a full range of services. Some of these services include police and fire protection; sanitation service; maintenance of streets and infrastructure; and recreational activities. In addition, the City provides water and wastewater services, a system of municipal parks, and a golf course.

ECONOMIC CONDITION AND OUTLOOK

Pharr is strategically located in the middle of the Rio Grande Valley of South Texas, only minutes from the Mexico border. Today with a healthy economy and steady growth, Pharr is the hub of transportation for the region and a major gateway for NAFTA-oriented businesses. It is strategically located to reap the benefits of explosive growth in commerce and trade. The Pharr area offers a top-quality workforce on both sides of the border. Many visitors enjoy the diversity of Pharr's culture, business and people with its variety and retail outlets, residential neighborhoods and cultural events – Pharr's rich heritage is unwavering. The spirit of tradition and a strong sense of community are flourishing in Pharr.

Over the last 10 years, Pharr has experienced unprecedented growth and economic development, and increase of roughly 46% in sales tax collections. Its population has steadily increased to almost 80,000 people. The housing industry is still increasing, businesses continue to look at Pharr, and the Pharr-Reynosa International Bridge commercial traffic is continuing to increase. The sales tax base is growing and is expected to continue to have a positive outcome in the upcoming year, thereby potentially creating more jobs. The economic future looks bright for Pharr. A few of the upcoming projects include:

- Major commercial development projects
- Healthcare area development
- Increase in industrial warehouses
- Information Technology industry development
- Continued redevelopment of local mall

According to the Texas Workforce Commission, Pharr’s unemployment rate as of September 30, 2015 was 5.7%.

Year	Labor Force	Employment	Unemployment	Unemployment Rate	Rate Change - Prior Year
2014	27,798	25,693	2,105	7.6%	15.6%
2013	27,773	25,276	2,497	9.0%	2.2%
2012	27,419	24,906	2,513	9.2%	12%
2011	27,678	24,799	2,879	10.4%	-3%
2010	27,031	24,291	2,740	10.1%	-10%
2009	25,693	23,318	2,375	9.2%	-31%
2008	24,717	22,990	1,727	7.0%	-25%
2007	23,508	22,203	1,305	5.6%	5%
2006	22,239	20,934	1,305	5.9%	-2%
2005	21,750	20,479	1,271	5.8%	

MAJOR INITIATIVES

The City Commission and staff have identified several initiatives to address significant issues in our community. The budget for the upcoming fiscal year reflects these goals. These programs are briefly described below:

Major tax activity: Well-managed economic growth is vital to any city. It increases the tax base and thereby allows improved services to be provided to the citizens.

Property Tax: Tax year 2015, which will be in effect during next fiscal year, is expected to see an increase in tax appraisals that will provide the City with collections higher than last fiscal year year’s. Also, for the first time in the last 10 years, the City voted on lowering the tax rate from \$.6800 to .6540.

Sales Tax: Sales tax revenue is used by the City as an economic indicator. This fiscal year, sales tax revenues were budgeted at a 5% increase from last fiscal year’s actual sales tax collections. The City is expecting positive future trends in the coming years.

Hotel/Motel Tax: Hotel/Motel tax revenue may only be used to increase tourism opportunities, hopefully benefiting the hotel/motel industry within the city. This year the city saw the largest hotel/motel tax revenues in the city’s history, mainly brought upon by Events Center operations and baseball tournament play These projects are expected to grow the Sports Tourism opportunities for the city and the hotel/motel industry.

Fully Fund Reserves: During the annual audit ending September 30, 2007, the General Fund was identified as having a negative \$6.4 million unreserved fund balance. This major deficiency was in need of immediate attention and an action plan to correct it was approved by the City Commission September 16, 2008. One of the main corrective actions was to separate the contingency funding from the General Fund into an identifiable emergency-type account, in order to force the funding of the unreserved fund balance.

Another corrective action was to strive to provide funding in addition to the contingency funds to speed up the reversal of the negative balance. Both of these major steps in the corrective plan took place.

Public Safety: Ensuring that the public safety personnel have the tools that they need to ensure the safety of the City is always a priority to the Commissioner's and management.

The Police Department along with the Bridge administrators collectively with federal border security organizations continue to operate a southbound inspection station. The purpose is to slow the flow of stolen vehicles and weapons into Mexico.

The Fire Department is looking into remodeling one of their current Fire Stations and possibly adding one more in South Pharr.

Public Works: The cost of infrastructure continues to rise while the need for the projects continues to be a priority. With the new administration on board, a four-year City-Wide repaving plan was approved to address those neighborhoods in need of repaving.

International Bridge Infrastructure: The bridge capital projects expenditures for the upcoming fiscal year are budgeted at \$19.1 million. There are two goals of these projects, 1) to allow Pharr to be the regional international trade center, and 2) to minimize the wait-times for commercial traffic, thereby allowing Pharr to continue being the most efficient commercial bridge in south Texas. Expenditures are expected to be funded through grants of \$14.6 million and excess bridge funds.

International Trade: The City of Pharr owns an international bridge that allows the City to have a generous revenue source as a direct result of the North American Free Trade Agreement (NAFTA). It has four Industrial Parks and 25 cold storage facilities. The majority of the bridge revenue is from commercial trucks. The City's International Bridge has growth 35.7% in fresh products imports since 2014 and it's considered No. 2 Agricultural Port in the nation and overall over \$30 billion in total global trade.

FINANCIAL INFORMATION

Budgetary Controls: The City of Pharr maintains a system of budgetary controls, the objective of which is to ensure compliance with the legal provisions of the annual appropriated budget approved by the City Commission. The adopted Annual Budget is the basic budget document. It governs all expenditures within a certain fiscal year, which runs from October 1 to September 30. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. Furthermore, the Charter requires that the budgeted expenditures for governmental funds not exceed estimated resources and requires that public hearings be held prior to the adoption of the budget. Directors are expected to review their budgets on a monthly basis. The Finance Director will periodically review the budget and inform the Director and/or management of its status. A complete summary of significant accounting policies and budgetary principles is presented in the notes to the financial statements.

Fund Accounting: In accordance with generally accepted accounting principles, the City of Pharr uses a fund accounting system. Fund accounting is designed to ensure that public monies are spent for their intended purpose. Numerous funds are necessary due to legal, financial or operating constraints. Each fund is a separate fiscal entity with a self-balancing set of accounting books. In the financial section of the comprehensive annual financial report, each fund type used by the City of Pharr is defined immediately prior to that fund's financial statements.

General Fund Balance Policy: The fiscal policy as it relates to General Fund's reserve/contingency account states: the City shall strive to maintain the General Fund undesignated/unreserved fund balance at 90 days of the current year's budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchases and the annual transfers from the General Fund to the other funds. For fiscal year 2014-2015 the balance was \$8.3 million; which is underfunded at the end of this fiscal year by approximately \$1.6 million, however, this amount is to be funded with bridge excess funds and excess property tax collections no later than the beginning of this coming calendar year. This Contingency is recognized as "Committed" in our financial statements. Concerning the use of committed fund balance, our policy states: committed fund balance shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. The use of these funds will be disclosed and approved by the City Commission.

Debt Administration and Rating: State law does not provide a debt limit for the issuance of debt, however, by custom; a practical economic debt limit of 5% of the assessed valuation is used.

General obligation bonds are backed by the full faith and credit of the City of Pharr and are used to finance permanent public improvements. In December 2015, the city's ratings were reaffirmed per the following:

<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>
A+	A2	AA-

Cash Management: All City operating funds are held in interest-bearing demand accounts in the depository bank. This money is protected by insurance from the Federal Deposit Insurance Corporation and by collateral interests in the depository's investment securities that are pledged against the City's deposits.

Cash not required for operations is invested according to the City's written investment policy. The policy emphasizes safety and liquidity in investing public funds. As of September 30, 2015, all of the City's funds were available within one day. Investments consisted of demand deposit accounts in our financial institution due to its interest floor of .20%, slightly greater than anything in the investment market. One of the city's priorities this year is to start looking into new investment options to maximize return.

Risk Management: The City continues to put high emphasis on safety concerns so as to lower workers' compensation claims. Risk management, particularly workers' compensation, is coordinated through the Human Resources Department. Insurance is provided by Texas Municipal League for general and asset insurance management.

LONG-TERM FINANCIAL PLANNING

General Fund Unreserved Fund Balance: The unreserved, undesignated fund balance of the General Fund is reflected in the table below.

	Fiscal Year		
	<u>FY 14.15</u>	<u>FY 13.14</u>	<u>FY 12.13</u>
Unreserved, Undesignated, Committed, Assigned, Unassigned General Fund Balance	\$ 11.70	\$ 11.30	\$ 12.30
Days Expenditure	110	107	116
Contingency and Unassigned Fund Balance	\$ 9.09	\$ 8.50	\$ 11.90
Days Expenditure	86	80	113

The total General Fund balance is \$13.6 million; the committed, assigned, and unassigned fund balance (comparable to prior year’s unreserved fund balance) is \$11.7 million and is equal to 110 days of operating expenditures. This balance provides an adequate protection against unforeseen occurrences and significantly decreases the likelihood of the City entering the short-term debt market to pay for current operating expenditures. The City’s General Fund is fiscally stable.

The Pharr International Bridge, known as the Texas Corridor to International Trade, is the only full-service commercial bridge in the region. With over \$30 billion in trade with the world, the Pharr Bridge continues to break import/export records, making the land port of entry a forced to be reckoned with as the 4th largest commercial land crossing with Mexico. Currently, the Pharr Bridge is importing 60% of all fresh produce coming in through Texas from Mexico, making the produce trading giant the #1 produce crossing in the nation. In an ever-growing binational economy it’s all about time and money; it’s about the product getting to market through the path of least resistance; it’s about just-in-time production, flow and deliveries, and the Pharr Bridge is implementing solutions to reduce wait times by investing in infrastructure projects inside the port, therefore, streamlining crossing solutions for 21st century trade. Growing at 6-8% in truck volume year after year – that’s over 1 million trucks crossed yearly – the exponential growth at the Pharr Bridge is no coincidence. The growth is attributed to the geographical location, the natural trade corridors and freight roadways leading from Mexico to Pharr and beyond into North America, and the outreach and promotional efforts of Bridge leadership.

RELEVANT FINANCIAL POLICIES

The City approves fiscal policies during every budget process; they are included as a section of the budget document. The policies are stated in sections, the sections are: Operating Budgetary, Revenue, Expenditure/Expenses, Fund Balance/Retained Earnings, Capital Improvement, Debt Management, Intergovernmental Relations, Grant, Fiscal Commission Monitoring, Financial Consultants, Accounting Auditing & Financial Reporting, Internal Control, and E-Commerce.

Purchasing, Investment, and Human Resource policies are individually prepared and adopted aside from the budget process.

During this fiscal year, the City did not adopt new/different policies outside of the standard policies already adopted which would have a significant impact on the current year's financial statement.

OTHER INFORMATION

AWARDS: The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The City has received the Certificate of Achievement for the last six consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2014. This was the City's sixth consecutive budget award from GFOA. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning, an operations guide, and a communication device. The budget for October 1, 2015 has been submitted for review and we are pending notification of an award.

ACKNOWLEDGMENTS: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedication services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and guiding the financial operation of the City in a responsible and progressive manner.

Respectfully Submitted,



Juan G. Guerra, CPA, MBA
City Manager



Karla Moya
Finance Director



Government Finance Officers Association

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

Presented to

**City of Pharr
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

CURRENT CITY OFFICIALS

Elected Officials

Mayor	Ambrosio "Amos" Hernandez
Mayor – Pro Tem	Oscar Elizondo, Jr.
Alternate Mayor – Pro Tem	Edmund Maldonado
Commissioner	Bobby Carrillo
Commissioner	Eleazar Guajardo
Commissioner	Ricardo Medina
Commissioner	Mario Bracamontes

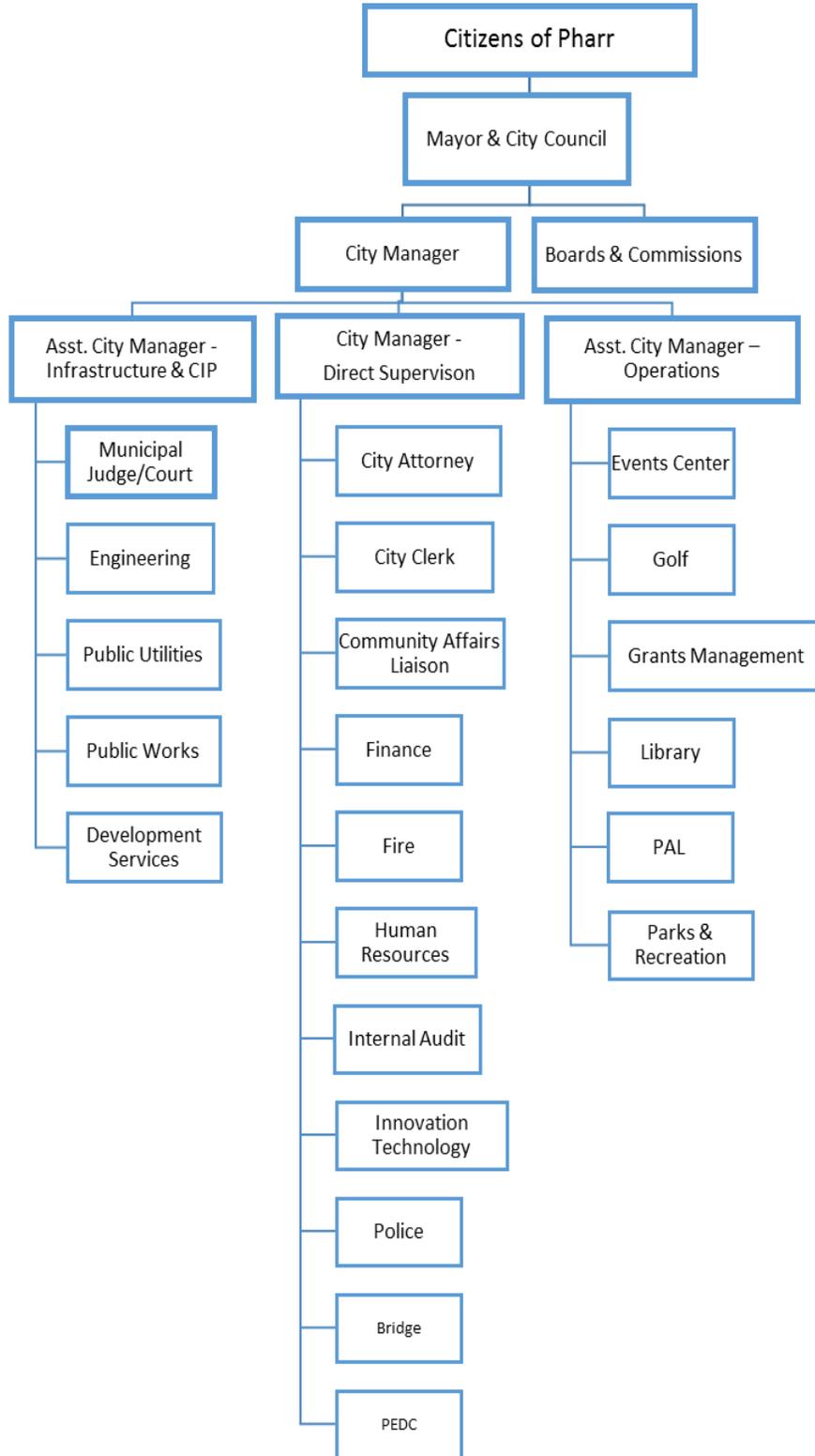
Appointed Officials

City Manager	Juan G. Guerra
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Department Directors

City Clerk	Hilda Pedraza
Police Chief	Ruben Villegas
Fire Chief	Leonardo Perez
City Engineering	William Ueckert
Director of Utilities	David Garza
Director of Human Resources	Anali Cantu
Director of Parks & Recreation	Roel Garza
Library Director	Adolfo Garcia
Director of Planning & Zoning	Melanie Cano
Public Works Director	Roy Garcia
Director of Golf	Roel Garza
Director of IT	Jason Arms
Director of Finance	Karla Moya

ORGANIZATION CHART-CITY OF PHARR





FINANCIAL SECTION

Independent Auditor's Report



208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission
City of Pharr, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

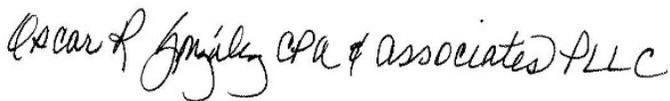
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas's basic financial statements. The introductory section, combining and individual and non-major fund financial statements, the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the general fund and economic development corporation 4b, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the general fund and economic development corporation 4b, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the general fund and economic development corporation 4b, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2016 on our consideration of the City of Pharr, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Pharr, Texas's internal control over financial reporting and compliance.



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas

February 3, 2016

Management's Discussion & Analysis (MD&A)

Management's Discussion and Analysis

As management of the City of Pharr, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Pharr for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$83.02 million (net position). Of this amount, over \$2 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of more than \$6.8 million in unrestricted net position, or 76%. The decrease is mainly due to the retroactive implementation of GASB 68 to reflect Net Pension Liability
- At the end of the current fiscal year, spendable and non-restricted fund balance for all governmental funds decreased by \$7.39 million. This decrease is mainly due to a loss in market valuation of land available for sale recorded by PEDC of \$6.8 million.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$118.28 million (net position). Of this amount, over \$10.27 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The Utility fund routinely has positive change in net position and will use the funds to reduce the amount of financing needed for capital projects.
- The General Fund assets exceeded its liabilities by over \$13.63 million (fund balance). Of this amount, \$794,464 (unassigned fund balance) may be used to meet the General Fund's ongoing obligations. This is an increase from last year's of over \$.5 million, or 262.12%. The mainly due to a positive trend in property and sales tax collections experienced during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities as well as deferred outflow and inflow of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City 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 include services provided to the citizens for the basic health, safety, welfare, and administration of the City. Examples would include police and fire protection, animal control, streets, and parks and recreation. The business-type activities of the City which include the services provided to the citizens, the cost of which is recouped by user fees charged for the services. This includes water and wastewater services, bridge toll, event concession and rents and golf course fees to all residents and businesses.

Management's Discussion and Analysis

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: The Pharr Economic Development Corporation II (blended component unit) and the Pharr Public Facilities Corporation No. 1 (blended component unit).

Fund Financial Statements

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

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 resources that can be spent, as well as on balances of resources that can be spent 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 funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major (General, PEDC II) and eight nonmajor governmental funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General, Asset Sharing, Community Development, Hotel/Motel, Parkland Dedication, Paving & Drainage, Grants, Capital Projects, and Debt Service governmental funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations, its bridge toll and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle repair activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and wastewater operations and its bridge toll and golf course operations. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the Utility, Event Center (new), Bridge, Golf, and Garage funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Management's Discussion and Analysis

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.

Other Information

The City's progress in funding its obligations to provide pension benefits to its employees can be found at the end of the notes to the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the result of activities comparing the budget versus actual.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$201.3 million at the close of the fiscal year.

The City's condensed Statement of Net Position along with last fiscal year's numbers is presented for comparison in the table is located below:

City of Pharr's Net Position						
Table 1 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 54.89	\$ 61.70	\$ 44.30	\$ 45.64	\$ 99.19	\$107.34
Capital assets	79.70	83.86	137.60	133.71	217.30	217.57
Total assets	134.59	145.56	181.90	179.35	316.49	324.91
Deferred Outflow of Resources						
Deferred outflows	2.20	0.35	0.92	0.32	3.12	0.67
Total deferred outflow of resources	2.20	0.35	0.92	0.32	3.12	0.67
Total Assets and Deferred Outflow of Resources	136.79	145.91	182.82	179.67	319.61	325.58
Liabilities						
Long-term liabilities	41.69	45.62	53.20	55.00	94.89	100.62
Other liabilities	12.02	11.94	10.50	10.07	22.52	22.01
Total liabilities	53.71	57.56	63.70	65.07	117.41	122.63
Deferred Inflow of Resources						
Deferred inflows	0.63	0.12	-	0.03	0.63	0.15
Total deferred inflows of resources	0.63	0.12	-	0.03	0.63	0.15
Total Liabilities and Deferred Inflow of Resources	54.34	57.68	63.70	65.10	118.04	122.78
Net Position						
Net Invested in capital assets, net of related debt	62.45	64.27	88.40	85.30	150.85	149.57
Restricted	18.45	15.01	19.60	18.99	38.05	34.00
Unrestricted	2.12	8.95	10.28	10.28	12.40	19.23
Total net position	\$ 83.02	\$ 88.23	\$ 118.28	\$ 114.57	\$201.30	\$202.80

Management's Discussion and Analysis

The excess of liabilities/deferred inflows of resources over assets/deferred outflows of resources reported on the government-wide Statement of Net Position of \$83.02 at September 30, 2015 results from several factors. The most significant items include certain long-term liabilities that do not require current funding such as net pension liabilities of \$4.4 as of September 30, 2015, and other unfunded long-term liabilities which include compensated absences.

By far the largest portion of the City's net position (\$150.85) reflects its Net Invested in Capital Assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, (\$38.10) million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$12.39 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

The City's condensed Changes in Net Position along with last fiscal year's numbers are presented for comparison in the following table below:

Table 2 – Dollars in Millions	City of Pharr's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	\$ 8.55	\$ 9.96	\$ 26.97	\$ 27.03	\$ 35.52	\$ 36.99
Operating grants and contributions	2.56	3.13	-	-	2.56	3.13
Capital grants and contributions	1.47	1.43	3.34	0.92	4.81	2.35
General Revenues:						
Property tax	16.72	15.81	-	-	16.72	15.81
Sales tax	16.31	14.56	-	-	16.31	14.56
Other taxes	1.53	1.36	-	-	1.53	1.36
Other	2.40	2.87	0.55	0.85	2.95	3.72
Total Revenues	<u>49.54</u>	<u>49.12</u>	<u>30.86</u>	<u>28.80</u>	<u>80.40</u>	<u>77.92</u>
Expenses:						
General governmental	11.09	12.14	-	-	11.09	12.14
Public safety	20.59	21.35	-	-	20.59	21.35
Streets	7.82	4.90	-	-	7.82	4.90
Health and welfare	2.63	2.87	-	-	2.63	2.87
Culture and recreation	5.53	6.16	-	-	5.53	6.16
Economic Development	1.67	2.59	-	-	1.67	2.59
Interest of debt service	1.62	1.80	-	-	1.62	1.80
Utility	-	-	14.06	13.62	14.06	13.62
Boggus Fors Event Center	-	-	0.73	-	0.73	-
Toll bridge	-	-	3.90	4.82	3.90	4.82
Tierra Del Sol Golf Course	-	-	1.42	1.39	1.42	1.39
Total Expenses	<u>50.95</u>	<u>51.81</u>	<u>20.11</u>	<u>19.83</u>	<u>71.06</u>	<u>71.64</u>
Excess of revenues over expenditures	(1.41)	(2.69)	10.75	8.97	9.34	6.28
Loss on land	(7.61)	-	-	-	(7.61)	-
Transfers	10.75	7.68	(11.02)	(7.85)	(0.27)	(0.17)
Net change in net position	1.73	4.99	(0.27)	1.12	1.46	6.11
Net position - beginning	88.21	83.19	114.57	113.42	202.78	196.61
Prior period adjustment (a)	(6.92)	0.05	3.98	0.03	(2.94)	0.08
Net position - ending	<u>\$ 83.02</u>	<u>\$ 88.23</u>	<u>\$ 118.28</u>	<u>\$ 114.57</u>	<u>\$ 201.30</u>	<u>\$ 202.80</u>

Management's Discussion and Analysis

a) The Prior period adjustment of the beginning net position in fiscal year 2015 includes the City's Implementation of GASB Statement No. 68 and 71 in fiscal year 2015. The implementation is discussed above in MD&A and more information is available in Note IV (C) Other Information.

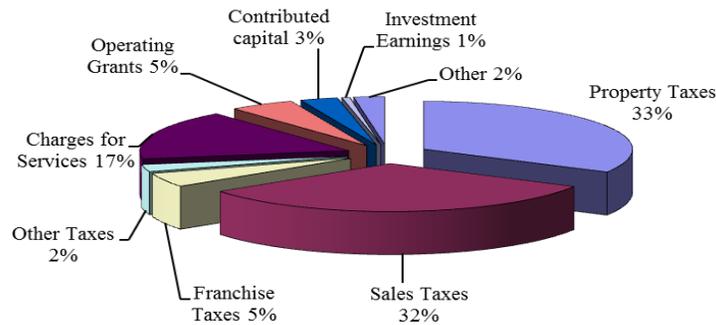
Governmental Activities

Governmental activities decreased the City's net position by \$5.2 million. The key change this fiscal year along with element of this decrease is described as follows:

- GASB 68 & 71 Implementation decrease for a net effect of \$2.8
- Transferred of Net Investment in Capital Assets for Event Center to Business-Type Activities for \$3.7 million
- A positive change in net position mainly due to transfers from Bridge excess cash

The City's governmental activities' revenues source distribution is presented below.

Revenues by Source – Governmental Activities



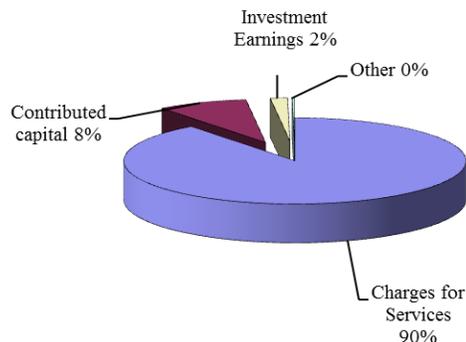
Business-Type Activities

Business-type activities increased the City's net position by over \$5.2 million. Key changes this fiscal year along with elements of this increase are described as follows:

- Utility Fund's capital contributions of \$1.6 million
- Event Center Net Invested in Capital Assets of \$3.1 million

The City's Business-Type activities' revenue source distribution is presented below.

Revenues by Source – Business-Type Activities



Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's net change in fund balance was roughly \$.643 million more than budget. The operating revenues were \$1.01 million more than budget. The main reason for this increase was due to sales tax collections greater by \$.98 million, sanitation and brush charges greater by \$.26 million, and franchise taxes greater by \$.15. Expenditures were \$1.49 million less than budget; this is mainly from Public Safety (Fire) \$1.3 million dollars less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Pharr's Net invested in Capital assets for its governmental and business-type activities amounts to \$217.3 million. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total decrease in the City's net investment in capital assets for the current fiscal year was \$.27 million or .20%.

City of Pharr's Capital Assets
(Net of Depreciation)

Table 3- Dollars in millions	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Water rights	\$ -		\$ 3.45	\$ -	3.45	-
Land	5.38	6.06	2.45	2.66	7.83	8.72
Building and system improvements	26.02	29.52	17.75	15.13	43.77	44.65
Other improvements	4.56	5.39	1.46	3.63	6.02	9.02
Machinery and equipment	8.59	9.37	5.48	3.61	14.07	12.98
Infrastructure	30.58	30.11	105.57	93.63	136.15	123.74
Construction in progress	4.57	3.41	1.44	15.05	6.01	18.46
	<u>\$ 79.70</u>	<u>\$ 83.86</u>	<u>\$ 137.60</u>	<u>\$ 133.71</u>	<u>\$ 217.30</u>	<u>\$ 217.57</u>

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report under section *III-Detailed Notes on Funds and Component Units* subsection *F-Capital Assets*.

Long-Term Debt

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$94.14 million. The details of the change in debt from last fiscal year are as indicated:

Table 4 - Dollars in millions (not including unamortized activity)

	2015	2014	Change
Governmental			
Bonds	\$ 9.71	\$ 11.30	\$ (1.59)
Certificates of obligation	6.72	7.03	(0.31)
Capital leases	3.41	4.10	(0.69)
Notes	18.16	24.06	(5.90)
	<u>38.00</u>	<u>46.49</u>	<u>(8.49)</u>
Business-Type			
Bonds	55.92	57.66	(1.74)
Capital leases	0.22	0.39	(0.17)
	<u>56.14</u>	<u>58.05</u>	<u>(1.91)</u>
Total	<u>\$ 94.14</u>	<u>\$ 104.54</u>	<u>\$ (10.40)</u>

Management's Discussion and Analysis

Long-term debt for the Governmental activities decreased by \$8.49 million. This decrease was mainly due to retirement of \$5.9 million in Notes Payable and \$1.59 in Bonds.

Long-term debt for the Business-Type activities decreased by a net \$1.91 million. This decrease was due to the standard retirement of debt and a new revenue bonds of \$1.7 million issued.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in this report under section *III-Detailed Notes on Funds and Component Units* subsection *G-Long-Term Obligations*.

Pension

The adoption of Statement No. 68 resulted in the City's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement.

Table 5 provides the City's key pension statistics related to the TMRS plan as of and for the fiscal year ended September 30, 2015:

<u>City of Pharr's Key Pensions Statistics</u>		
Table 5-(Dollars in millions)		
Net Pension Liability	\$	4.41
Pension Expense		0.23

Additional information on the City's net pension liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- City of Pharr's partnership with South Texas College will establish a Regional Law Enforcement Center in 2016 that is expected to have an economic impact of about \$9 million.
- The continuous growth of the Pharr Town Center will help increase jobs and sales taxes.
- New infrastructure Bridge Projects and improvements inside the Port of Entry will streamline the truck/cargo inspection process, allowing for better flow and maximum efficiency; and more crossing revenue as consequence.
- The continued increase of produce crossings through Pharr will allow for further development of cold storage/distribution facilities, as more company expansions are breaking ground in South Pharr.
- Continued truck volumes despite the downturn in the oil and gas industry is a testament of the future potential for the bridge, as truck crossings continue on the incline year after year.
- Peso devaluation on the other hand, its s negative factor that might affect the City's sales tax in the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Pharr, Office of the Finance Director, P.O. Box 1729, Pharr, TX 78577.



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BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government</u>			<u>Discrete Component</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Units</u>	<u>Total</u>
<u>ASSETS</u>					
Current assets:					
Cash	\$ 26,654,055	\$ 20,099,150	\$ 46,753,205	\$ 70,942	\$ 46,824,147
Receivables (net of allowance for uncollectible)	14,242,722	2,843,291	17,086,013	1,122	17,086,013
Prepaid items	57,600	-	57,600	57,500	115,100
Internal balances	268,998	(268,998)	-	-	-
Inventories	686,864	148,503	835,367	-	835,367
Land available for sale	11,643,500	-	11,643,500	-	11,643,500
Restricted assets:					
Cash	81,186	21,518,557	21,599,743	-	21,599,743
Cash with Fiscal Agent	319,683	-	319,683	-	319,683
Intergovernmental receivable	938,295	-	938,295	-	938,295
Total current assets	<u>54,892,903</u>	<u>44,340,503</u>	<u>99,233,406</u>	<u>129,564</u>	<u>99,361,848</u>
Capital assets					
Water Rights (nondepreciable)	-	3,450,000	3,450,000	-	3,450,000
Land (nondepreciable)	5,384,612	2,441,906	7,826,518	-	7,826,518
Buildings (net of acc. depreciation)	26,016,111	17,752,164	43,768,275	-	43,768,275
Improvements other than buildings (net of acc. depreciation)	4,563,396	1,461,214	6,024,610	-	6,024,610
Machinery and equipment (net of acc. depreciation)	8,590,043	5,486,891	14,076,934	-	14,076,934
Infrastructure (net of acc. depreciation)	30,580,405	105,568,233	136,148,638	-	136,148,638
Construction in progress (nondepreciable)	4,572,956	1,440,729	6,013,685	-	6,013,685
Total capital assets	<u>79,707,523</u>	<u>137,601,137</u>	<u>217,308,660</u>	<u>-</u>	<u>217,308,660</u>
Total noncurrent assets	<u>79,707,523</u>	<u>137,601,137</u>	<u>217,308,660</u>	<u>-</u>	<u>217,308,660</u>
Total assets	<u>134,600,426</u>	<u>181,941,640</u>	<u>316,542,066</u>	<u>129,564</u>	<u>316,670,508</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Unamortized loss on refunding of debt	273,676	92,931	366,607	-	366,607
Pension Contributions	1,195,972	-	1,195,972	-	1,195,972
Investment Experience	737,122	-	737,122	-	737,122
Total deferred outflow of resources	<u>2,206,770</u>	<u>92,931</u>	<u>2,299,701</u>	<u>-</u>	<u>2,299,701</u>
<u>LIABILITIES</u>					
Current liabilities payable:					
Accounts payable and other current liabilities	4,512,691	935,559	5,448,250	47,090	5,495,340
Unearned revenue	3,000	3,208,760	3,211,760	18,722	3,230,482
Current portion debt payable	6,153,500	4,075,624	10,229,124	-	10,229,124
Liabilities from restricted assets	1,354,106	2,320,299	3,674,405	-	3,674,405
Total current liabilities	<u>12,023,297</u>	<u>10,540,242</u>	<u>22,563,539</u>	<u>65,812</u>	<u>22,629,351</u>
Noncurrent liabilities:					
Other post employment benefit	654,998	-	654,998	-	654,998
Net Pension Liability	4,419,442	-	4,419,442	-	4,419,442
Due in more than one year, net	36,624,018	53,210,915	89,834,933	-	89,834,933
Total noncurrent liabilities	<u>41,698,458</u>	<u>53,210,915</u>	<u>94,909,373</u>	<u>-</u>	<u>94,909,373</u>
Total liabilities	<u>53,721,755</u>	<u>63,751,157</u>	<u>117,472,912</u>	<u>65,812</u>	<u>117,538,724</u>
<u>DEFERRED INFLOW OF RESOURCES</u>					
Pension-Actual Contributions vs Assumptions	63,247	-	63,247	-	63,247
	<u>63,247</u>	<u>-</u>	<u>63,247</u>	<u>-</u>	<u>63,247</u>
<u>NET POSITION</u>					
Net Invested in capital assets	62,450,654	88,401,275	150,851,929	-	150,851,929
Restricted for:					
Debt service	296,233	6,229,779	6,526,012	-	6,526,012
Capital projects	10,776,516	13,059,357	23,835,873	-	23,835,873
Economic development	690,064	-	690,064	-	690,064
Tourism	727,640	313,476	1,041,116	-	1,041,116
Reinvestment Zone	292,457	-	292,457	-	292,457
Noncurrent advances	1,294,077	-	1,294,077	-	1,294,077
Encumbrances	425,000	-	425,000	-	425,000
Public safety	868,067	-	868,067	-	868,067
Paving and Drainage	388,190	-	388,190	-	388,190
General Government	2,695,525	-	2,695,525	63,752	2,759,277
Unrestricted	2,117,771	10,279,527	12,397,298	-	12,397,298
Total net position	<u>\$ 83,022,194</u>	<u>\$ 118,283,414</u>	<u>\$ 201,305,608</u>	<u>\$ 63,752</u>	<u>\$ 201,369,360</u>

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

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

		<u>General</u>		<u>Pharr Economic Development Corporation, Inc.</u>		<u>Non-Major Governmental</u>		<u>Total Governmental</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>								
Cash	\$	12,546,633	\$	707,404	\$	13,305,330	\$	26,559,367
Receivables (net of allowance for uncollectible):								
Property taxes		1,632,704		-		209,437		1,842,141
Warrants		6,610,887		-		-		6,610,887
Sales tax		2,244,694		748,231		-		2,992,925
Notes		-		765,678		54,450		820,128
Accounts		755,088		-		141,956		897,044
Intergovernmental		86,752		-		243,365		330,117
Other		420,909		328,572		-		749,481
Prepaid Items		-		57,600		-		57,600
Inventories		655,530		-		-		655,530
Land Available for Sale		-		11,643,500		-		11,643,500
Due from other funds		2,062,925		-		40		2,062,965
Restricted assets:								
Cash		-		81,186		-		81,186
Cash with Fiscal Agent		317,817		-		-		317,817
Intergovernmental receivable		-		-		938,295		938,295
Total assets	\$	<u>27,333,939</u>	\$	<u>14,332,171</u>	\$	<u>14,892,873</u>	\$	<u>56,558,983</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$	2,323,493	\$	76,952	\$	843,414	\$	3,243,859
Accrued liabilities		1,018,882		-		-		1,018,882
Due to other funds		42		1,320,575		462,500		1,783,117
Escrow accounts		1,354,106		-		-		1,354,106
Unearned revenue		3,000		-		-		3,000
Total liabilities		<u>4,699,523</u>		<u>1,397,527</u>		<u>1,305,914</u>		<u>7,402,964</u>
Deferred Inflows of Resources:								
Deferred property tax		1,632,704		-		209,437		1,842,141
Deferred accounts		755,088		-		141,956		897,044
Deferred warrants		6,610,887		-		-		6,610,887
Deferred notes		-		765,678		54,450		820,128
Total deferred inflow of resources		<u>8,998,679</u>		<u>765,678</u>		<u>405,843</u>		<u>10,170,200</u>
Fund balances:								
Nonspendable:								
Inventory		655,531		11,643,500		-		12,299,031
Noncurrent advances		1,294,075		-		-		1,294,075
Restricted:								
General government		-		-		342,414		342,414
Debt service		-		-		317,486		317,486
Street paving and drainage		-		-		388,189		388,189
Tourism		-		-		727,642		727,642
Public safety		-		-		868,067		868,067
Parkland		-		-		45,613		45,613
Community development		-		-		33,007		33,007
Economic development		-		525,466		-		525,466
Committed:								
Contingency		8,301,370		-		-		8,301,370
Assigned:								
General government		1,847,479		-		-		1,847,479
Capital outlay		317,818		-		10,458,698		10,776,516
Encumbrances		425,000		-		-		425,000
Unassigned:		794,464		-		-		794,464
Total fund balances		<u>13,635,737</u>		<u>12,168,966</u>		<u>13,181,116</u>		<u>38,985,819</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u>27,333,939</u>	\$	<u>14,332,171</u>	\$	<u>14,892,873</u>	\$	<u>56,558,983</u>

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Total fund balances - governmental funds balance sheet		\$ 38,985,819	
(1) When capital assets that are to be used in governmental activities are purchased, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the city as a whole	Cost of capital assets Accumulated depreciation	155,866,200 <u>(76,657,489)</u>	79,208,711
(2) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% of the assets is allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position	Garage	<u>521,787</u>	521,787
(3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position	Bonds/Certificates/Notes Current Long-term Capital leases Current Long-term Unamortized loss -Deferred outflow Unamortized debt activity	(3,986,712) (30,601,563) (982,599) (2,389,536) 273,676 <u>(68,957)</u>	(37,755,691)
(4) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Tax receivable Allowance	2,442,438 <u>(600,297)</u>	1,842,141
(5) Because some sanitation, brush, and paving fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Sanitation Brush & Debris Paving Library Alarm permits	500,403 194,601 141,956 45,759 <u>14,325</u>	897,044
(6) Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Bonds Certificates Notes	(26,746) (15,784) <u>(188,160)</u>	(230,690)

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015-Continued

(7)	Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. The difference in compensated absences from last year to this year is recorded in the statement of activities	Current Long-term	(1,168,338) <u>(3,505,012)</u>	(4,673,350)
(8)	Because some warrants will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Warrants receivable Allowance	9,661,074 <u>(3,050,186)</u>	6,610,888
(9)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions	OPEB Liability - Prior Years This fiscal year contribution This fiscal year trust fund contribution	(640,430) (363,376) <u>348,808</u>	(654,998)
(10)	Because some EDC loan receivables will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds.		<u>820,128</u>	820,128
(11)	Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. GASB 68 Long -term liability recorded in Net Position.	DO-GASB 68-Retirement Contributions DO-GASB 68-Investment Experience DI-GASB 68-Actual vs Assumption Net Pension Liability	1,195,972 737,122 (63,247) <u>(4,419,442)</u>	(2,549,595)
	Net position of governmental activities - statement of net position			<u><u>\$ 83,022,194</u></u>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Pharr Economic Development Corporation, Inc.</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
REVENUES				
Taxes:				
Property	\$ 14,738,507	\$ -	\$ 1,895,730	\$ 16,634,237
Sales	12,233,004	4,077,668		16,310,672
Franchise	2,387,854	-	-	2,387,854
Other	206,178	-	1,011,390	1,217,568
Licenses and permits	681,144	-	-	681,144
Intergovernmental	422,852	-	2,541,016	2,963,868
Fees and charges:				
Sanitation	2,726,311	-	-	2,726,311
Brush	1,133,374	-	-	1,133,374
Other	1,032,365	-	1,040,863	2,073,228
Fines	1,177,848	-	-	1,177,848
Interest income	234,123	13,360	66,849	314,332
Other	218,180	148,139	1,296	367,615
Total revenues	<u>37,191,740</u>	<u>4,239,167</u>	<u>6,557,144</u>	<u>47,988,051</u>
EXPENDITURES				
Current:				
General government	10,240,909	-	543,162	10,784,071
Public safety	18,336,624	-	1,119,004	19,455,628
Highways and streets	4,856,071	-	3,555,777	8,411,848
Health and welfare	2,808,354	-	-	2,808,354
Culture and recreation	4,576,540	-	290,477	4,867,017
Economic development	-	1,468,950	229,078	1,698,028
Debt service:				
Principal	4,505,991	1,666,286	2,784,000	8,956,277
Interest	214,350	189,066	1,232,907	1,636,323
Total expenditures	<u>45,538,839</u>	<u>3,324,302</u>	<u>9,754,405</u>	<u>58,617,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,347,099)</u>	<u>914,865</u>	<u>(3,197,261)</u>	<u>(10,629,495)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,959,795	-	6,888,888	21,848,683
Transfers (out)	(6,428,788)	(4,221,014)	(440,526)	(11,090,328)
Proceeds from sale of assets	-	(1,133,744)	-	(1,133,744)
Issuance of debt	480,000	-	-	480,000
	<u>9,011,007</u>	<u>(5,354,758)</u>	<u>6,448,362</u>	<u>10,104,611</u>
SPECIAL ITEMS				
Gain/(Loss) on land available for sale valuation	<u>-</u>	<u>(6,485,411)</u>	<u>-</u>	<u>(6,485,411)</u>
	<u>-</u>	<u>(6,485,411)</u>	<u>-</u>	<u>(6,485,411)</u>
Net change in fund balance	663,908	(10,925,304)	3,251,101	(7,010,295)
Fund balance - beginning	13,097,982	23,094,270	10,183,900	46,376,152
Prior period adjustment	<u>(126,153)</u>	<u>-</u>	<u>(253,885)</u>	<u>(380,038)</u>
Fund balance - ending	<u>\$ 13,635,737</u>	<u>\$ 12,168,966</u>	<u>\$ 13,181,116</u>	<u>\$ 38,985,819</u>

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Net change in fund balances - total governmental funds		\$ (7,010,295)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	Capital assets purchases Depreciation expense	3,923,245 <u>(5,418,456)</u> (1,495,211)
(2) Governmental funds do not recognize developer contribution of land, roads, paving and draining as donation/contribution revenue nor as an increase in governmental expenditures. This is the net amount by which contributed capital increased the capital assets net or related debt of the city	Contributed capital - drainage Contributed capital - streets	318,369 <u>762,992</u> 1,081,361
(3) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% is allocated to governmental activities. This is the net revenue of certain activities of internal service funds	Garage	<u>(82,711)</u> (82,711)
(4) Repayment of bond principal is reported as an expenditure in governmental funds. For the city as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The city's bonded debt was reduced in due to principal payments made to bondholder's and the amortization of the debt issuance cost, premium/discount, and gain or loss on refunding, which results in an increase to interest expenses. Also, any new debt issuances are recorded as other financial sources but not counted as revenue in governmental activities. This is the result of debt activity	New lease/notes proceeds Lease/Notes Bond Principal Paid Loan Principal Paid Unamortized debt activity	(480,000) 1,454,523 1,890,000 5,611,753 <u>(34,051)</u> 8,442,225
(5) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Collections	<u>93,976</u> 93,976
(6) Because some sanitation and brush fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Garbage Brush Paving Library Alarm Fees	11,461 4,457 4,297 4,048 <u>(14,618)</u> 9,645

CITY OF PHARR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(7)	Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Current year accrual Prior year accrual	(230,690) <u>272,146</u>	41,456
(8)	Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. Compensated absences is recorded in the statement of assets	Current year Prior year	(4,673,349) <u>4,623,717</u>	(49,632)
(9)	Because some warrant fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Prior Year Warrant A/R Current Year Warrant A/R	(6,271,440) <u>6,610,887</u>	339,447
(10)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB expense/expenditures for their net required contributions to the plan	OPEB Liability - This fiscal year Trust fund contributions	(363,376) <u>348,808</u>	(14,568)
(11)	Loans issued to outside entities for Economic development are considered expenses governmental funds but not in the statement of activities.		<u>43,652</u>	43,652
(12)	GASB 68 recognition on Pension Expense requires an adjustment to reflect in Statement of Activities		<u>\$ 308,810</u>	\$ 308,810
	Change in net position of governmental activities			<u><u>\$ 1,708,155</u></u>

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



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CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Enterprise Funds					Governmental Activities - Internal Service Fund
	Utility	Boggus Event Center	Toll Bridge	Tierra Del Sol Golf Course	Total	
<u>ASSETS</u>						
Current assets:						
Cash	\$ 11,247,830	\$ 342,428	\$ 8,099,006	\$ 409,886	\$ 20,099,150	\$ 94,688
Receivables (net of allowance for uncollectible):						
Accounts	2,587,210	-	55,396	-	2,642,606	-
Other	1,838	116,349	72,000	10,499	200,686	-
Prepayment	-	-	-	-	-	-
Inventories	123,209	-	-	25,294	148,503	31,333
Restricted assets:						
Cash	20,297,670	-	1,220,886	-	21,518,556	-
Cash with Fiscal Agent	-	-	-	-	-	1,866
Total current assets	<u>34,257,757</u>	<u>458,777</u>	<u>9,447,288</u>	<u>445,679</u>	<u>44,609,501</u>	<u>127,887</u>
Capital assets						
Water Rights (nondepreciable)	3,450,000	-	-	-	3,450,000	-
Land (nondepreciable)	837,036	785,225	819,645	-	2,441,906	-
Buildings (net of acc. depreciation)	12,599,954	2,600,413	1,552,455	999,342	17,752,164	408,417
Improvements other than buildings (net of acc. depreciation)	769,773	134,553	204,703	352,185	1,461,214	34,413
Machinery and equipment (net of acc. depreciation)	1,502,619	49,905	1,461,768	2,472,599	5,486,891	55,982
Infrastructure (net of acc. depreciation)	92,366,415	-	13,070,512	131,307	105,568,234	-
Construction in progress (nondepreciable)	893,936	-	499,766	47,026	1,440,728	-
Total capital assets	<u>112,419,733</u>	<u>3,570,096</u>	<u>17,608,849</u>	<u>4,002,459</u>	<u>137,601,137</u>	<u>498,812</u>
Total noncurrent assets	<u>112,419,733</u>	<u>3,570,096</u>	<u>17,608,849</u>	<u>4,002,459</u>	<u>137,601,137</u>	<u>498,812</u>
Total assets	<u>146,677,490</u>	<u>4,028,873</u>	<u>27,056,137</u>	<u>4,448,138</u>	<u>182,210,638</u>	<u>626,699</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Unamortized loss on refunding of debt	92,931	-	-	-	92,931	-
Total deferred outflow of resources	<u>92,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,931</u>	<u>-</u>

	Business-type Enterprise Funds					Activities - Internal Service Fund
	Utility	Boggus Event Center	Toll Bridge	Tierra Del Sol Golf Course	Total	
<u>LIABILITIES</u>						
Current liabilities payable:						
Accounts payable	478,016	17,663	265,031	8,908	769,618	19,260
Accrued liabilities	134,775	-	31,167	-	165,942	-
Due to other funds	164,778	17,029	56,646	30,545	268,998	10,850
Unearned revenue	3,072,255	83,560	-	52,945	3,208,760	-
Total current liabilities payable	<u>3,849,824</u>	<u>118,252</u>	<u>352,844</u>	<u>92,398</u>	<u>4,413,318</u>	<u>30,110</u>
Current liabilities payable from restricted assets:						
Customer deposits payable	2,229,421	-	-	-	2,229,421	-
Escrow payable	90,878	-	-	-	90,878	-
Matured accrued compensation	210,425	6,762	46,078	19,126	282,391	8,459
Matured capital lease	31,332	-	-	76,900	108,232	7,392
Matured bonds/notes, net	3,105,000	-	580,000	-	3,685,000	-
Total current liabilities payable from restricted assets	<u>5,667,056</u>	<u>6,762</u>	<u>626,078</u>	<u>96,026</u>	<u>6,395,922</u>	<u>15,851</u>
Total current liabilities	<u>9,516,880</u>	<u>125,014</u>	<u>978,922</u>	<u>188,424</u>	<u>10,809,240</u>	<u>45,961</u>
Noncurrent liabilities:						
Accrued compensation	631,276	20,287	138,234	57,379	847,176	25,378
Other post employment benefit	-	-	-	-	-	-
Capital lease payable	40,288	-	-	69,145	109,433	33,573
Bonds/notes principal payable	48,232,000	-	4,022,306	-	52,254,306	-
Total noncurrent liabilities	<u>48,903,564</u>	<u>20,287</u>	<u>4,160,540</u>	<u>126,524</u>	<u>53,210,915</u>	<u>58,951</u>
Total liabilities	<u>58,420,444</u>	<u>145,301</u>	<u>5,139,462</u>	<u>314,948</u>	<u>64,020,155</u>	<u>104,912</u>
<u>NET POSITION</u>						
Invested in capital assets, net of related debt	67,869,016	3,570,096	13,028,848	3,933,315	88,401,275	457,848
Restricted for:						
Debt service	5,008,893	-	1,220,886	-	6,229,779	-
Capital projects	13,059,357	-	-	-	13,059,357	-
Tourism	-	313,476	-	-	313,476	-
Unrestricted	2,412,711	-	7,666,941	199,875	10,279,527	63,939
Total net position	<u>\$ 88,349,977</u>	<u>\$ 3,883,572</u>	<u>\$ 21,916,675</u>	<u>\$ 4,133,190</u>	<u>\$ 118,283,414</u>	<u>\$ 521,787</u>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Enterprise Funds					Governmental Activities - Internal Service Fund
	Utility	Boggus Event Center	Toll Bridge	Tierra Del Sol Golf Course	Total	
Operating revenues:						
Charges for sales and services:						
Water sales	\$ 7,085,474	\$ -	\$ -	\$ -	\$ 7,085,474	\$ -
Sewer service	5,424,820	-	-	-	5,424,820	-
Tap fees	337,400	-	-	-	337,400	-
Toll fees	-	-	12,550,556	-	12,550,556	-
Golf services	-	-	-	665,582	665,582	-
Event Center	-	434,383	-	-	434,383	-
Other	131,985	-	230,523	115,001	477,509	581,457
Total operating revenues	<u>12,979,679</u>	<u>434,383</u>	<u>12,781,079</u>	<u>780,583</u>	<u>26,975,724</u>	<u>581,457</u>
Operating expenses:						
Personnel services	3,544,146	375,144	1,059,073	745,141	5,723,504	222,787
Supplies and Materials	986,306	62,085	119,401	198,193	1,365,985	1,450
Contractual Services	3,435,453	174,251	1,443,247	202,535	5,255,486	397,017
Depreciation	4,460,003	115,475	879,090	277,876	5,732,444	42,125
Total operating expenses	<u>12,425,908</u>	<u>726,955</u>	<u>3,500,811</u>	<u>1,423,745</u>	<u>18,077,419</u>	<u>663,379</u>
Operating income (loss)	<u>553,771</u>	<u>(292,572)</u>	<u>9,280,268</u>	<u>(643,162)</u>	<u>8,898,305</u>	<u>(81,922)</u>
Nonoperating revenues (expenses):						
Investment earnings	301,105	264	174,167	10,230	485,766	-
Interest expense	(1,611,971)	-	(207,816)	(4,124)	(1,823,911)	(788)
Amortization expense	(30,978)	-	(196,001)	-	(226,979)	-
Intergovernmental	1,690,441	-	-	-	1,690,441	-
Gain on sale of asset	-	-	-	-	-	-
Other	38,557	23,762	570	1,987	64,876	-
Issuance cost	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>387,154</u>	<u>24,026</u>	<u>(229,080)</u>	<u>8,093</u>	<u>190,193</u>	<u>(788)</u>
Income before contributions and transfers	<u>940,925</u>	<u>(268,546)</u>	<u>9,051,188</u>	<u>(635,069)</u>	<u>9,088,498</u>	<u>(82,710)</u>
Transfers in	-	191,666	189,140	586,700	967,506	-
Transfers (out)	(465,900)	-	(11,521,220)	-	(11,987,120)	-
Capital contributions	1,648,521	-	-	-	1,648,521	-
Changes in net position	<u>2,123,546</u>	<u>(76,880)</u>	<u>(2,280,892)</u>	<u>(48,369)</u>	<u>(282,595)</u>	<u>(82,710)</u>
Total net position - beginning	86,226,431	-	24,165,567	4,184,013	114,576,011	604,497
Prior period adjustment	-	3,960,452	32,000	(2,454)	3,989,998	-
Total net position - ending	<u>\$ 88,349,977</u>	<u>\$ 3,883,572</u>	<u>\$ 21,916,675</u>	<u>\$ 4,133,190</u>	<u>\$ 118,283,414</u>	<u>\$ 521,787</u>

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



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**CITY OF PHARR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Enterprise Funds					Governmental Activities - Internal Service Fund
	Utility	Boggus Event Center	Toll Bridge	Tierra Del Sol Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 13,027,507	\$ 744,880	\$ 12,817,184	\$ 783,595	\$ 27,373,166	\$ 581,457
Payments to suppliers	(971,934)	(62,085)	(116,216)	(201,744)	(1,351,979)	(9,304)
Payments to employees	(3,195,930)	(364,551)	(987,262)	(756,021)	(5,303,764)	(203,280)
Payments for contractual services	(24,248)	(238,292)	(1,383,821)	(262,163)	(1,908,524)	(385,099)
Payments (to)/from others	(144)	23,762	-	-	23,618	-
Net cash flow (to)/from operating activities	<u>8,835,251</u>	<u>103,714</u>	<u>10,329,885</u>	<u>(436,333)</u>	<u>18,832,517</u>	<u>(16,226)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipts from grants	1,690,441	-	-	-	1,690,441	-
Advances (to)/from other funds	25,403	(2,559)	14,544	1,333	38,721	1,167
Transfers in from other funds	-	191,666	189,140	586,700	967,506	-
Transfers out to other funds	(465,900)	-	(11,521,220)	-	(11,987,120)	-
Payments (to)/from others	38,557	23,762	570	1,987	64,876	-
Net cash provided/(used) by noncapital and related financing activities	<u>1,288,501</u>	<u>212,869</u>	<u>(11,316,966)</u>	<u>590,020</u>	<u>(9,225,576)</u>	<u>1,167</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond/Lease Proceeds	-	-	-	-	-	-
Acquisition and construction of capital assets	(5,811,571)	-	(125,193)	-	(5,936,764)	-
Principal paid on long-term debt	(1,219,666)	-	(558,185)	(139,774)	(1,917,625)	(7,263)
Interest paid on long-term debt	(1,610,438)	-	(211,979)	(4,124)	(1,826,541)	(788)
Other	-	-	-	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>(8,641,675)</u>	<u>-</u>	<u>(895,357)</u>	<u>(143,898)</u>	<u>(9,680,930)</u>	<u>(8,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	301,104	264	174,167	10,230	485,766	-
Net cash provided/(used) by investing activities	<u>301,104</u>	<u>264</u>	<u>174,167</u>	<u>10,230</u>	<u>485,766</u>	<u>-</u>
NON CASH INVESTING/FINANCING ACTIVITIES						
Capital Contributions	1,648,521	-	-	-	1,648,521	-
Noncash provided/(used) by investing/financing	<u>1,648,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,648,521</u>	<u>-</u>
Net increase/(decrease) in cash	3,431,702	316,847	(1,708,271)	20,019	2,060,297	(23,110)
Cash beginning of fiscal year	28,113,798	25,581	11,028,163	389,867	39,557,409	119,664
Cash end of fiscal year	<u>\$ 31,545,500</u>	<u>\$ 342,428</u>	<u>\$ 9,319,892</u>	<u>\$ 409,886</u>	<u>\$ 41,617,706</u>	<u>\$ 96,554</u>

	Business-type Enterprise Funds					Governmental Activities - Internal Service Fund
	Utility	Boggus Event Center	Toll Bridge	Tierra Del Sol Golf Course	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 553,771	\$ (292,572)	\$ 9,280,268	\$ (643,161)	\$ 8,898,306	\$ (81,922)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	4,460,003	115,475	879,090	277,875	5,732,443	42,125
(Increase) Decrease in Accounts and Other Receivables, net	(19,515)	282,667	39,289	(1,325)	301,116	-
(Increase) Decrease in Inventories	14,372	-	-	(3,551)	10,821	(7,853)
(Increase) Decrease in Other Assets	3,450,000	-	-	-	3,450,000	-
Increase (Decrease) in Accounts Payable	(38,794)	(64,041)	59,427	(62,082)	(105,490)	11,917
Increase (Decrease) in Accrued Compensation	348,215	10,593	71,811	(8,426)	422,193	19,507
Increase (Decrease) in Deferred/Escrow Revenue	(144)	-	-	-	(144)	-
Increase (Decrease) in Customer Deposits	67,343	-	-	-	67,343	-
Increase (Decrease) in Other Liabilities	-	51,592	-	4,337	55,929	-
Total adjustments	<u>8,281,480</u>	<u>396,286</u>	<u>1,049,617</u>	<u>206,828</u>	<u>9,934,211</u>	<u>65,696</u>
Net cash provided (used) by operating activities	\$ <u>8,835,251</u>	\$ <u>103,714</u>	\$ <u>10,329,885</u>	\$ <u>(436,333)</u>	\$ <u>18,832,517</u>	\$ <u>(16,226)</u>

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



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**DISCRETE COMPONENT UNIT
BASIC FINANCIAL STATEMENTS**

POLICE ATHLETIC LEAGUE

**CITY OF PHARR, TEXAS
DISCRETE COMPONENT UNIT
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

		Police Athletic League
<u>ASSETS</u>		
Current assets:		
Cash		\$ 70,942
Receivables (net of allowance for uncollectible)		1,122
Prepaid Expenses		57,500
Total current assets		129,564
<u>LIABILITIES</u>		
Current liabilities payable:		
Accounts payable and other current liabilities		47,090
Unearned revenue		18,722
Total current liabilities payable		65,812
<u>NET POSITION</u>		
Unrestricted		63,752
Total net position		\$ 63,752

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

**CITY OF PHARR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenues Changes in Net Position
<u>Component Unit</u>	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Component Unit</u>
Police Athletic League				
Culture and recreation	\$ 1,119,982	\$ 269,590	\$ 911,034	\$ 60,642
Total component unit	1,119,982	269,590	911,034	60,642
Total component unit	\$ 1,119,982	\$ 269,590	\$ 911,034	\$ 60,642
		<u>General revenues:</u>		
				89
			Investment earnings	89
			Total general revenues and transfers	89
			Change in net position	60,731
			Net position - beginning	(4,063)
			Prior Period Adjustment	7,084
			Net position - ending	\$ 63,752

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

NOTES TO THE FINANCIAL STATEMENTS

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Pharr, Texas (City) founded in 1909 and was incorporated as a general law city on February 22, 1916. The City charter was approved via election and adopted with an effective date of December 1, 1949. The charter established a City Manager form of government. The municipal government provided by the Charter of the City of Pharr shall be known as the Board of Commissioners. The Board of Commissioners shall consist of a Mayor and six (6) Commissioners and which shall enact local legislation, adopt budgets, determine policies, and appoint the City Manager, who is held responsible to the Board of Commissioners for the execution of the laws and the administration of the government of the City.

The general governmental functions include law enforcement, fire and other public safety activities, streets, sanitation, public improvements, public charities, parks and recreation, library services, zoning and general administrative services. Enterprise funds are used to account for the operations of its utility, bridge, and golf operations.

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 State of America applicable to state and local governments. Generally accepted accounting principles for local governments include 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 (FASB), when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Pharr

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units with 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

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same of substantially the same as the City Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

The City has three blended component units, the Pharr Economic Development Corporation (PEDC) II, Inc., Pharr Public Facilities Corporation No. 1 and Tax Increment Reinvestment Zone No. 1. Information for these component units is stated below:

Pharr Economic Development Corporation II, Inc. – (PEDC) is a nonprofit industrial development corporation organized for the same purpose as the PEDC 4a but with the legal authority to use sales tax funds for a wider range of projects. Sales taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. Voted by the citizens of Pharr on November 4, 2008 and ratified by the City Commission on November 10, 2008 via ordinance O-2008-49, the PEDC 4a was dissolved and the PEDC was authorized to receive the sales tax revenue which is its main revenue source. The PEDC board is fully appointed by the City Board of Commissioners.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

The reason it is a blended component unit is because the City appoints all PEDC board members and can be removed them at will, therefore, the PEDC board is substantially the same as the City governing body. Separate financial statements issued by the PEDC can be obtained by request at the following address: *PEDC- 1215 South Cage Blvd. Pharr, TX 78577.*

Pharr Public Facilities Corporation No. 1.- On September 6, 2011, with Resolution # R-2011-53, the City Commissioners created the Pharr Public Facilities Corporation #1 (PPFC#1). PPFC#1 is a separate entity with its own EIN, whose board consists of the same members of the City Commission. PPFC#1 was used for funding and purchase of land for economic development activities via a loan from Frost Bank of \$15,000,000. This loan has an interest rate of Wall Street Journal Prime plus 0, amortized over 20 years, but payable with a balloon payment at the 5th year. Separate financial statements issued by the PPFC # 1 can be obtained by request at the following address: *PPFC # 1 P.O. Box 1729 Pharr, TX 78577*

Tax Increment Reinvestment Zone No. 1-On March 2012, the City Commissioners created the Tax Increment Reinvestment Zone No. 1 (TIRZ No. 1). TIRZ is a separate entity with its own EIN, whose three of its board members consists of the same members of the City Commission. TIRZ No. 1 was established to provide a financing mechanism to facilitate a high quality development in the Pharr area. Created by ordinance No. O-2011-46 in September 2011, TIRZ No. 1 is set to expire on January 1st, 2051 or the date when all project costs are paid and all debt is retired, whichever comes first. Separate financial statements issued by TIRZ No. 1 can be obtained by request at the following address: *TIRZ No. 1 P.O. Box 1729 Pharr, TX 78577.*

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. The unit is reported in a separate column to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organization. This component unit subscribe to the accounting policies and procedures of the primary government.

Police Athletic League-On October 2012, the City of Pharr Police Athletic League (PAL) was created as a nonprofit organization for the purpose of youth crime prevention that relies on providing civic, athletic, recreational, and educational opportunities and resources to cement a bond and create trust and understanding between police officers and youth. The City's Finance Director acts as Treasurer of PAL and City's Chief of Police acts as Board President. In addition, City contributes to PAL; Salaries expense; a material amount considered for both entities. Separate financial statements issued by PAL can be obtained at the following address: *PAL- 413 East Clark, Pharr, Texas 78577.* PAL is considered a Discrete Component Unit based on the criteria established by GASB Statement No. 61. PAL uses a calendar year as their fiscal year; ending December 31.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary financial information for the City and its component units. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed but the statements distinguish governmental activities (generally supported by taxes and City general revenue) from business-type activities (generally financed in whole or in part with fees charged to external customers). The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

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 function or 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 operations or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Government-Wide and Fund Financial Statements-(continued)

The fund financial statements provide reports on the financial condition and results of operations about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

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, as are the proprietary fund financial statements. 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 increase (revenues) and decrease (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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement 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. 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 franchise fees, licenses, charges for service, 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.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

- *General Fund* – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.
- *Pharr Economic Development Corporation II*– is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City. Although this fund does not meet the size criteria for major fund categorization, the City is including it as a major fund because it is believed that this fund is particularly important to financial statement users due to of public interest.

Proprietary Funds

The City reports the following major enterprise funds:

- *Utility Fund* – accounts for the provision of water and sewer services to the residents of the City.
- *Event Center*–accounts for event venue to host concerts to attract tourism to the City of Pharr
- *Bridge Fund* – accounts for the operating function of the City’s international bridge with Mexico.
- *Golf Fund*–accounts for the operating function of the golf course including golf event hall, greens, pro-shop and concessions.

Other Fund Types

Additionally, the City reports internal service funds which are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management. These are proprietary funds that are reported with governmental activities in the government-wide financial statements because the majority of activity is for governmental activities. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are. Reimbursements are treated as a reduction of expenses.

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity

1. Cash and Investments

Cash of all funds, including restricted cash, are 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 are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. All 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 a current transaction between willing parties.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions in arriving at the total assessed valuation of taxable property.

The valuations are subject to County-wide revaluation every three years. The effective tax rate is based upon the previous year's total assessed valuation.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity- (continued)

2. Property Taxes - (continued)

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 years, the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City does not write off tax receivable greater than 20 years.

3. Inventories

The inventories are recorded at cost and are accounted for by the consumption method.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The three main receivables that contain allowances are for property taxes, utility accounts, and warrants. For these categories the allowance was based on historical collection rates, the allowances are 2% for property taxes as well as for utility accounts, and 20% for warrants.

5. Transactions between Funds

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

6. Capital Assets

Capital assets, which include property, plant, and equipment, 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 have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Infrastructure	30 Years
Improvements	20 Years
Water and Sewer System	30-50 Years
Machinery and Equipment	3-15 Years

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and sick leave balances. The City’s policy allows employees to accumulate unused sick leave and extra compensation time on an unlimited basis and vacation leave based on the number of years of full time employment with the City in accordance with the following chart:

Years of Employment	Pro-Rata Accrual Rate per Month
0-19 Years	10 hours (15 days per year)
20 & Over	13.33 hours (20 days per year)

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity- (continued)

7. Compensated Absences - (continued)

Nonexempt employees may accumulate no more than a maximum of two years allotment of vacation leave as set above, except for civil service nonexempt employees, which can accumulate more than the maximum. Exempt employees can also accumulate more than the maximum. Sick leave may be accrued but will not be paid out to employees that leave before retirement.

8. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount and gain or loss on refunding are not netted against the liability but recorded in as deferred outflow/inflow of resources. Issuance cost is recorded as an expense for the period incurred and is no longer amortized over the life of the bond after implementing GASB Statement No. 65 and Statement No. 63. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources. This fiscal year, the City also implemented GASB No. 68 which recognizes Net Pension Liability as part of its Long-Term Obligations.

9. Restricted Assets

The proceeds and required reserves of debt issuances are recorded as restricted assets as they are restricted for debt service and/or capital projects, payments and/or purchases.

10. Net Position / Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outside parties for use for a specific purpose.

11. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. All estimates are made utilizing a conservative philosophy for both revenues and expenditures.

12. General Fund's Fund Balance Policy

The City has adopted GASB 54 through a resolution as part of its fiscal year ending September 30, 2011. Implementation of GASB 54 is required of all cities for the fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, non-current advances to other funds that not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City has inventories that are considered non-spendable, an encumbrance, and a non-current advance to the PEDC II. The City does not have any prepaid items or non-spendable funds related to an endowment.

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

-Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. All of the City's restricted funds are from Special Revenue Funds, whose funds are revenues legally restricted to expenditures for a particular purpose.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity- (continued)

12. General Fund's Fund Balance Policy - (continued)

-Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor through an approved resolution. Committed amounts cannot be used for any other purpose unless the governing board remove those constraints by taking the same type of formal action. The City formally approved the recording of its self-named "Contingency" fund balance as committed. The Contingency fund balance policy is as follows:

The City shall strive to maintain the General Fund (not the combined reporting General Fund which consists of the Payroll, Contingency, and the General funds) committed fund balance at 90 days (25%) of the current year's original budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchase, debt service, annual economic incentives, and the annual transfer from the General Fund to the other funds (Charter mandated contingency funding will not take place so long as the contingency fund is fully funded). This amount changes slightly from year to year; for this fiscal year, the General Fund committed balance was under funded by approximately \$1.6 million since the requirement amount to be funded was \$9,906,900 and the City's General fund balance was \$8,301,370 at September 30, 2015. The contingency balance will be fully funded early in the upcoming fiscal year with bridge excess cash transfers.

These funds shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. The use of these funds will be approved by the City Commission. Use of these funds will be disclosed to the City Commission. If the required amount goes below the stated policy amount, the City will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount. Any surpluses realized at year end shall be used first to meet reserve policies, then capital replacement purposes, then retirement/extinguishing of debt.

-Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager. The only funds assigned relate to the accumulation of funds for future capital projects.

-Unassigned: Fund balance of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned, then unassigned, and finally committed funds.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

The City follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

Annual budgets are legally adopted for all City funds with revenue and expense/expenditure activity. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

A. Budgetary Data-(continued)

1. Budget Policy and Practice-(continued)

Dates for public hearings, the purpose of which are to obtain taxpayers' comments, are set by the Board of Commissioners at the time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget.

Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

The appropriated budget is prepared by fund, function, and department. The City's department head's may make transfers of appropriations between/within a department in the same fund with the City Manager's approval. Transfers of appropriations between funds require the approval of the Board of Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

At any time during the fiscal year, the City Manager can reallocate expenditures within a fund without the approval of the Board of Commissioners. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved by the Board of Commissioners.

The Board of Commissioners made two budget amendments during the fiscal year; they are indicated in the following chart:

	Budget Amendment - net Revenues\ (Expenditures/Expenses)			
	#1		#2	
	Expenditures	Revenues	Expenditures	Revenues
General Fund	\$ 4,289,730	\$ 3,605,520	\$ 6,672,124	\$ 4,281,034
Hotel/Motel Fund	(684,210)	-	230,000	-
CIP Fund	250,000	250,000	8,305,860	4,333,830
Utility Fund	-	-	-	(45,000)
Event Center	-	684,210	(35,210)	35,210
Bridge Fund	3,500,000	3,500,000	2,300,000	1,200,000
Golf Fund	-	-	178,000	(178,000)
PEDC Fund	4,202,020	3,639,520	(336,466)	(3,639,520)
PFC #1 Fund	1,000,000	1,000,000	(1,000,000)	(1,000,000)
	<u>\$ 12,557,540</u>	<u>\$ 12,679,250</u>	<u>\$ 16,314,308</u>	<u>\$ 4,987,554</u>

The major reasons for the amendments were: correction of Amendment No. 1 due to cancelled projects, transfers between funds to cover for certain operations and Capital Improvement Projects.

B. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which slightly 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 Statement 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 are debt service transactions, capital outlay purchases, and the recording of bond/loan proceeds.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations for Health and Welfare for \$2,354 and for Parks and Receptions for \$210,746. The reason for such a material difference in Parks and Receptions was the personnel services expenditure in its part-time recreational aides that was used more than projected. Transfers out also had a slightly excess over its appropriations for \$21,598 due to higher transfer to CDBG to cover for its administrative expenditures.

D. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

E. Deficit Fund Equity/Net Position

No funds had a deficit in their total fund balances/net position.

F. Prior Period Adjustment

Prior period adjustments (PPA) were needed in several funds in order to properly state the correct financial position of the City. The PPA amounts and the reason are as follows:

Purpose of Prior Period Adjustment	Amount	Total
Governmental Funds:		
<u>General Fund:</u>		
To adjust prior year grant receivables	\$ 36,735	
To adjust prior year payables	(249,350)	
To adjust prior year other receivables	59,796	
To transfer unearned revenue to new enterprise fund	26,666	(126,153)
<u>Hotel/Motel:</u>		
To transfer event center activity to new enterprise fund	(326,330)	(326,330)
<u>Capital projects Fund:</u>		
To correct prior year Interlocal Receivables	367,684	
To correct prior year Interlocal Payables	(295,239)	72,445
Total Governmental Fund Adjustment		\$ (380,038)

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS-(continued)

F. Prior Period Adjustment-(continued)

<u>Purpose of Prior Period Adjustment</u>	<u>Amount</u>	<u>Total</u>
Proprietary Funds:		
<u>Enterprise Fund: Event Center:</u>		
To transfer activity from GF and Hotel/Hotel	\$ 274,881	
To transfer Government-Wide Activity (Capital Assets)	<u>3,685,571</u>	3,960,452
<u>Enterprise Fund: Bridge Fund:</u>		
To correct prior year rent receivable	<u>32,000</u>	32,000
<u>Enterprise Fund: Golf Fund:</u>		
To adjust prior year wages payable	<u>(2,454)</u>	(2,454)
Total Proprietary Fund Adjustment		<u><u>3,989,998</u></u>
<hr/>		
Government-Wide Adjustment:		
To transfer Government-Wide Activity (Capital Assets)	(3,685,571)	
To transfer Compensated absences to Event Center	16,457	
To correct prior year CIP balance	(15,300)	
To implement new GASB 68 pronouncement	<u>(2,858,083)</u>	(6,542,497)
Total City-Wide PPA		<u><u>\$ (2,932,537)</u></u>

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Deposits and Investments

1. Deposits

City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

A. Deposits and Investments - (continued)

At September 30, 2015, the carrying amount of all of the City's deposits was \$69,885,468 (Bank Balance). The City has one depository account: Lone Star National Bank (LSNB).

LSNB Depository Account	Balance September 30, 2015
Insured	\$ 250,000
Security collateral issued by pledging bank's trust department in the City's name (Over-insured)/over-collateralized	72,736,152 (3,100,684)
Total Deposits	\$ 69,885,468

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of September 30, 2015, the City's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- a. Depository: LSNB.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$79,735,695.
- c. The highest combined balances of cash accounts amounted to \$78,538,348 and occurred during April 2015.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000 during September 2015.

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Cash with fiscal agents of \$626,817 on September 30, 2015, was covered by collateral held in the fiscal agents' trust departments, but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds. U.S. Bancorp is the fiscal agent for the City.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

Due to the extremely low interest rates, the City does not have any investments other than savings accounts in LSNB at September 30, 2015. The City's depository provides a greater savings rate (a floor of .20%) according to the depository contract entered into. The funds are available immediately as needed.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

2. Investments – (continued)

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk. The City’s investment policy states that no investment shall exceed 24 months in maturity. By limiting the exposure of its investments, the City reduces its risk to the rising or decreasing interest rates.

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

c. Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At year end, the City was not exposed to custodial credit risk. See Note III A.1 for more information on this risk.

d. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the City was exposed to concentration of credit risk, but highly collateralized. With the City’s investment policy, diversification is stressed. The City was in compliance with its diversification investment guidelines. Although LSNB makes up 100% of the investment portfolio, the funds were fully collateralized by pledged securities.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

B. Receivables

Receivables for the City at September 30, 2015, were as follows:

	Governmental Activities			Business-Type Activities			
	General	Other	Total	Utility	Event Center	Bridge & Golf	Total
Property taxes	\$ 2,149,360	\$ 293,078	\$ 2,442,438	\$ -	\$ -	\$ -	\$ -
Warrants	9,661,074	-	9,661,074	-	-	-	-
Sales Tax	2,244,693	748,231	2,992,924	-	-	-	-
Notes	-	820,128	820,128	-	-	-	-
Accounts	829,947	144,488	974,435	2,663,085	-	55,396	2,718,481
Intergovernmental	86,752	938,294	1,025,046	-	-	-	-
Franchise taxes	325,607	-	325,607	-	-	-	-
Other	95,301	571,937	667,238	1,838	116,349	82,499	200,686
Gross receivables	15,392,734	3,516,156	18,908,890	2,664,923	116,349	137,895	2,919,167
Less; allowance for uncollectible	(3,641,702)	(86,171)	(3,727,873)	(75,876)	-	-	(75,876)
Net total receivable	\$ 11,751,032	\$ 3,429,985	\$ 15,181,017	\$ 2,589,047	\$ 116,349	\$ 137,895	\$ 2,843,291

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

C. Payables

Payables for the City at September 30, 2015, were as follows:

	Governmental Activities	Business-Type Activities					Business- Type Total	Total
	Governmental	Utility	Event Center	Bridge	Golf			
Vendors	\$ 2,211,474	\$ 478,016	\$ 17,663	\$ 265,031	\$ 8,908	\$ 769,618	\$ 2,981,092	
Salaries & benefits	1,595,730	-	-	-	-	-	1,595,730	
Retainage fees	130,877	-	-	-	-	-	130,877	
Accrued interest	230,690	134,774	-	31,167	-	165,941	396,631	
Due to state	343,920	-	-	-	-	-	343,920	
Total payables	\$ 4,512,691	\$ 612,790	\$ 17,663	\$ 296,198	\$ 8,908	\$ 935,559	\$ 5,448,250	

D. Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

	Governmental Activities	Business-Type	Discrete Component Unit	Total
Unearned golf revenue	\$ -	\$ 52,945	\$ -	\$ 52,945.00
TWDB Forgiveness Loan Grant	-	3,072,255	-	3,072,255
Event Center Revenue	-	83,560	-	83,560
Other	3,000	-	18,722	21,722
	\$ 3,000	\$ 3,208,760	\$ 18,722	\$ 3,230,482

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

E. Interfund Balances

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2015 consisted of the following:

GENERAL FUND	PURPOSE
DUE FROM:	
<u>Governmental</u>	
PEDC	\$ 1,320,566 Economic Development
Assets Sharing	140,185 To Cover some Payables
Community Development	35,827 Loan due to grant timing issue
Grant Fund	286,430 Loan due to grant timing issue
	1,783,008
<u>Enterprise Funds:</u>	
Utility	164,838 Payroll management timing
Event Center	17,038 Payroll management timing
Bridge	56,646 Payroll management timing
Golf	30,545 Payroll management timing
	269,067
<u>Internal Service Funds:</u>	
Garage	10,850 Payroll management timing
	10,850
 <u>COMMUNITY DEVELOPMENT</u>	
DUE FROM:	
<u>Governmental</u>	
General	40 Miscellaneous
	40
Grand Total	<u><u>\$ 2,062,965</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

F. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments*</u>	<u>Ending Balance</u>
Primary Government					
Governmental Activities:					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	\$ 5,579,949	\$ 109,826	\$ -	\$ (785,224)	\$ 4,904,551
Construction in Progress	3,406,409	2,689,337	1,507,491	(15,300)	4,572,955
Total capital assets, not being depreciated	8,986,358	2,799,163	1,507,491	(800,524)	9,477,506
<i>Capital assets, being depreciated:</i>					
Buildings	40,038,662	-	-	(3,763,869)	36,274,793
Machinery and equipment	21,740,172	950,060	6,000	(161,608)	22,522,624
Improvements other than buildings	7,744,590	-	-	(185,772)	7,558,818
Infrastructure	76,498,436	2,588,852	-	-	79,087,288
Total capital assets, being depreciated	146,021,860	3,538,912	6,000	(4,111,249)	145,443,523
Less accumulated depreciation for:					
Buildings	11,329,198	779,824	-	(1,085,725)	11,023,297
Machinery and equipment	12,429,283	2,142,155	600	(84,942)	14,485,896
Improvements other than buildings	2,915,361	310,878	-	(40,236)	3,186,003
Infrastructure	46,386,561	2,120,321	-	-	48,506,882
Total accumulated depreciation	73,060,403	5,353,178	600	(1,210,903)	77,202,078
Total capital assets, being depreciated, net	72,961,457	(1,814,266)	5,400	(2,900,346)	68,241,445
Governmental activities capital assets, net	<u>\$ 81,947,815</u>	<u>\$ 984,897</u>	<u>\$ 1,512,891</u>	<u>\$ (3,700,870)</u>	<u>\$ 77,718,951</u>
Business-Type Activities:					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	\$ 2,656,024	\$ -	\$ -	\$ 785,224	\$ 3,441,248
Construction in Progress	15,048,271	576,479	14,231,047	-	1,393,703
Total capital assets, not being depreciated	17,704,295	576,479	14,231,047	785,224	4,834,951
<i>Capital assets, being depreciated:</i>					
Buildings	28,720,255	18,375	-	3,763,869	32,502,499
Machinery and equipment	14,854,287	140,578	-	161,608	15,156,473
Improvements other than buildings	5,624,137	102,811	-	185,772	5,912,720
Infrastructure	120,311,411	15,879,569	-	-	136,190,980
Total capital assets, being depreciated	169,510,090	16,141,333	-	4,111,249	189,762,672
Less accumulated depreciation for:					
Buildings	13,587,007	724,758	-	1,085,725	15,397,490
Machinery and equipment	11,245,873	680,056	-	84,942	12,010,871
Improvements other than buildings	1,992,752	298,107	-	40,236	2,331,095
Infrastructure	26,677,507	4,029,522	-	-	30,707,029
Total accumulated depreciation	53,503,139	5,732,443	-	1,210,903	60,446,485
Total capital assets, being depreciated, net	116,006,951	10,408,890	-	2,900,346	129,316,187
Business-Type activities capital assets, net	<u>133,711,246</u>	<u>10,985,369</u>	<u>14,231,047</u>	<u>3,685,570</u>	<u>134,151,138</u>
Total Primary Government	<u>\$ 215,659,061</u>	<u>\$ 11,970,266</u>	<u>\$ 15,743,938</u>	<u>\$ (15,300)</u>	<u>\$ 211,870,089</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

F. Capital Assets-(continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments*</u>	<u>Ending Balance</u>
Component Unit-Blended					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	480,062	-	-	-	480,062
Total capital assets, not being depreciated	480,062	-	-	-	480,062
<i>Capital assets, being depreciated:</i>					
Buildings	1,328,356	-	-	-	1,328,356
Improvement other than buildings	621,575	180,021	-	-	801,596
Machinery and equipment	144,340	-	-	-	144,340
Total capital assets, being depreciated	2,094,271	180,021	-	-	2,274,292
Less Accumulated Depreciation					
Buildings	516,279	47,462	-	-	563,741
Improvement other than buildings	60,329	52,609	-	-	112,938
Machinery and equipment	81,171	7,932	-	-	89,103
Total Accumulated Depreciation	657,779	108,003	-	-	765,782
Total Capital assets, being depreciated, net	1,436,492	72,018	-	-	1,508,510
Component Unit-Blended capital assets, net	1,916,554	72,018	-	-	1,988,572
City-Wide capital assets, net	<u>\$ 217,575,615</u>	<u>\$ 12,042,284</u>	<u>\$ 15,743,938</u>	<u>\$ (15,300)</u>	<u>\$ 213,858,661</u>

* Prior Period Adjustments. See description on page 38.

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

Governmental Activities

General Government	\$ 413,411
Public Safety	1,623,724
Highway & Streets	2,010,311
Sanitation	656,062
Culture & Recreation	649,671
Economic Development	108,002
Total Governmental Activities	<u>\$ 5,461,181</u>

Business-Type Activities

Utility	\$ 4,460,003
Events Center	115,475
Bridge	879,090
Golf	277,875
Total Business-Type Activities	<u>\$ 5,732,443</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Refunding Bonds Payable	\$11,295,000	\$ -	\$1,585,000	\$ -	\$9,710,000	1,675,000
Certificates of Obligation	7,025,000	-	305,000	-	6,720,000	305,000
Uamortized Premium/(Discount)	115,102	-	\$46,142	-	68,960	-
Capital Leases	4,052,981	480,000	1,160,850	-	3,372,131	981,988
Capital Leases-Garage	48,228	-	7,263	-	40,965	7,993
CDBG Section 108 Note Payable	5,012,000	-	294,000	-	4,718,000	294,000
LSNB Note Payable-City	3,721,213	-	\$3,345,467	-	375,746	375,746
LSNB Note Payable-PEDC	4,300,933	-	1,665,945	-	2,634,988	736,965
Note Payable-PFC	11,029,881	-	600,000	-	10,429,881	600,000
Other Post Employment Benefits	640,430	14,568	-	-	654,998	-
Accrued Compensated Absences-PEDC	22,771	56,510	-	-	79,281	19,820
Accrued Compensated Absences	4,616,663	1,852,044	1,858,533	(16,457) A	4,593,717	1,148,614
Accrued Compensated Absences -Garag	14,331	19,508	-	-	33,839	8,460
Net Pension Liability-GASB 68	-	227,413	-	4,192,029 B	4,419,442	-
Total Governmental Activities	<u>\$51,894,533</u>	<u>2,650,043</u>	<u>\$10,868,200</u>	<u>4,175,572</u>	<u>\$47,851,948</u>	<u>6,153,586</u>
Deferred Outflow/Inflow of Resources						
Unamortized Gain/(loss) on Refunding	(353,872)	-	(80,197)	-	(273,675)	(45,613)
	<u>(353,872)</u>	<u>-</u>	<u>(80,197)</u>	<u>-</u>	<u>(273,675)</u>	<u>(45,613)</u>
Business-Type						
Revenue Bonds Payable	\$50,435,000	1,762,000	\$2,170,000	-	\$50,027,000	2,290,000
Refunding Revenue Bonds Payable	7,225,000	-	1,335,000	-	5,890,000	1,395,000
Uamortized Premium/(Discount)	25,491	-	\$3,187	-	\$22,304	-
Capital Leases	389,105	-	171,439	-	\$217,666	108,232
Accrued Compensated Absences	690,918	422,194	-	16,457 A	\$1,129,569	282,392
Total Business-Type Activities	<u>\$58,765,514</u>	<u>2,184,194</u>	<u>\$3,679,626</u>	<u>16,457</u>	<u>\$57,286,539</u>	<u>4,075,624</u>
Deferred Outflow/Inflow of Resources						
Unamortized Gain/(loss) on Refunding	(323,095)	-	(230,163)	-	(92,932)	(230,163)
	<u>(323,095)</u>	<u>-</u>	<u>(230,163)</u>	<u>-</u>	<u>(92,932)</u>	<u>(230,163)</u>

A Prior Period Adjustment for Accrued Compensated Absences transferred to Event Center due to Making it an Enterprise Fund.

B GASB 68 - Implementation PPA

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations – (continued)

Long-term bonded and revenue supported obligations outstanding at September 30, 2015 is comprised of the following:

	Original	Series	Type	Name	Payment	Installments		Interest Rates		Payment	Current
	Issuance					Installments	Lowest	Highest	Lowest		
Governmental Activities	\$ 16,110,000	2005B	Refunding Bonds	GO	Annual	\$ 905,000	\$ 1,535,000	3.75%	5.00%	8/15/2021	\$ 9,710,000
	2,220,000	2011	Refunding Bonds	GO	Annual	\$ 530,000	\$ 580,000	2.00%	4.00%	8/15/2015	-
	Subtotal-Refunding Bonds										\$ 9,710,000
	\$ 7,625,000	2012	Certificate of Obligation	GO	Annual	\$ 295,000	\$ 535,000	0.60%	4.98%	8/15/2032	\$ 6,720,000
Subtotal-Certificate of Oblig										\$ 6,720,000	
Governmental Total										<u>\$ 16,430,000</u>	
Business-Type Activities	\$ 29,000,000	2007	Revenue Bonds-CWSRF	WW & SS	Annual	\$ 790,000	\$ 2,480,000	2.90%	3.50%	9/1/2027	\$ 22,465,000
	\$ 13,310,000	2007A	Revenue Bonds-DWSRF	WW & SS	Annual	\$ 380,000	\$ 1,075,000	2.35%	3.50%	9/1/2027	10,795,000
	\$ 10,000,000	2007B	Revenue Bonds-NADBANK	WW & SS	Annual	\$ 385,000	\$ 685,000	3.75%	3.75%	9/1/2027	6,790,000
	\$ 8,725,000	2013	Revenue Bonds-DWSRF	WW & SS	Annual	\$ 255,000	\$ 400,000	0.00%	2.71%	9/1/2042	8,215,000
	\$ 1,762,000	2015	Revenue Bonds-DWSRF	WW & SS	Annual	\$ 70,000	\$ 117,000	0.59%	4.01%	9/1/2035	1,762,000
	Subtotal-Revenue Bonds										\$ 50,027,000
	\$ 9,755,000	2005A	Refunding Bonds	CT & IBR	Annual	\$ 510,000	\$ 740,000	3.63%	4.50%	8/15/2022	\$ 4,580,000
\$ 6,430,000	2008	Refunding Bonds	WW & SS	Annual	\$ 75,000	\$ 815,000	3.60%	3.60%	9/1/2018	1,310,000	
Subtotal-Refunding Bonds										\$ 5,890,000	
Business-Type Total										<u>\$ 55,917,000</u>	

CT&IBR=Combination Tax & International Bridge Revenue

CWSRF=Clean Water State Revolving Fund

DWSRF=Drinking Water State Revolving Fund

NADBank=North American Development Bank

WW&SS=Waterworks & Sewer System

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations – (continued)

1. Bonds Payable

Debt service requirements of bonds payable at September 30, 2015 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,675,000	\$ 427,928	\$ 2,102,928	3,685,000	\$ 1,751,991	\$ 5,436,991
2017	1,760,000	344,178	2,104,178	3,797,000	1,636,138	5,433,138
2018	1,850,000	256,178	2,106,178	3,913,000	1,521,851	5,434,851
2019	1,415,000	182,178	1,597,178	4,089,000	1,402,149	5,491,149
2020	1,475,000	124,163	1,599,163	4,225,000	1,275,222	5,500,222
2021-2025	1,535,000	63,319	1,598,319	21,233,000	4,326,073	25,559,073
2026-2030	-	-	-	10,236,000	1,210,658	11,446,658
2031-2035	-	-	-	2,139,000	528,334	2,667,334
2036-2041	-	-	-	1,810,000	252,729	2,062,729
2042-2047	-	-	-	790,000	32,210	822,210
	<u>\$ 9,710,000</u>	<u>\$ 1,397,944</u>	<u>\$ 11,107,944</u>	<u>\$ 55,917,000</u>	<u>\$ 13,937,355</u>	<u>\$ 69,854,355</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2015 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 305,000	\$ 252,541	\$ 557,541
2017	315,000	248,363	563,363
2018	320,000	242,598	562,598
2019	325,000	235,750	560,750
2020	335,000	227,690	562,690
2021-2025	1,840,000	970,099	2,810,099
2026-2030	2,235,000	570,698	2,805,698
2031-2035	1,045,000	78,225	1,123,225
	<u>\$ 6,720,000</u>	<u>\$ 2,825,964</u>	<u>\$ 9,545,964</u>

3. Capital Leases Payable

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense. Debt service requirements of capital leases obligations at September 30, 2015 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 997,384	\$ 52,822	\$ 1,050,206	\$ 108,232	\$ 3,468	\$ 111,700
2017	873,288	35,997	909,285	90,239	1,427	91,666
2018	532,073	22,602	554,675	19,195	95	19,290
2019	400,446	14,769	415,215	-	-	-
2020	384,152	7,907	392,059	-	-	-
2021-2026	225,753	2,428	228,181	-	-	-
	<u>\$ 3,413,096</u>	<u>\$ 136,525</u>	<u>\$ 3,549,621</u>	<u>\$ 217,666</u>	<u>\$ 4,990</u>	<u>\$ 222,656</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations – (continued)

3. Capital Leases Payable – (continued)

Capital Leases	Governmental	Business-Type	Total
\$480,000 lease payable; due in monthly installments of \$6,114, including interest, through May 12, 2022; interest at 1.93%. All funds used to purchase Machinery & Equipment.	\$ 458,582	\$ -	\$ 458,582
\$2,9221,720 lease payable, due in quarterly installments starting with \$167,702, including interest, through November 2017; interest at 2.42%. All funds used to purchase Machinery & Equipment.	488,469	119,926	608,395
\$1,100,150 lease payable, due in monthly installments of \$19,099 including interest, through February 28, 2017; interest at 1.61%. All funds used to purchased equipment.	251,050	48,459	299,509
\$832,120 lease payable, due in monthly installments of \$14,229.07 including interest, through December 31, 2017; interest at 1.01%. General and Golf Fund equipment purchased.	330,399	49,281	379,680
\$439,750 lease payable, due in monthly installments of \$12,377.91 including interest, through December 31, 2015; interest at .86%. Police equipment purchased.	37,081	-	37,081
\$2,097,840 lease payable, due in monthly installments of \$26,558 including interest, through January 2021; interest at 1.75%. General Fund and City Garage equipment purchased.	1,621,457	-	1,621,457
\$335,860 lease payable, due in monthly installments of \$5,789 including interest, through January 2019 at 1.33%. Police equipment purchased.	226,058	-	226,058
	<u>\$ 3,413,096</u>	<u>\$ 217,666</u>	<u>\$3,630,762</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations – (continued)

4. Notes Payable

Long-term notes payable outstanding at September 30, 2015 is comprised of the following:

Name	Payment Installments	Installments		Interest Rates		Payment Through	Current Balance
		Lowest	Highest	Lowest	Highest		
CDBG HUD Section 108	Annual	\$ 294,000	\$ 295,000	0.49%	1.73%	8/1/2031	\$ 4,718,000
Whitney Elementary Building	Semi-Annual	\$ 358,107	\$ 358,107	4.50%	4.50%	4/15/2020	375,746
						Subtotal-City of Pharr Governmental	\$ 5,093,746
Industrial Park	Annual	\$ 446,604	\$ 446,604	4.50%	4.50%	11/15/2019	\$ 2,634,988
						Subtotal-PEDC	\$ 2,634,988
PPFC # 1 Promissory Note	Annual	\$ 500,000	\$ 700,000	3.25%	3.25%	12/31/2016	\$ 10,429,881
						Subtotal-PPFC # 1	\$ 10,429,881
						Governmental Total	\$ 18,158,615

Debt service requirements of notes payable at September 30, 2015 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,044,909	\$ 716,852	\$ 1,761,761
2017	10,895,960	660,034	11,555,994
2018	1,101,972	203,911	1,305,883
2019	1,139,211	161,451	1,300,662
2020	731,563	112,834	844,397
2021-2015	1,475,000	415,891	1,890,891
2026-2030	1,475,000	194,877	1,669,877
2031-2035	295,000	10,207	305,207
	<u>\$ 18,158,615</u>	<u>\$ 2,476,057</u>	<u>\$ 20,634,672</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

G. Long-Term Obligations – (continued)

5. Debt Disclosure and Currently Defeased Debt

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Commission. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005, 2008 and 2011 the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2015, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	5.00% - 5.53%	
Series	2003	\$ 9,680,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.15% - 6.74%	
Series	1996 through 1998a	2,636,000
Bonds legally defeased		<u>\$ 12,316,000</u>

6. Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. As of September 30, 2015, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 4,918,813
PEDC 4B	79,281
Community Development	50,911
Garage	33,838
Utility	493,487
Bridge	184,311
Golf	76,505
	<u>\$ 5,837,146</u>

7. Arbitrage

The City has issued long-term debt for capital construction projects. These bonds are subject to the arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At September 30, 2015, there was no liability of arbitrage that would have been owed to the federal government.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

H. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2015, consisted of the following:

	TRANSFER FROM					
	Governmental Funds					
	General	Seized Assets	PEDC	Hotel/ Motel	Debt Service	Total Governmental
General	\$ -	\$ 49,720	\$ 2,942,954	\$ -	\$ -	\$ 2,992,674
Capital Projects	4,500,000	-	200,000	-	-	4,700,000
PFC #1	953,592	-	-	-	-	953,592
Debt Service	-	-	1,058,060	-	-	1,058,060
Community Development	86,596	-	-	-	-	86,596
TIRZ	90,640	-	-	-	-	90,640
Total governmental	5,630,828	49,720	4,201,014	-	-	9,881,562
Event Center	-	-	-	191,666	-	191,666
Bridge	-	-	-	-	189,140	189,140
Golf	586,700	-	-	-	-	586,700
Total enterprise	586,700	-	-	191,666	189,140	967,506
PAL	211,260	-	20,000	10,000	-	241,260
Total discrete component units	211,260	-	20,000	10,000	-	241,260
Total	\$ 6,428,788	\$ 49,720	\$ 4,221,014	\$ 201,666	\$ 189,140	\$ 11,090,328

The reasons for the transfers vary from operational, to reimbursements, to debt service payment supplements. The following details state the exact purpose of the transfers.

The transfers on this page are related to Governmental transactions.

- The Transfer from General Fund to Community Development, PAL and GOLF was to cover overall operations.
- The Transfer from General Capital Projects is the excess money transferred from Bridge to fund Street and other projects.
- The Transfer from General Fund to TIRZ was to pay the City's portion of the TIRZ contribution from property taxes
- The Transfer from General Fund to PFC # 1 was to pay for debt service associated with the Pharr Commercial Park Development
- The Transfer from Seized Assets to general Fund was to purchase Police Inventory Supplies
- The Transfer from Debt Service to bridge was to provide tax proceeds for the payment of general obligation debt accounted for in the bridge fund, this transfer will continue as long as excess related proceeds are collected.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS - (continued)

H. Interfund Transfers - (continued)

The following transfers are related to Enterprise Funds transactions

- The transfer from Utility to General are for reimbursements in the use of General assets and for payroll related charges, the reimbursement transfer is expected to continue in future years
- The transfer from Bridge to General are for operational transactions and are expected to continue in future years if the Bridge has excess funds, by ordinance, any excess Bridge funds belong to the General Fund

		TRANSFER FROM			
		Enterprise Funds			
		Utility	Bridge	Total Enterprise	Grand Total
TRANSFER TO	General	\$ 465,900	\$ 11,501,220	\$ 11,967,120	\$ 14,959,794
	Capital Projects	-	-	-	4,700,000
	PFC #1	-	-	-	953,592
	Debt Service	-	-	-	1,058,060
	Community Development	-	-	-	86,596
	TIRZ	-	-	-	90,640
	Total governmental	465,900	11,501,220	11,967,120	21,848,682
	Event Center	-	-	-	191,666
	Bridge	-	-	-	189,140
	Golf	-	-	-	586,700
Total enterprise	-	-	-	967,506	
PAL	-	20,000	20,000	261,260	
Total discrete component units	-	20,000	20,000	261,260	
Total	\$ 465,900	\$ 11,521,220	\$ 11,987,120	\$ 23,077,448	

I. Restricted Assets

The balances of restricted asset as of September 30, 2015 are as follows:

Governmental Funds

Capital project grant	\$ 81,186
Grant restrictions	938,295
Capital outlay reserves	319,683
Total restricted assets-governmental funds	1,339,164

Business-Type Funds

Capital financing-Utility	12,219,544
Customer deposits-Utility	2,229,421
Debt reserves-Utility	5,848,705
Debt reserves-Bridge	1,220,887
Total restricted assets-business-type funds	\$ 21,518,557

Total restricted assets **\$ 22,857,721**

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees (workman's compensation), and natural disasters. During the fiscal year, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. A copy of TML's Comprehensive Annual Report may be obtained by request at the following address:

Texas Municipal League
1821 Rutherford Lane, Suite 400
Austin, TX 78754-5128

1. Health Care Coverage

During the fiscal year, employees of the City were covered by a health insurance plan (the Plan) with Blue Cross Blue Shield of Texas (BCBST). BCBST is A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association. The City pays for 100% of the employees insurance cost and 50% of the employee's dependent's insurance cost. The City paid premiums of \$275 per month per employee and \$495 for employee with dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable July 1, and terms of the coverage and premium costs are included in the contractual provision. A copy of BCBST's Comprehensive Annual Report may be obtained by request at the following address:

Health Care Service Corporation
300 East Randolph Street
Chicago, Illinois 60601-5099

2. Post-Retirement Health Care Benefits

The City provides certain health care and life insurance benefits, under City ordinance, for:

- A. A retired person and their dependents covered under the City of Pharr's health insurance plan, prior to January 1, 2009, shall be entitled to continued coverage at the municipality's expense not to exceed \$275 per month for the retiree, and fifty percent of the cost of coverage for the dependent or \$225 whichever is less. When a retiree reaches the age of 65, the municipality will no longer pay for the retiree's and dependent's health insurance. The municipality will only pay for the cost of the retiree's Medicare Advantage Plan coverage.
- B. Any person employed with the City of Pharr, prior to January 1, 2009, that has been employed for not less than twenty (20) years with any municipality in the State of Texas that participates in the Texas Municipal Retirement System, that was employed with the City of Pharr for not less than ten (10) years, and reaches the age of fifty (50), shall be eligible upon retirement to receive continued health coverage at the expense of the municipality not to exceed \$275 per month. A dependent of an eligible retired person under the subsection shall not receive continued coverage at the expense of the municipality. When a retiree reaches the age of 65, the municipality will no longer pay for the retiree's health coverage.
- C. A person that becomes employed with the City of Pharr, after January 1, 2009, shall not be eligible for any health insurance coverage at the expense of the municipality upon retirement. A dependent of an employee under this subsection shall not receive health insurance coverage at the expense of the municipality upon retirement.

Currently, approximately 46 retirees meet these eligibility requirements. The City pays 80% of the amount of validated claims for qualified medical and hospitalization costs incurred, after the retiree meets a deductible ranging from \$1,000 per individual to \$2,000 per family for In-Network coverage. The maximum out-of-pocket costs that can be incurred by a retiree in one year ranges from, \$1,500 per individual to \$3,000 per family.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. 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 the property of the beneficiary.

C. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS's website at www.TMRS.com.

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

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7.1%	6.9%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (express as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actually determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	2014	2013	2012
Annual Pension Cost:			
Annual Required Contribution	\$ 3,390,208	\$ 3,107,500	\$ 2,985,232
Contributions Made	3,390,208	3,107,500	2,985,232
Net Pension Obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

C. Pension Plan-(continued)

2. Contributions-(continued)

The required contribution rates for this fiscal year 2015 were determined as part of the December 31, 2014 and 2013 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2014, also follows:

General System-wide Actuarial Assumptions

Valuation Date	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
	Level Percent of Payroll			
Amortization Method				
GASB 25 Equivalent Single Gain/Losses	26.1 Years	24.9 Years	20.0 Years	19.0 Years
Amortization Period for new Gain/Losses	26.1 Years	24.9 years	25 years	25 years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:				
Investment rate of return*	6.8%	7.1%	7.1%	7.0%
Projected Salary Increases*	Varies by age and service			
*Includes Inflation At	3.0%	3.0%	3.0%	3.0%
Cost-of-living Adjustments	0.0%	0.0%	0.0%	0.0%

The funded status as of December 31, 2014, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$ 28,465,143	\$ 37,276,917	76.4%	\$ 8,811,774	\$ 17,729,336	49.70%
12/31/2010 ⁽¹⁾	\$ 31,719,659	\$ 40,488,486	78.3%	\$ 8,768,827	\$ 17,770,636	49.30%
12/31/2010 ⁽²⁾	\$ 41,686,353	\$ 46,768,782	89.1%	\$ 5,082,429	\$ 17,770,636	28.6%
12/31/2011	\$ 45,864,221	\$ 49,965,141	91.8%	\$ 4,100,920	\$ 19,519,197	21.0%
12/31/2012	\$ 49,962,459	\$ 53,717,387	93.0%	\$ 3,754,928	\$ 20,588,476	18.2%
12/31/2013	\$ 54,346,139	\$ 61,820,357	87.9%	\$ 7,474,218	\$ 21,980,889	34.00%
12/31/2014	\$ 58,982,997	\$ 65,909,395	89.5%	\$ 6,926,398	\$ 23,264,509	29.77%

1 Actuarial valuation performed under the original fund structure.

2 Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

C. Pension Plan-(continued)

2. Contributions-(continued)

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

3. Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$4,419,442.

The Net Pension Liability is based on an actuarial valuation performed as of December 31, 2014 and a measurement date of December 31, 2014; as such no roll-forward was required.

For the purpose of this valuation, a single discount rate of 7.00% was used to measure the total pension liability as of December 31, 2014. This single discount rate was based on the expected rate of return on pension plan investment of 7.00%. Based on the stated assumptions and the projection of cash flow, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals.

For the year ended September 30, 2015, the City recognized a pension expense of \$1,261,933.

Schedule of Pension Expense

1 Total Service Cost	\$ 2,377,944
2 Interest on the Total Pension Liability	4,321,502
3 Current Period Benefit Changes	-
4 Employee Contributions (reduction of Expenses)	(1,578,431)
5 Projected Earnings on Plan Investments (Reduction of Expense)	(4,033,983)
6 Administrative Expense	34,419
7 Other Changes in Fiduciary Net Position	2,830
8 Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(9,772)
9 Recognition of Current Year Outflow (Inflow) of Resources-Assets	147,424
10 Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	-
11 Amortization of Prior Year Outflows (Inflows) of Resources-Assets	-
12 Total Pension Expense	<u>\$ 1,261,933</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

3. Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions-(continued)

At September 30, 2015, the City reported its deferred outflows and inflows of resources related to pensions from the following sources:

<u>Due to Liabilities:</u>	<u>Recognition Period (or amortization yrs.)</u>	<u>Total (Inflow) or Outflow or Resources</u>	<u>2014 Recognized in current pension expense</u>	<u>Deferred (Inflow)/Outflow in future expense</u>
Difference in expected and actual experience actuarial (gains) or losses	6.4723	\$ (63,247)	\$ (9,772)	\$ (53,475)
Difference in assumption changes actuarial (gains) or losses	6.4723	\$ -	\$ -	\$ -
			<u>\$ (9,772)</u>	\$ (53,475)
 <u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	5.0000	\$ 737,122	\$ 147,424	\$ 589,698
			<u>\$ 147,424</u>	\$ 589,698
				<u>\$ 536,223</u>

The net amounts of the City's balances of deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (Inflows) of resources
2015	\$ 137,652
2016	137,652
2017	137,652
2018	137,654
2019	(9,772)
Thereafter	(4,615)
Total	<u>\$ 536,223</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

D. Other Post Employment Benefit (OPEB) Programs

1. Supplemental Death Benefits Plan Description

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 both current and retired 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.

The death benefits for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post-employment benefit,” or OPEB.

2. Supplemental Death Benefits (SDBF) Plan Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$2,204, \$2,601, and \$1,903 respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual required Contribution (ARC) (Rate)	Supplemental Death Benefit (Rate)	Actual Contribution Made (Rate)	Percentage of ARC
2011	10.14%	0.16%	10.14%	100%
2012	7.16%	0.16%	7.16%	100%
2013	6.92%	0.13%	6.92%	100%
2014	7.10%	0.13%	7.10%	100%
2015	6.91%	0.13%	6.91%	100%

3. Retiree Health Insurance Benefit Plan Description

The City sponsors a post-retirement plan which covers health insurance benefits. Eligible City retirees and their dependents may continue health care coverage through the City’s plan.

Retirement eligibility depends on when an employee was hired, their age, and their length of service with the City. Employees must be at least 50 years old and 10 years of service with the City. Employees hired on or after January 1, 2009 will not be eligible for retiree health benefits. Employees hired prior to January 1, 2009 will be eligible for the following City subsidy:

Current Pre-65 Retirees

City will pay 100% of single coverage rate not to exceed \$275 per month, and City will pay 50% of dependent coverage not to exceed \$225 per month. As actual premium costs increase in future years, retirees will pay the full difference between the above fixed subsidy amounts and the blended (pooled active and retiree) premium rate.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

D. Other Post Employment Benefit (OPEB) Programs-(continued)

3. Retiree Health Insurance Benefit Plan Description-(continued)

Current Post-65 Retirees

City will reimburse Medicare Advantage premium for self-coverage only. As premiums cost increase in the future, the City intends to reimburse the increased premium rate.

Current Employees Who Retire In The Future

Same as above, except no reimbursement for post-65 coverage, and no reimbursement for dependent coverage, for either pre-65 or post-65.

4. Retiree Health Insurance Benefit Plan Funding Policy

An irrevocable trust to fully fund this benefit plan has been created and is reflected in the Schedule of Funding Progress in the Required Supplementary Information Section as Value of Plan Assets that reduces the Actuarial Accrued Liability.

5. Retiree Health Insurance Benefit Plan Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuations were made as of January 1, 2014.

The following tables shows the valuation results and the derivation of the Annual OPEB Cost for the fiscal year, it also contains the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

		<u>As of January 1, 2014</u>	
Valuation Results			Total Benefits
1 Present Value of Future Benefits	\$	6,550,034	
2 Actuarial Accrued Liability		4,420,837	
3 Unfunded Actuarial Liability		3,641,915	
4 Normal Cost Beginning of Year		143,831	
5 Net OPEB Obligation (NOO)	\$	640,430	
 Amortization Cost			
6 Actuarial Accrued Liability		3,641,915	
7 Amortization Factor (30 years)		16.29	
8 Amortization cost (5/6)		223,568	
 Annual Required Contribution			
Using 30-Year Amortization			
9 Normal cost with 4.5% Inventory to EOY		150,303	
10 Amortization Cost at end of year		223,568	
11 Total	\$	373,871	
 Assumptions			
Discount Rate		4.50%	
Healthcare cost trend rate			
*2014-2015		5.20%	
*Ultimate (2085)		4.20%	
Future participation rate		100.00%	
Future retirees covering an spouse		0.00%	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

D. Other Post Employment Benefit (OPEB) Programs – (continued)

5. Retiree Health Insurance Benefit Plan Annual OPEB Cost and Net OPEB Obligation– (continued)

Annual OPEB Cost, Contribution, and Change in OPEB-FYE 09/30/15

Annual required contribution prior to adjustments	\$	373,871
Interest on net OPEB obligation at 4.5%		28,819
Adjustment to annual required contribution		(39,314)
Annual OPEB cost		363,376
Contributions made		(348,808)
Increase in net OPEB obligation		14,568
Net OPEB obligation beginning of year		640,430
Net OPEB obligation end of year	\$	654,998

The City’s annual OPEB cost and the percentage cost contributed to the plan for the year is as follows:

Year Ended September 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contribution
2012	\$ 409,961	\$ 641,700	156.5%
2013	\$ 391,757	\$ 370,000	94.4%
2014	\$ 391,402	\$ 351,800	89.9%
2015	\$ 363,376	\$ 348,808	96.0%

The accounting standards requires employers to anticipate future health care costs by adjusting today’s premiums with projected health trend rates. Health care costs have outpaced general inflation and the annual rate of change has fluctuated significantly over time. It is difficult to accurately predict health care costs increased even one or two years into the future, so to provide the City with an indication of the likely cost we have determined the liability using a best estimate set of health care trend rates. These rates anticipate an 8% increase in the near future, declining over time to an ultimate (long-term) rate of 4.5% per year.

Actuarial valuation Date	1/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Period	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	N/A
Healthcare Inflation Rate	5.23% initial. 4.24% ultimate

6. OPEB Irrevocable Trust Fund

In Fiscal year 2011-2012, the City entered into a contractual agreement with First Southwest Advisory Services, Inc. (FSWA). for the administration and maintenance of cash and other assets from the City’s contributions for Other Post-Employment Benefits in the form of an irrevocable trust to fund for its long-term obligation to its participants and to comply with GASB Statement No. 45.

FSWA is registered as an investment advisor with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940 and acknowledges that it is a fiduciary with respect to the Trust. FSWA will notify Employer if at any time during the term of this Agreement if it is not registered or if its registration is suspended or restricted.

The balance of the trust at September 30, 2015 was \$1,183,338.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

E. Commitments

1. Grant Programs

The City participates in several federal and state assisted grant programs. Under the terms of these grants, the City is subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would be made to the grantor agencies. The amounts of expenditures which might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

2. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2015.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2015, they are as follows:

	<u>Project Amount</u>	<u>Expensed To Date</u>	<u>Remaining Cost</u>
Sam Houston St.	\$ 560,000	\$ 551,682	\$ 8,318
Northside Park	750,000	715,336	34,664
Owassa Road	1,057,089	827,083	230,006
Bike Path Stripping	200,000	53,572	146,428
Transmaritime Subdivision	405,414	186,781	218,633
Dora Park	200,000	177,754	22,246
Fire Station Shelter	1,800,000	68,500	1,731,500
Jones Box Shelter	1,800,000	97,670	1,702,330
Traffic Signal Sioux	150,000	101,952	48,048
Traffic Signal Eldora	150,000	3,326	146,674
Capote/Las Milpas	1,690,000	1,458,155	231,845
Recreational Center	4,000,000	21,060	3,978,940
Downtown Lighting	300,000	183,000	117,000
Navarro St. Improvements	820,000	51,800	768,200
Hi-Line St. Improvements	2,000,000	29,100	1,970,900
Other	50,000	46,185	3,815
Total Governmental	<u>\$ 15,932,503</u>	<u>\$ 4,572,956</u>	<u>\$ 11,359,547</u>
Water Transmission	11,685,590	733,905	10,951,685
Waste Water Treatment Clarifier	350,000	43,700	306,300
LifStation No. 25	2,000,000	116,331	1,883,669
Port of entry modernization	1,465,144	336,209	1,128,935
Northbound Lane Improvements	670,000	47,225	622,775
Bridge Lane Improvements	2,381,723	116,332	2,265,391
Total Business-Type	<u>\$ 18,552,457</u>	<u>\$ 1,393,702</u>	<u>\$ 17,158,755</u>
Total	<u>\$ 34,484,960</u>	<u>\$ 5,966,658</u>	<u>\$ 28,518,302</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

E. Commitments-(continued)

4. Economic Development Commitments

The PEDC, TIRZ, and the City have the following outstanding commitments as of September 30, 2015:

<u>Program Commitment To</u>	<u>Amount Pending</u>	<u>Obligator</u>	<u>Purpose</u>	<u>Length of Time</u>
Universal Metal Products	\$ 15,726	PEDC	Training	Unlimited
City of Pharr	varies	TIRZ	Infrastructure development	20 Years
BEBO Distributing Comp., Inc.*	362,565	TIRZ	Infrastructure development	20 Years
UTRGV	4,500,000	City of Pharr	Creating UTRGV Medical School	10 Years
Pappadeuax Seafood Kitchen	varies**	City of Pharr	Commercial development	6-10 Years
HEB Grocery Comp., LP	varies***	City of Pharr	Commercial development	5 Years
Pharr Town Center	varies****	City of Pharr	Commercial development	10 Years
Total	\$ 4,878,291			

*Related party transaction, see Note IV, G for more information

**City will reimburse 25% of sales tax received for 6 years plus 100% of property taxes for 10 years

***City will reimburse the difference between the previous HEB store's sales taxes and property taxes compared to their new store

****City will reimburse 25% of sales tax received for 10 years

F. Land available for sale

During FY 2011-2012, the City and PEDC entered into an agreement to buy land for economic development purposes. As of September 30, 2015, the City has a market value of \$11,643,500 in land including demolitions and infrastructure. On February 2012, the City Commission approved to contribute all land that has been purchased to the PEDC, the transfer of all land titles were completed as of September 30, 2013. Per GASB standards, land available for sale should be recorded at the lower of cost or net realizable value (NRV). The City obtained appraisals for the land on November 2015 which indicated that the land was worth \$6,485,424 less than the previous recorded value, a loss of this amount was reported on the financial statements as a special item. The balance of land available for development is recorded as Land Available for Sale in the PEDC fund. Appraisal of land will be done every two years, which began in the September 30, 2013 fiscal year.

The summary land transactions are stated on the following table:

	<u>NRV Recorded 9.30.2014</u>	<u>Added/ Removed</u>	<u>Remaining Balance</u>	<u>Appraised Value</u>	<u>Gain/(Loss) in Value</u>	<u>NRV Recorded 9.30.2015</u>
Jackson Development Project	\$ 12,796,294	\$ (3,813,178)	\$ 8,983,116	\$ 5,165,000	\$ (3,818,116)	\$ 5,165,000
Produce Park	10,289,020	(1,143,224)	9,145,796	6,478,500	(2,667,296)	6,478,500
	<u>\$ 23,085,314</u>	<u>\$ (4,956,402)</u>	<u>\$ 18,128,912</u>	<u>\$ 11,643,500</u>	<u>\$ (6,485,412)</u>	<u>\$ 11,643,500</u>

G. Related Party

In March 2012, a company owned by a commissioner's family member entered into a 380 agreement with the City. Under the agreement, the company will petition annexation of 154.88 acres of land it owns into the City. The company will donate 8.8 acres of land to the City for development and will reimburse the City \$362,565 for development costs incurred by the City. The company will be eligible for reimbursement of these costs through TIRZ # 1. Once the land is developed and the City has been reimbursed, it will transfer the two developed lots to the company for its own use.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

H. New Accounting Principles

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67-Financial Reporting for Pension Plans-an amendment of Statement, No. 25
 - Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of Statement No. 27
 - Statement No. 69 Government Combinations and Disposals of Government Operations
 - Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees
 - Statement No. 71- Pension Transition for Contributions Made subsequent to the Measurement Date-an amendment to Statement No. 68
- a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:
1. Contributions from employers and nonemployer contributing entities to the pensions plan and earnings on those contributions are irrevocable.
 2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
 3. Pension plan assets are legally protected from the creditors of employers, nonemployers contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan asserts also are legally protected from creditors of the plan members.

For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trusts funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular plans, the statement provides specific note disclosures requirements. The adoption of GASB No. 67 has no impact on the City's financial statements.

- b. Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27". This Statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements.

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

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TMRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows and outflow of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement,. Net Position as of October 1, 2015 was decreased by \$2,858,405 to reflect the cumulative effect of adoption. Refer to Note C for more information regarding the City's Pensions.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

H. New Accounting Principles-(continued)

- c. Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. There was no impact on the City's financial statements as a result of the implementation.
- d. Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. There was no impact on the City's financial statements as a result of the implementation.
- e. Statement No. 71-"Pension Transition for Contributions Made subsequent to the Measurement Date". This statement requires that a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's final year-end, the effects from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position as follows:

TMRS-The beginning Deferred outflow includes contributions from January 1, 2014 through September 30, 2014 totaling \$1,139,488.

I. Subsequent Events

For the purpose of reporting subsequent events, management has considered events occurring through February 3, 2016, the date the report was available to be issued, and the following are to be disclosed:

1. On November 2nd, 2015 a resolution was passed by the City of Pharr to create the Pharr Housing Finance Corporation ("PHFC") in accordance with Chapter 394, Local Government Code for the public purpose and function, among other, of providing means to finance the cost of residential developments that will provide decent, safe, and sanitary housing at affordable prices for residents of the City of Pharr .This resolution addresses then creation of a related, affiliate, non-profit corporation named PHFC Jackson Place Apartments ("Related Corporation") to create a moderate income rental housing apartment complex on approximately 14 acres in the City of Pharr, that will be initially known as Jackson Place Apartments. Of the total 288 units, 90% of the units will be reserved for families with yearly household incomes not to exceed 160% of Pharr's median family income.
2. On November 17th, 2015th a resolution was passed by the City of Pharr to set aside 50% of its Utility Fund excess cash to provide relief to its utility customers with the legitimate government purpose of supporting its citizens and encouraging continued water service and home ownership. The amount set aside was a total of \$3,500,000 and was disbursed in the form of checks or credit to each account holder.
3. On November 17th a resolution was passed by the City of Pharr to assist its residents who have an active water account, who are in a hardship situation, and are in need of financial assistance to ensure they have active water account to maintain a safe and healthy living environment. Assistance will be limited to up to (2) calendar years for the duration of the program; and shall be limited to (3) grants per calendar year with a maximum of \$120.00 per grant; per family.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

IV. OTHER INFORMATION - (continued)

I. Subsequent Events-(continued)

4. On November 23rd, 2015, the City of Pharr entered into a contract with USA Promlite Technology, Inc. and Enviro-Lite Solutions, LLC to provide Energy savings lighting products and energy savings assessment that guarantees energy savings of 5 years. The total contract cost totaled \$2,685,000 and was financed by First Security, Inc.
5. On January 6th, 2016, the City of Pharr approved Support agreement for the Financing of the PHFC Jackson Apartment Place project for no more than \$35,000,000. This agreement stipulates City requirements to ensure best financing and establishes that City of Pharr reserves and commits to loan lawfully available funds including any City existing reserves or revenues, but no to include a pledge of ad valorem tax revenues or monies from the City's General Fund, the amount of \$2,300,000 as a Shortfall Reserve Account as of the beginning of each fiscal year. Termination of this commitment will be: the earlier of (a) the date the loan is no longer outstanding of (b) subject to Senior Lender's sole consent; the date is given an investment grade rating by a national recognized statistical rating organization.
6. On January 11, 2016, the City of Pharr took action of authorizing staff to submit a Loan application of no more than \$35,000,000 to CTL, Capital, LLC for financing needed to fund the construction of the PHFC Jackson Place Apartment Project.
7. On January 15, 2016, PHFC Jackson Place Apartments (owned by the Pharr Housing Finance Corporation owned by the City of Pharr) executed a loan application of \$34,000,000 for 30 years to pay for construction of Jackson Apartment project, pay for Loan issuance costs, interest and required debt service required.
8. On January 18th, 2016, City of Pharr approved resolution R-2016-5 authorizing publication of notice of intention to issue certificates of obligation, in an aggregate principal amount not to exceed \$15,240,000 for the acquisition, construction and improvement of certain public works and authorizing certain other matter relating thereto.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PHARR, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
POST EMPLOYMENT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS (unaudited)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Excess of Assets Over/ (Unfunded) AAL (a-b)	Covered Payroll (c)	Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$ 28,465,143	\$ 37,276,917	76.4%	\$ (8,811,774)	\$ 17,729,336	49.7%
12/31/10 ⁽¹⁾	31,719,659	40,488,486	78.3%	(8,768,827)	17,770,636	49.3%
12/31/10 ⁽²⁾	41,686,353	46,768,782	89.1%	(5,082,429)	17,770,636	28.6%
12/31/11 ⁽²⁾	45,864,221	49,965,141	91.8%	(4,100,920)	19,519,197	21.0%
12/31/12 ⁽²⁾	49,962,459	53,717,387	93.0%	(3,754,928)	20,362,119	18.4%
12/31/13 ⁽²⁾	54,346,139	61,820,357	87.9%	(7,474,218)	21,980,889	34.0%
12/31/14 ⁽²⁾	58,982,997	65,909,395	89.49%	(6,926,398)	23,264,509	29.77%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

**CITY OF PHARR, TEXAS
POST EMPLOYMENT BENEFIT PLAN
RETIREE HEALTH INSURANCE BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS (unaudited)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Excess of Assets Over/ (Unfunded) AAL (a-b)	Covered Payroll (c)	Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
1/1/09	\$ -	\$ 6,701,179	0.0%	\$ (6,701,179)	\$ 17,729,336	37.8%
1/1/10	-	4,698,844	0.0%	(4,698,844)	17,770,636	26.4%
1/1/11	-	4,698,844	0.0%	(4,698,844)	19,519,197	24.1%
1/1/12	479,706	4,624,841	10.4%	(4,145,135)	20,362,119	20.4%
1/1/13	515,183	4,624,841	11.1%	(4,109,658)	21,980,889	18.7%
1/1/14	778,922	4,420,837	17.62%	(3,641,915)	22,531,464	16.16%

CITY OF PHARR, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS

A Total Pension Liability	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Total Service Cost	\$ 2,377,944	\$XXX								
2 Interest on the Total Pension Liability	4,321,502	XXX								
3 Current Period Benefit Changes	-	XXX								
4 Difference between expected and actual experience	(63,247)	XXX								
5 Changes of Assumptions	-	XXX								
6 Benefit Payments, including refunds of employee contributions	(2,547,161)	XXX								
7 Net change in total pension liability	\$ 4,089,038	\$XXX								
8 Total pension liability-beginning	61,820,357	XXX								
9 Total pension liability-ending	<u>\$ 65,909,395</u>	<u>\$XXX</u>								
B Plan fiduciary net position										
1 Contributions-employer	\$ 1,570,743	\$XXX								
2 Contributions-employee	1,578,431	XXX								
3 Net Investment income	3,296,861	XXX								
4 Benefit payments, including refunds of employee contributions	(2,547,161)	XXX								
5 Administrative Expense	(34,419)	XXX								
6 Other	(2,830)	XXX								
7 Net change in plan fiduciary net position	\$ 3,861,625	XXX								
8 Plan fiduciary net position-beginning	57,628,328	XXX								
9 Plan fiduciary net position-ending	<u>\$ 61,489,953</u>	<u>\$XXX</u>								
C Net Pension Liability (A9-B9)	<u>\$ 4,419,442</u>	<u>\$XXX</u>								
D Plan fiduciary net position as a percentage of the total pension liability (B9/A9)										
	93.29%	XXX%								
E Covered-employee Payroll	\$ 22,531,464	\$XXX								
F Net Pension liability as a percentage of covered employee payroll (C/E)	19.61%	XXX%								

Note to City: GASB 68 requires 10 fiscal years of data to be provided in this schedule. City will be required to build this schedule over the next 10-year period.

**CITY OF PHARR, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially Determined Contribution	\$XXX									
Contributions in relation to the actuarially determined contribution	<u>XXX</u>									
Contribution deficiency (excess)	XXX									
Covered employee payroll	XXX									
Contributions as a percentage of covered employee payroll	XXX%									

Note to City: GASB 68 requires 10 fiscal years of data to be provided in this schedule. City will be required to build this schedule over the next 10-year period.

**CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 14,962,900	\$ 14,962,900	\$ 14,738,507	\$ (224,393)
Sales	11,235,000	11,235,000	12,233,004	998,004
Franchise	2,227,890	2,227,890	2,387,854	159,964
Other	167,700	167,700	206,178	38,478
Licenses and permits	738,000	738,000	681,144	(56,856)
Intergovernmental	523,930	523,930	422,852	(101,078)
Fees and charges:				
Sanitation	2,649,600	2,626,600	2,726,311	99,711
Brush	1,100,000	1,086,500	1,133,374	46,874
Other	1,444,220	910,220	1,032,365	122,145
Fines	1,194,000	1,194,000	1,177,848	(16,152)
Interest income	300,000	300,000	234,123	(65,877)
Other	205,531	205,531	218,180	12,649
Total revenues	<u>36,748,771</u>	<u>36,178,271</u>	<u>37,191,740</u>	<u>1,013,469</u>
EXPENDITURES				
Current:				
General government	9,460,171	10,343,187	10,240,909	102,278
Public safety	18,306,310	19,491,810	18,336,624	1,155,186
Highways and streets	4,317,790	5,226,790	4,856,071	370,719
Health and welfare	2,751,000	2,806,000	2,808,354	(2,354)
Culture and recreation	3,718,510	4,365,794	4,576,540	(210,746)
Debt service:				
Principal	1,388,300	4,559,434	4,505,991	53,443
Interest	629,520	240,440	214,350	26,090
Total expenditures	<u>40,571,601</u>	<u>47,033,455</u>	<u>45,538,839</u>	<u>1,494,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,822,830)</u>	<u>(10,855,184)</u>	<u>(8,347,099)</u>	<u>2,508,085</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,328,020	13,810,074	14,959,795	1,149,721
Transfers (out)	(2,010,190)	(6,407,190)	(6,428,788)	(21,598)
Issuance of debt	505,000	480,000	480,000	-
Total other financing sources and uses	<u>3,822,830</u>	<u>7,882,884</u>	<u>9,011,007</u>	<u>1,128,123</u>
Net change in fund balance	-	(2,972,300)	663,908	3,636,208
Fund balance - beginning	13,097,982	13,097,982	13,097,982	-
Prior period adjustment	-	-	(126,153)	(126,153)
Fund balance - ending	<u>\$ 13,097,982</u>	<u>\$ 10,125,682</u>	<u>\$ 13,635,737</u>	<u>\$ 3,510,055</u>

CITY OF PHARR, TEXAS
PHARR ECONOMIC DEVELOPMENT CORPORATION, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 3,745,000	\$ 3,745,000	\$ 4,077,668	\$ 332,668
Interest income	13,610	13,610	13,360	(250)
Other	30,000	30,000	148,139	118,139
Total revenues	3,788,610	3,788,610	4,239,167	450,557
EXPENDITURES				
Current:				
Economic development	1,676,400	1,600,170	1,468,950	131,220
Debt service:				
Principal	704,850	704,850	1,666,286	(961,436)
Interest	188,400	188,400	189,066	(666)
Total expenditures	2,569,650	2,493,420	3,324,302	(830,882)
Excess (deficiency) of revenues over (under) expenditures	1,218,960	1,295,190	914,865	(380,325)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(1,218,960)	(4,221,014)	(4,221,014)	-
Proceeds from sale of assets	-	(953,330)	(1,133,744)	(180,414)
Total other financing sources and uses	(1,218,960)	(5,174,344)	(5,354,758)	(180,414)
SPECIAL ITEMS				
Gain on land available for sale valuation	-	-	(6,485,411)	(6,485,411)
Total special items	-	-	(6,485,411)	(6,485,411)
Net change in fund balance	-	(3,879,154)	(10,925,304)	(7,046,150)
Fund balance - beginning	23,094,270	23,094,270	23,094,270	-
Fund balance - ending	\$ 23,094,270	\$ 19,215,116	\$ 12,168,966	\$ (7,046,150)

**COMBINING AND INDIVIDUAL FUND INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION**

Non-Major Governmental Funds Combining Financial Statements

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Asset Sharing – This fund accounts for forfeitures awarded to the City by the courts and drug enforcement expenditures.

Community Development – This fund accounts for revenue received from the Community Development Block Grant and the expenditures allowed by grant terms.

Hotel-Motel – This fund accounts for revenue from a seven percent tax levied upon the cost of City hotel and motel rooms with a daily rate over \$2. According to state civil statutes, this tax revenue can be used to promote tourism, maintain and repair convention facilities, promote the arts and humanities, or any other purpose directly related to these activities.

Parkland Dedication – This fund accounts for contributions developers are required to make when creating subdivisions for park improvements or development.

Paving & Drainage – This fund accounts for restricted funds that were billed and collected from every utility account to supplement the cost of street improvements.

Special Revenue – This fund accounts for miscellaneous revenues for various purposes that are restricted from general use. Seven departments use this fund: Police, Fire, Court, Streets, Library, Planning & Zoning, and Non-Departmental.

Grants – This fund accounts for general grant revenues awarded to the City. Three departments utilize this fund: Police, Fire, and Library.

Debt Service Funds are used to account for the accumulation of resources and payment of general long-term debt of the City.

Debt Service – This fund accounts for the accumulation of resources for and the payment of General and Certificates of Obligation.



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**CITY OF PHARR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	\$ 1,039,986	\$ 179,867	\$ 486,191	\$ 45,613
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	54,450	-	-
Accounts	-	-	-	-
Other	-	-	243,365	-
Due from other funds	-	40	-	-
Restricted assets:				
Intergovernmental receivable	-	1,520	-	-
Total assets	\$ 1,039,986	\$ 235,877	\$ 729,556	\$ 45,613
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 31,736	\$ 112,533	\$ 1,914	\$ -
Due to other funds	140,183	35,887	-	-
Unearned revenue	-	-	-	-
Total liabilities	171,919	148,420	1,914	-
Deferred Inflows of Resources:				
Deferred property tax	-	-	-	-
Deferred accounts	-	-	-	-
Deferred notes	-	54,450	-	-
Total deferred inflows	-	54,450	-	-
Fund balances:				
Restricted:				
General Government	-	-	-	-
Debt service	-	-	-	-
Street paving and drainage	-	-	-	-
Tourism	-	-	727,642	-
Public safety	868,067	-	-	-
Parkland	-	-	-	45,613
Community development	-	33,007	-	-
Economic development	-	-	-	-
Assigned:				
Capital outlay	-	-	-	-
Total fund balances	868,067	33,007	727,642	45,613
Total liabilities and fund balances	\$ 1,039,986	\$ 235,877	\$ 729,556	\$ 45,613

						Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Paving & Drainage</u>	<u>Grants</u>	<u>PFC # 1</u>	<u>TIRZ</u>	<u>Total</u>	<u>Capital Projects</u>	<u>Debt Service</u>		
\$ 388,189	\$ 18,841	\$ 49,957	\$ 292,457	\$ 2,501,101	\$ 10,486,743	\$ 317,486	\$	13,305,330
-	-	-	-	-	-	209,437		209,437
-	-	-	-	54,450	-	-		54,450
141,956	-	-	-	141,956	-	-		141,956
-	-	-	-	243,365	-	-		243,365
-	-	-	-	40	-	-		40
-	286,430	-	-	287,950	650,345	-		938,295
<u>\$ 530,145</u>	<u>\$ 305,271</u>	<u>\$ 49,957</u>	<u>\$ 292,457</u>	<u>\$ 3,228,862</u>	<u>\$ 11,137,088</u>	<u>\$ 526,923</u>		<u>\$ 14,892,873</u>
\$ -	\$ 18,841	\$ -	\$ -	\$ 165,024	\$ 678,390	\$ -	\$	843,414
-	286,430	-	-	462,500	-	-		462,500
-	-	-	-	-	-	-		-
<u>-</u>	<u>305,271</u>	<u>-</u>	<u>-</u>	<u>627,524</u>	<u>678,390</u>	<u>-</u>		<u>1,305,914</u>
-	-	-	-	-	-	209,437		209,437
141,956	-	-	-	141,956	-	-		141,956
-	-	-	-	54,450	-	-		54,450
<u>141,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,406</u>	<u>-</u>	<u>209,437</u>		<u>405,843</u>
-	-	49,957	292,457	342,414	-	-		342,414
-	-	-	-	-	-	317,486		317,486
388,189	-	-	-	388,189	-	-		388,189
-	-	-	-	727,642	-	-		727,642
-	-	-	-	868,067	-	-		868,067
-	-	-	-	45,613	-	-		45,613
-	-	-	-	33,007	-	-		33,007
-	-	-	-	-	-	-		-
-	-	-	-	-	10,458,698	-		10,458,698
<u>388,189</u>	<u>-</u>	<u>49,957</u>	<u>292,457</u>	<u>2,404,932</u>	<u>10,458,698</u>	<u>317,486</u>		<u>13,181,116</u>
<u>\$ 530,145</u>	<u>\$ 305,271</u>	<u>\$ 49,957</u>	<u>\$ 292,457</u>	<u>\$ 3,228,862</u>	<u>\$ 11,137,088</u>	<u>\$ 526,923</u>		<u>\$ 14,892,873</u>

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				
	<u>Asset Sharing</u>	<u>Community Development</u>	<u>Hotel/Motel</u>	<u>Parkland Dedication</u>	<u>Paving & Drainage</u>
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	1,011,390	-	-
Intergovernmental	622,241	1,004,011	-	-	-
Fees and charges:					
Other	-	-	4,604	32,492	1,003,768
Interest income	12,260	448	8	816	14,920
Other	-	1,296	-	-	-
Total revenues	<u>634,501</u>	<u>1,005,755</u>	<u>1,016,002</u>	<u>33,308</u>	<u>1,018,688</u>
EXPENDITURES					
Current:					
General government	-	485,443	1,300	-	-
Public safety	480,310	4,999	-	-	-
Highways and streets	-	104,276	-	-	1,003,690
Culture and recreation	-	74,000	85,394	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	294,000	-	-	-
Interest	-	128,524	-	-	-
Total expenditures	<u>480,310</u>	<u>1,091,242</u>	<u>86,694</u>	<u>-</u>	<u>1,003,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>154,191</u>	<u>(85,487)</u>	<u>929,308</u>	<u>33,308</u>	<u>14,998</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	86,596	-	-	-
Transfers (out)	<u>(49,720)</u>	<u>-</u>	<u>(201,666)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(49,720)</u>	<u>86,596</u>	<u>(201,666)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	104,471	1,109	727,642	33,308	14,998
Fund balance - beginning	763,596	31,898	326,330	12,305	373,191
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(326,330)</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 868,067</u>	<u>\$ 33,007</u>	<u>\$ 727,642</u>	<u>\$ 45,613</u>	<u>\$ 388,189</u>

<u>Grants</u>	<u>PFC # 1</u>	<u>TIRZ</u>	<u>Total</u>	<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,895,730	\$ 1,895,730
-	-	-	1,011,390	-	-	1,011,390
542,979	-	79,551	2,248,782	292,233	-	2,541,015
-	-	-	1,040,864	-	-	1,040,864
-	15	2,386	30,853	-	35,996	66,849
-	-	-	1,296	-	-	1,296
<u>542,979</u>	<u>15</u>	<u>81,937</u>	<u>4,333,185</u>	<u>292,233</u>	<u>1,931,726</u>	<u>6,557,144</u>
-	36	-	486,779	56,384	-	543,163
513,376	-	-	998,685	120,318	-	1,119,003
29,603	-	-	1,137,569	2,418,208	-	3,555,777
-	-	-	159,394	131,083	-	290,477
-	-	-	-	229,078	-	229,078
-	600,000	-	894,000	-	1,890,000	2,784,000
-	353,592	-	482,116	-	750,791	1,232,907
<u>542,979</u>	<u>953,628</u>	<u>-</u>	<u>4,158,543</u>	<u>2,955,071</u>	<u>2,640,791</u>	<u>9,754,405</u>
-	(953,613)	81,937	174,642	(2,662,838)	(709,065)	(3,197,261)
-	953,592	90,640	1,130,828	4,700,000	1,058,060	6,888,888
-	-	-	(251,386)	-	(189,140)	(440,526)
-	953,592	90,640	879,442	4,700,000	868,920	6,448,362
-	(21)	172,577	1,054,084	2,037,162	159,855	3,251,101
-	49,978	119,880	1,677,178	8,349,091	157,631	10,183,900
-	-	-	(326,330)	72,445	-	(253,885)
\$ -	\$ 49,957	\$ 292,457	\$ 2,404,932	\$ 10,458,698	\$ 317,486	\$ 13,181,116



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Governmental Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

General Fund (detailed): is used to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Asset Sharing – This fund accounts for forfeitures awarded to the City by the courts and drug enforcement expenditures.

Community Development – This fund accounts for revenue received from the Community Development Block Grant and the expenditures allowed by grant terms.

Hotel-Motel – This fund accounts for revenue from a seven percent tax levied upon the cost of City hotel and motel rooms with a daily rate over \$2. According to state civil statutes, this tax revenue can be used to promote tourism, maintain and repair convention facilities, promote the arts and humanities, or any other purpose directly related to these activities.

Parkland Dedication – This fund accounts for contributions developers are required to make when creating subdivisions for park improvements or development.

Paving & Drainage – This fund accounts for restricted funds that were billed and collected from every utility account to supplement the cost of street improvements.

Grants – This fund accounts for general grant revenues awarded to the City. Three departments utilize this fund: Police, Fire, and Library.

Debt Service Funds are used to account for the accumulation of resources and payment of general long-term debt of the City.

Debt Service – This fund accounts for the accumulation of resources for and the payment of General and Certificates of Obligation.

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Taxes:				
Property				
Current	\$ 13,812,900	\$ 13,812,900	\$ 13,689,253	\$ (123,647)
Delinquent	700,000	700,000	585,555	(114,445)
Penalty & interest	450,000	450,000	463,699	13,699
Total property taxes	14,962,900	14,962,900	14,738,507	(224,393)
Sales	11,235,000	11,235,000	12,233,004	998,004
Franchise				
Telephone	231,750	231,750	285,716	53,966
Electric	1,601,650	1,601,650	1,697,955	96,305
Cable	296,640	296,640	320,955	24,315
Gas	97,850	97,850	83,228	(14,622)
Total franchise taxes	2,227,890	2,227,890	2,387,854	159,964
Other	167,700	167,700	206,178	38,478
Total taxes	28,593,490	28,593,490	29,565,543	972,053
Licenses and permits				
Building	500,000	500,000	402,850	(97,150)
Vocational	170,000	170,000	206,438	36,438
Other	68,000	68,000	71,856	3,856
Total licenses & permits	738,000	738,000	681,144	(56,856)
Intergovernmental				
Local school districts	523,930	523,930	422,852	(101,078)
Total intergovernmental	523,930	523,930	422,852	(101,078)
Fees and charges:				
Sanitation	2,649,600	2,626,600	2,726,311	99,711
Brush	1,100,000	1,086,500	1,133,374	46,874
Other	1,444,220	910,220	1,032,364	122,144
Total fees & charges	5,193,820	4,623,320	4,892,049	268,729
Fines				
Court	1,175,000	1,175,000	1,157,913	(17,087)
Other	19,000	19,000	19,935	935
Total fines	1,194,000	1,194,000	1,177,848	(16,152)
Interest income	300,000	300,000	234,123	(65,877)
Other	205,531	205,531	218,180	12,649
Total revenues	\$ 36,748,771	\$ 36,178,271	\$ 37,191,739	\$ 1,013,468

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXPENDITURES

Current:

General government				
City manager	1,528,941	1,604,543	1,714,852	(110,309)
Finance	970,350	975,050	933,064	41,986
IT	1,215,940	1,433,654	1,311,997	121,657
Human Resources	-	-	3,190	
Planning	1,221,160	1,371,160	1,248,775	122,385
Engineering	376,510	376,510	339,903	36,607
Non-departmental	4,147,270	4,582,270	4,689,130	(106,860)
Total general government	<u>9,460,171</u>	<u>10,343,187</u>	<u>10,240,911</u>	<u>105,466</u>
Public safety				
Police	11,720,960	11,927,960	12,078,844	(150,884)
Court	378,790	379,290	387,137	(7,847)
Fire	6,206,560	7,184,560	5,870,642	1,313,918
Total public safety	<u>18,306,310</u>	<u>19,491,810</u>	<u>18,336,623</u>	<u>1,155,187</u>
Highways and streets	4,317,790	5,226,790	4,856,070	370,720
Health and welfare				
Sanitation	1,825,000	1,880,000	1,913,830	(33,830)
Brush	611,000	611,000	630,740	(19,740)
Animal control	315,000	315,000	263,784	51,216
Total health and welfare	<u>2,751,000</u>	<u>2,806,000</u>	<u>2,808,354</u>	<u>(2,354)</u>
Culture and recreation				
Library	1,051,640	1,136,640	1,111,394	25,246
PAL	456,010	586,810	580,327	6,483
Parks	2,210,860	2,642,344	2,884,819	(242,475)
Total culture and recreation	<u>3,718,510</u>	<u>4,365,794</u>	<u>4,576,540</u>	<u>(210,746)</u>
Debt service:				
Principal	1,388,300	4,559,434	4,505,991	53,443
Interest	629,520	240,440	214,350	26,090
	<u>2,017,820</u>	<u>4,799,874</u>	<u>4,720,341</u>	<u>79,533</u>
Total expenditures	<u>40,571,601</u>	<u>47,033,455</u>	<u>45,538,839</u>	<u>1,497,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,822,830)</u>	<u>(10,855,184)</u>	<u>(8,347,100)</u>	<u>(484,338)</u>

OTHER FINANCING SOURCES (USES)

Transfers in

Bridge	4,701,220	10,401,220	11,501,220	1,100,000
Utility	465,900	465,900	465,900	-
PEDC	160,900	2,942,954	2,942,954	-
Asset Sharing	-	-	49,720	49,720
PAL	-	-	-	-
Total transfers in	<u>5,328,020</u>	<u>13,810,074</u>	<u>14,959,794</u>	<u>1,149,720</u>

Transfers (out)

Golf	(689,700)	(586,700)	(586,700)	-
Capital Improvement Project	-	(4,500,000)	\$ (4,500,000)	-
Community Development	(46,130)	(46,130)	(86,596)	(40,466)
TIRZ	(78,100)	(78,100)	(90,640)	(12,540)
PAL	(211,260)	(211,260)	(211,260)	-
PFC #1	(985,000)	(985,000)	(953,591)	31,409
Total transfers (out)	<u>(2,010,190)</u>	<u>(6,407,190)</u>	<u>(6,428,787)</u>	<u>(21,597)</u>

Bond/loan proceeds	<u>505,000</u>	<u>480,000</u>	<u>480,000</u>	<u>-</u>
Total	<u>505,000</u>	<u>480,000</u>	<u>480,000</u>	<u>-</u>

Total other financing sources
and uses

<u>3,822,830</u>	<u>7,882,884</u>	<u>9,011,007</u>	<u>1,128,123</u>
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Net change in fund balance	-	(2,972,300)	663,907	643,785
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Fund balance - beginning	13,097,982	13,097,982	13,097,982	-
Prior period adjustment	-	-	(126,152)	(126,152)

Fund balance - ending	<u>\$ 13,097,982</u>	<u>\$ 10,125,682</u>	<u>\$ 13,635,737</u>	<u>\$ 517,633</u>
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CITY OF PHARR, TEXAS
ASSET SHARING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 622,241	\$ 472,241
Interest income	10,000	10,000	12,260	2,260
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>634,501</u>	<u>474,501</u>
EXPENDITURES				
Current:				
Public safety	790,000	790,000	480,310	309,690
Total expenditures	<u>790,000</u>	<u>790,000</u>	<u>480,310</u>	<u>309,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(630,000)</u>	<u>(630,000)</u>	<u>154,191</u>	<u>784,191</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(49,720)	(49,720)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(49,720)</u>	<u>(49,720)</u>
Net change in fund balance	(630,000)	(630,000)	104,471	734,471
Fund balance - beginning	<u>763,596</u>	<u>763,596</u>	<u>763,596</u>	<u>-</u>
Fund balance - ending	<u>\$ 133,596</u>	<u>\$ 133,596</u>	<u>\$ 868,067</u>	<u>\$ 734,471</u>

CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Intergovernmental	\$ 2,074,900	\$ 2,074,900	\$ 1,004,011	\$ (1,070,889)
Interest income	-	-	448	448
Other	-	-	1,296	1,296
Total revenues	<u>2,074,900</u>	<u>2,074,900</u>	<u>1,005,755</u>	<u>(1,069,145)</u>
EXPENDITURES				
Current:				
General government	728,980	728,980	485,443	243,537
Public Safety	6,600	6,600	4,999	1,601
Highways and streets	144,250	144,250	104,276	39,974
Culture and recreation	725,450	725,450	74,000	651,450
Debt service:				
Principal	384,750	384,750	294,000	90,750
Interest	131,000	131,000	128,524	2,476
Total expenditures	<u>2,121,030</u>	<u>2,121,030</u>	<u>1,091,242</u>	<u>1,029,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,130)</u>	<u>(46,130)</u>	<u>(85,487)</u>	<u>(39,357)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>46,130</u>	<u>46,130</u>	<u>86,596</u>	<u>(40,466)</u>
Total other financing sources and uses	<u>46,130</u>	<u>46,130</u>	<u>86,596</u>	<u>(40,466)</u>
Net change in fund balance	-	-	1,109	(79,823)
Fund balance - beginning	<u>31,898</u>	<u>31,898</u>	<u>31,898</u>	<u>-</u>
Fund balance - ending	<u>\$ 31,898</u>	<u>\$ 31,898</u>	<u>\$ 33,007</u>	<u>\$ (79,823)</u>

CITY OF PHARR, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Taxes:				
Other	\$ 850,000	\$ 850,000	\$ 1,011,390	\$ 161,390
Fees and charges:				
Other	-	-	4,604	4,604
Interest income	500	500	8	(492)
Total revenues	<u>850,500</u>	<u>850,500</u>	<u>1,016,002</u>	<u>165,502</u>
EXPENDITURES				
Current:				
General government	684,210	-	1,300	(1,300)
Culture and recreation	166,290	396,290	85,394	310,896
Total expenditures	<u>850,500</u>	<u>396,290</u>	<u>86,694</u>	<u>309,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>454,210</u>	<u>929,308</u>	<u>475,098</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	(230,000)	(201,666)	28,334
Total other financing sources and uses	<u>-</u>	<u>(230,000)</u>	<u>(201,666)</u>	<u>28,334</u>
Net change in fund balance	-	224,210	727,642	503,432
Fund balance - beginning	326,330	326,330	326,330	-
Prior period adjustment	-	-	(326,330)	326,330
Fund balance - ending	<u>\$ 326,330</u>	<u>\$ 550,540</u>	<u>\$ 727,642</u>	<u>\$ 829,762</u>

CITY OF PHARR, TEXAS
PARKLAND DEDICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Fees and charges:				
Other	\$ 5,000	\$ 5,000	\$ 32,492	\$ 27,492
Interest Income	200	200	816	616
Total revenues	<u>5,200</u>	<u>5,200</u>	<u>33,308</u>	<u>28,108</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,200</u>	<u>5,200</u>	<u>33,308</u>	<u>28,108</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(5,200)</u>	<u>(5,200)</u>	<u>-</u>	<u>5,200</u>
Total other financing sources and uses	<u>(5,200)</u>	<u>(5,200)</u>	<u>-</u>	<u>5,200</u>
Net change in fund balance	-	-	33,308	33,308
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>12,305</u>	<u>12,305</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,613</u>	<u>\$ 45,613</u>

CITY OF PHARR, TEXAS
PAVING & DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Fees and charges:				
Other	\$ 1,000,000	\$ 1,000,000	\$ 1,003,768	\$ 3,768
Interest income	8,000	8,000	14,920	6,920
Total revenues	<u>1,008,000</u>	<u>1,008,000</u>	<u>1,018,688</u>	<u>10,688</u>
EXPENDITURES				
Current:				
Highways and streets	<u>1,008,000</u>	<u>1,008,000</u>	<u>1,003,690</u>	<u>4,310</u>
Total expenditures	<u>1,008,000</u>	<u>1,008,000</u>	<u>1,003,690</u>	<u>4,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>14,998</u>	<u>14,998</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	14,998	14,998
Fund balance - beginning	<u>373,191</u>	<u>373,191</u>	<u>373,191</u>	<u>-</u>
Fund balance - ending	<u>\$ 373,191</u>	<u>\$ 373,191</u>	<u>\$ 388,189</u>	<u>\$ 14,998</u>

CITY OF PHARR, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Intergovernmental	\$ 1,631,550	\$ 1,631,550	\$ 542,979	(1,088,571)
Total revenues	<u>1,631,550</u>	<u>1,631,550</u>	<u>542,979</u>	<u>\$ (1,088,571)</u>
EXPENDITURES				
Current:				
Public safety	878,410	882,390	513,376	369,014
Highways and streets	80,000	80,000	29,603	50,397
Culture and recreation	673,140	669,160	-	669,160
Total expenditures	<u>1,631,550</u>	<u>1,631,550</u>	<u>542,979</u>	<u>1,088,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PHARR, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Intergovernmental	\$ 411,170	\$ 295,000	\$ 292,233	\$ (2,767)
Total revenues	<u>411,170</u>	<u>295,000</u>	<u>292,233</u>	<u>(2,767)</u>
EXPENDITURES				
Current:				
General government	273,930	2,078,000	56,384	2,021,616
Public safety	200,000	139,000	120,318	18,682
Highways and streets	3,023,980	5,717,500	2,418,208	3,299,292
Culture and recreation	668,000	4,512,270	131,083	4,381,187
Economic development	-	275,000	229,078	45,922
Total expenditures	<u>4,165,910</u>	<u>12,721,770</u>	<u>2,955,071</u>	<u>9,766,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,754,740)</u>	<u>(12,426,770)</u>	<u>(2,662,838)</u>	<u>9,763,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,700,000	4,700,000	-
Total other financing sources and uses	<u>-</u>	<u>4,700,000</u>	<u>4,700,000</u>	<u>-</u>
Net change in fund balance	(3,754,740)	(7,726,770)	2,037,162	9,763,932
Fund balance - beginning	8,349,091	8,349,091	8,349,091	-
Prior period adjustment	72,445	72,445	72,445	-
Fund balance - ending	<u>\$ 4,666,796</u>	<u>\$ 694,766</u>	<u>\$ 10,458,698</u>	<u>\$ 9,763,932</u>

CITY OF PHARR, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
REVENUES				
Taxes:				
Property	\$ 1,753,200	\$ 1,633,200	\$ 1,895,730	\$ 262,530
Interest income	20,000	20,000	35,996	15,996
Total revenues	<u>1,773,200</u>	<u>1,653,200</u>	<u>1,931,726</u>	<u>278,526</u>
EXPENDITURES				
Debt service:				
Principal	1,890,000	1,890,000	1,890,000	-
Interest	<u>752,120</u>	<u>752,120</u>	<u>750,791</u>	<u>1,329</u>
Total expenditures	<u>2,642,120</u>	<u>2,642,120</u>	<u>2,640,791</u>	<u>1,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(868,920)</u>	<u>(988,920)</u>	<u>(709,065)</u>	<u>279,855</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,058,060	1,058,060	1,058,060	-
Transfers (out)	<u>(189,140)</u>	<u>(189,140)</u>	<u>(189,140)</u>	<u>-</u>
Total other financing sources and uses	<u>868,920</u>	<u>868,920</u>	<u>868,920</u>	<u>-</u>
Net change in fund balance	-	(120,000)	159,855	279,855
Fund balance - beginning	<u>157,631</u>	<u>157,631</u>	<u>157,631</u>	<u>-</u>
Fund balance - ending	<u>\$ 157,631</u>	<u>\$ 37,631</u>	<u>\$ 317,486</u>	<u>\$ 279,855</u>



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Proprietary Funds

Schedule of Revenues, Expenses and Changes in Net Position– Budget and Actual

Utility Fund: is used to account for the City's water and sewer/wastewater system operations.

Event Center: is used to account for the City's event center. The Event Center serves as a promotional tourism attraction to the City.

Bridge Fund: is used to account for the City's international bridge operations. The bridge enables traffic to flow to and from Mexico.

Golf Course Fund: is to account for the City owned Tierra Del Sol Golf Course operations.

City Garage Fund – This fund is used to account for fleet maintenance and maintains an inventory of parts for the City-owned vehicles.

CITY OF PHARR, TEXAS
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
OPERATING REVENUES				
Charges for sales and services:				
Water sales	\$ 7,350,300	\$ 7,326,300	\$ 7,085,474	\$ (240,826)
Sewer service	5,590,000	5,569,000	5,424,820	(144,180)
Tap fees	320,000	320,000	337,400	17,400
Other	99,000	99,000	131,985	32,985
Total operating revenues	<u>13,359,300</u>	<u>13,314,300</u>	<u>12,979,679</u>	<u>(334,621)</u>
OPERATING EXPENSES				
Personnel services	3,219,740	3,339,530	3,544,146	(204,616)
Supplies and Materials	1,258,600	1,196,960	986,306	210,654
Contractual Services	24,432,620	24,373,970	3,435,453	20,938,517
Depreciation	-	-	4,460,003	(4,460,003)
Total operating expenses	<u>28,910,960</u>	<u>28,910,460</u>	<u>12,425,908</u>	<u>16,484,552</u>
Operating income (loss)	<u>(15,551,660)</u>	<u>(15,596,160)</u>	<u>553,771</u>	<u>16,149,931</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	453,560	453,560	301,104	(152,456)
Interest expense	(1,661,800)	(1,661,800)	(1,611,971)	49,829
Amortization expense	-	-	(30,978)	(30,978)
Intergovernmental	3,177,300	3,177,300	1,690,441	(1,486,859)
Other	2,398,500	2,398,500	38,557	(2,359,943)
Issuance cost	-	-	-	-
Total nonoperating revenues/ (expenses)	<u>4,367,560</u>	<u>4,367,560</u>	<u>387,154</u>	<u>(3,980,406)</u>
Income before contributions and transfers	<u>(11,184,100)</u>	<u>(11,228,600)</u>	<u>940,925</u>	<u>12,169,525</u>
Transfers in	-	-	-	-
Transfers (out)	(465,900)	(465,900)	(465,900)	-
Capital contributions	-	-	1,648,521	1,648,521
Changes in net position	<u>(11,650,000)</u>	<u>(11,694,500)</u>	<u>2,123,546</u>	<u>13,818,046</u>
Total net position - beginning	86,226,431	86,226,431	86,226,431	-
Prior period adjustment	-	-	-	-
Total net position - ending	<u>\$ 74,576,431</u>	<u>\$ 74,531,931</u>	<u>\$ 88,349,977</u>	<u>\$ 13,818,046</u>

CITY OF PHARR, TEXAS
BRIDGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
OPERATING REVENUES				
Charges for sales and services:				
Toll fees	\$ 8,786,820	\$ 13,486,820	\$ 12,550,556	\$ (936,264)
Other	225,000	225,000	230,523	5,523
Total operating revenues	<u>9,011,820</u>	<u>13,711,820</u>	<u>12,781,079</u>	<u>(930,741)</u>
OPERATING EXPENSES				
Personnel services	1,318,380	1,318,830	1,059,073	259,757
Supplies and Materials	179,550	184,550	119,401	65,149
Contractual Services	14,020,820	14,095,370	1,443,247	12,652,123
Depreciation	-	-	879,090	(879,090)
Total operating expenses	<u>15,518,750</u>	<u>15,598,750</u>	<u>3,500,811</u>	<u>12,097,939</u>
Operating income (loss)	<u>(6,506,930)</u>	<u>(1,886,930)</u>	<u>9,280,268</u>	<u>11,167,198</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	130,000	130,000	174,167	44,167
Interest expense	(212,000)	(212,000)	(207,816)	4,184
Amortization expense	-	-	(196,001)	(196,001)
Intergovernmental	6,366,689	6,366,689	-	-
Other	-	-	570	-
Total nonoperating revenues/ (expenses)	<u>6,284,689</u>	<u>6,284,689</u>	<u>(229,080)</u>	<u>(147,650)</u>
Income before contributions and transfers	<u>(222,241)</u>	<u>4,397,759</u>	<u>9,051,188</u>	<u>11,019,548</u>
Transfers in	189,140	189,140	189,140	-
Transfers (out)	<u>(4,701,220)</u>	<u>(10,421,220)</u>	<u>(11,521,220)</u>	<u>(1,100,000)</u>
Changes in net position	(4,734,321)	(5,834,321)	(2,280,892)	9,919,548
Total net position - beginning	24,165,567	24,165,567	24,165,567	-
Prior period adjustment	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Total net position - ending	<u>\$ 19,463,246</u>	<u>\$ 18,363,246</u>	<u>\$ 21,916,675</u>	<u>\$ 9,919,548</u>

CITY OF PHARR, TEXAS
GOLF FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
OPERATING REVENUES				
Charges for sales and services:				
Golf services	\$ 620,000	\$ 620,000	\$ 665,582	\$ 45,582
Other	118,000	118,000	115,001	(2,999)
Total operating revenues	<u>738,000</u>	<u>738,000</u>	<u>780,583</u>	<u>42,583</u>
OPERATING EXPENSES				
Personnel services	800,180	800,530	745,141	55,389
Supplies and Materials	185,100	219,100	198,193	20,907
Contractual Services	512,380	300,030	202,535	97,495
Depreciation	-	-	277,876	(277,876)
Total operating expenses	<u>1,497,660</u>	<u>1,319,660</u>	<u>1,423,745</u>	<u>(104,085)</u>
Operating income (loss)	<u>(759,660)</u>	<u>(581,660)</u>	<u>(643,162)</u>	<u>(61,502)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	600	600	10,230	9,630
Interest expense	(5,640)	(5,640)	(4,124)	1,516
Other	75,000	-	1,987	1,987
Total nonoperating revenues/ (expenses)	<u>69,960</u>	<u>(5,040)</u>	<u>8,093</u>	<u>13,133</u>
Income before contributions and transfers	<u>(689,700)</u>	<u>(586,700)</u>	<u>(635,069)</u>	<u>(48,369)</u>
Transfers in	<u>689,700</u>	<u>586,700</u>	<u>586,700</u>	<u>-</u>
Changes in net position	-	-	(48,369)	(48,369)
Total net position - beginning	4,184,013	4,184,013	4,184,013	-
Prior period adjustment	<u>(2,454)</u>	<u>(2,454)</u>	<u>(2,454)</u>	<u>-</u>
Total net position - ending	<u>\$ 4,181,559</u>	<u>\$ 4,181,559</u>	<u>\$ 4,133,190</u>	<u>\$ (48,369)</u>

**CITY OF PHARR, TEXAS
GARAGE FUND**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for sales and services:				
Other	\$ 718,290	\$ 718,290	\$ 581,457	\$ (136,833)
Total operating revenues	<u>718,290</u>	<u>718,290</u>	<u>581,457</u>	<u>(136,833)</u>
OPERATING EXPENSES				
Personnel services	204,960	205,060	222,787	(17,727)
Supplies and Materials	2,500	3,500	1,450	2,050
Contractual Services	502,780	501,680	397,017	104,663
Depreciation	<u>-</u>	<u>-</u>	<u>42,125</u>	<u>(42,125)</u>
Total operating expenses	<u>710,240</u>	<u>710,240</u>	<u>663,379</u>	<u>46,861</u>
Operating income (loss)	<u>8,050</u>	<u>8,050</u>	<u>(81,922)</u>	<u>(89,972)</u>
NON OPERATING REVENUES/(EXPENSES):				
Interest expense	<u>(790)</u>	<u>(790)</u>	<u>(788)</u>	<u>(2)</u>
Total nonoperating revenues/ (expenses)	<u>(790)</u>	<u>(790)</u>	<u>(788)</u>	<u>2</u>
Income before contributions and transfers	<u>7,260</u>	<u>7,260</u>	<u>(82,710)</u>	<u>(89,970)</u>
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	7,260	7,260	(82,710)	(89,970)
Total net position - beginning	604,497	604,497	604,497	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position - ending	<u>\$ 611,757</u>	<u>\$ 611,757</u>	<u>\$ 521,787</u>	<u>\$ (89,970)</u>

Combining Financial Statements

INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis.

City Garage Fund – This fund is used to account for fleet maintenance and maintains an inventory of parts for the City-owned vehicles.

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

			<u>City Garage</u>
<u>ASSETS</u>			
Current assets:			
Cash		\$	94,688
Inventories			31,333
Restricted assets:			
Cash with Fiscal Agent			1,866
Total current assets			<u>127,887</u>
Noncurrent assets:			
Capital assets (net of accumulated: depreciation):			
Buildings			408,417
Improvements other than buildings			34,413
Machinery and equipment			55,982
Total capital assets, net of accumulated depreciation			<u>498,812</u>
Total noncurrent assets			<u>498,812</u>
Total assets			<u>626,699</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable			19,260
Due to other funds			10,850
Total current liabilities			<u>30,110</u>
Current liabilities payable from restricted assets:			
Matured accrued compensation			8,459
Matured capital lease			7,392
Total current liabilities payable from restricted assets			<u>15,851</u>
Noncurrent liabilities:			
Accrued compensation			25,378
Capital lease payable			33,573
Total noncurrent liabilities			<u>58,951</u>
Total liabilities			<u>104,912</u>
<u>NET POSITION</u>			
Net assets:			
Invested in capital assets, net of related debt			457,848
Unrestricted			63,939
Total net position		\$	<u>521,787</u>

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		<u>City Garage</u>
Operating revenues:		
Charges for sales and services:		
Other	\$	<u>581,457</u>
Total operating revenues		<u>581,457</u>
 Operating expenses:		
Personnel services		222,787
Supplies and Materials		1,450
Contractual Services		397,017
Depreciation		<u>42,125</u>
Total operating expenses		<u>663,379</u>
Operating income (loss)		<u>(81,922)</u>
 Nonoperating revenues (expenses):		
Interest expense		<u>(788)</u>
Total nonoperating revenues (expenses)		<u>(788)</u>
Income before contributions and transfers		(82,710)
Transfers in		-
Transfers out		-
Changes in net position		<u>(82,710)</u>
 Total net position- beginning		604,497
Prior period adjustment		-
Total net position - ending	\$	<u><u>521,787</u></u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

		<u>City Garage</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	581,457
Payments to suppliers		(9,304)
Payments to employees		(203,280)
Payments for contractual services		(385,099)
Net cash flow provided by operating activities		<u>(16,226)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advance from other funds		<u>1,167</u>
Net cash provided (used) by noncapital and related financing activities		<u>1,167</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt		(7,263)
Interest paid on long-term debt		(788)
Net cash provided (used) by capital and related financing activities		<u>(8,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity (purchases) of investments		-
Net cash provided (used) by investing activities		<u>-</u>
Net increase/(decrease) in cash		(23,110)
Cash beginning of fiscal year		<u>119,664</u>
Cash end of fiscal year	\$	<u><u>96,554</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$	<u>(81,922)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		42,125
(Increase) in Inventories		(7,853)
Increase in Accounts Payable		11,917
(Decrease) in Accrued Compensation		19,507
Total adjustments		<u>65,696</u>
Net cash provided by operating activities	\$	<u><u>(16,226)</u></u>



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STATISTICAL SECTION

This part of the City of Pharr's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Pharr's overall financial health.

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. -99-

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. -104-

Debt Capacity

These schedules present information to help the reader assess the afford-ability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. -108-

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place -113-

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. -115-

City of Pharr, Texas
Net Position by Component
Last Ten Fiscal Years¹
(Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net Invested in capital assets	\$ 28,849	\$ 40,172	\$ 50,941	\$ 50,764	\$ 53,417	\$ 36,205	\$ 36,205	\$ 39,362	\$ 64,274	\$ 62,451
Restricted	6,763	14,781	8,115	7,904	5,234	7,159	23,652	35,796	15,012	18,454
Unrestricted	8,067	2,620	4,822	13,275	18,999	16,463	18,274	8,032	8,951	2,118
Total governmental activities net position	<u>43,679</u>	<u>57,573</u>	<u>63,878</u>	<u>71,943</u>	<u>77,650</u>	<u>59,827</u>	<u>78,131</u>	<u>83,190</u>	<u>88,237</u>	<u>83,022</u>
Business-type activities										
Net Invested in capital assets	38,336	46,566	59,224	78,359	82,609	82,300	82,757	86,011	85,304	88,401
Restricted	1,950	3,018	5,762	7,759	7,375	10,195	8,529	21,394	18,996	19,603
Unrestricted	11,401	4,593	2,568	2,572	9,691	12,435	15,940	6,013	10,276	10,280
Total business-type activities net position	<u>51,687</u>	<u>54,177</u>	<u>67,554</u>	<u>88,690</u>	<u>99,675</u>	<u>104,930</u>	<u>107,226</u>	<u>113,418</u>	<u>114,576</u>	<u>118,283</u>
Primary government										
Net Invested in capital assets	67,185	86,738	110,165	129,123	136,026	118,505	118,962	125,374	149,577	150,852
Restricted	8,713	17,799	13,877	15,663	12,609	17,354	32,181	57,191	34,008	38,056
Unrestricted	19,468	7,213	7,390	15,847	28,690	28,898	34,214	14,044	19,227	12,397
Total primary government net position	<u>\$ 95,366</u>	<u>\$ 111,750</u>	<u>\$ 131,432</u>	<u>\$ 160,633</u>	<u>\$ 177,325</u>	<u>\$ 164,757</u>	<u>\$ 185,357</u>	<u>\$ 196,609</u>	<u>\$ 202,813</u>	<u>\$ 201,306</u>

(1) Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

City of Pharr, Texas
Changes in Net Position
Last Ten Fiscal Years¹
(Accrual Basis of Accounting)
(amount expressed in thousands)

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 7,181	\$ 8,178	\$ 8,265	\$ 7,594	\$ 8,061	\$ 10,917	\$ 16,251	\$ 9,970	\$ 12,144	\$ 11,092
Public safety	15,000	16,504	18,495	19,177	19,775	21,546	22,427	22,700	21,355	20,592
Streets	2,361	2,442	2,114	2,268	3,102	3,757	4,490	5,330	4,903	7,827
Sanitation	3,227	3,518	4,537	2,312	2,008	2,749	2,699	1,880	2,867	2,636
Culture and recreation	3,253	3,340	3,831	3,563	3,890	3,239	4,133	4,306	6,155	5,531
Economic development	1,754	2,653	-	-	-	-	-	8,085	2,590	1,679
Debt service	1,365	1,433	1,122	1,041	885	736	1,293	1,926	1,800	1,629
Total governmental activities expenses	<u>34,141</u>	<u>38,068</u>	<u>38,364</u>	<u>35,955</u>	<u>37,721</u>	<u>42,944</u>	<u>51,293</u>	<u>54,196</u>	<u>51,814</u>	<u>50,987</u>
Business-type activities:										
Utility	7,576	7,879	9,291	9,125	9,140	10,382	11,829	12,241	13,619	14,069
Boggus Ford Event Center	-	-	-	-	-	-	-	-	-	727
Toll Bridge	3,156	3,454	3,300	2,975	3,428	3,082	3,137	3,413	4,822	3,905
Tierra Del Sol Golf Course	1,054	1,241	1,171	1,047	1,035	1,236	1,110	1,279	1,394	1,428
Total business-type activities expenses	<u>11,786</u>	<u>12,574</u>	<u>13,762</u>	<u>13,147</u>	<u>13,603</u>	<u>14,700</u>	<u>16,076</u>	<u>16,933</u>	<u>19,836</u>	<u>20,128</u>
Total primary government expenses	<u>45,927</u>	<u>50,642</u>	<u>52,126</u>	<u>49,102</u>	<u>51,324</u>	<u>57,644</u>	<u>67,369</u>	<u>71,128</u>	<u>71,650</u>	<u>71,115</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	208	1,790	2,375	1,970	1,734	1,962	2,014	1,980	1,646	1,431
Public Safety	571	1,908	1,662	3,841	999	1,184	1,180	1,210	1,355	1,607
Streets	85	472	67	3	1,093	782	807	878	859	1,008
Sanitation	3,006	3,274	4,969	3,256	3,347	3,560	3,585	3,658	3,825	3,924
Culture and recreation	131	911	372	131	128	257	665	579	1,629	582
Economic development	-	-	-	-	-	-	-	-	648	-
Debt service	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,648	1,867	2,465	2,448	4,227	3,451	6,221	9,493	3,132	2,568
Capital grants and contributions	1,094	-	1,481	256	508	25	59	1,111	1,435	1,477
Total governmental activities program revenues	<u>6,743</u>	<u>10,222</u>	<u>13,391</u>	<u>11,905</u>	<u>12,036</u>	<u>11,221</u>	<u>14,531</u>	<u>18,910</u>	<u>14,529</u>	<u>12,597</u>
Business-type activities:										
Charges for services:										
Utility	11,200	10,851	12,483	12,461	11,892	13,553	13,814	13,977	13,670	12,980
Boggus Ford Event Center	-	-	-	-	-	-	-	-	-	434
Toll Bridge	7,714	8,058	8,281	9,301	10,660	10,415	11,002	11,915	12,572	12,781
Tierra Del Sol Golf Course	350	631	766	856	805	812	776	597	786	781
Operating grants and contributions	-	-	-	-	-	-	17	314	-	-
Capital grants and contributions	-	-	6,940	13,899	2,512	548	316	1,686	919	3,339
Total business-type activities program revenues	<u>19,264</u>	<u>19,540</u>	<u>28,470</u>	<u>36,517</u>	<u>25,869</u>	<u>25,328</u>	<u>25,926</u>	<u>28,489</u>	<u>27,948</u>	<u>30,315</u>
Total primary government program revenues	\$ <u>26,007</u>	\$ <u>29,762</u>	\$ <u>41,861</u>	\$ <u>48,422</u>	\$ <u>37,905</u>	\$ <u>36,549</u>	\$ <u>40,456</u>	\$ <u>47,398</u>	\$ <u>42,477</u>	\$ <u>42,912</u>

Net (expense)/revenue											
Governmental activities	\$ (27,398)	\$ (27,846)	\$ (24,973)	\$ (24,050)	\$ (25,685)	\$ (31,723)	\$ (36,762)	\$ (35,286)	\$ (37,286)	\$ (38,390)	
Business-type activities	<u>7,478</u>	<u>6,966</u>	<u>14,708</u>	<u>23,370</u>	<u>12,266</u>	<u>10,628</u>	<u>9,850</u>	<u>11,556</u>	<u>8,112</u>	<u>10,186</u>	
Total primary government net expense	<u>(19,920)</u>	<u>(20,880)</u>	<u>(10,265)</u>	<u>(680)</u>	<u>(13,419)</u>	<u>(21,095)</u>	<u>(26,913)</u>	<u>(23,730)</u>	<u>(29,174)</u>	<u>(28,203)</u>	
General Revenues and Other Changes in Net Assets											
Governmental activities:											
Taxes											
Property taxes	10,475	11,276	13,082	14,900	15,265	14,984	15,221	15,186	15,812	16,728	
Sales taxes	11,346	11,160	11,305	10,558	10,289	11,838	12,801	13,079	14,557	16,311	
Other Taxes	2,543	2,912	3,087	2,807	3,152	2,844	2,232	3,129	3,129	3,605	
Investment earnings	419	445	357	296	361	440	415	473	401	314	
Grants, Donations, and Miscellaneous	3,854	2,159	365	458	105	763	1,048	421	198	-	
Transfers	<u>2,288</u>	<u>8,655</u>	<u>2,190</u>	<u>3,182</u>	<u>1,841</u>	<u>7,214</u>	<u>6,702</u>	<u>6,317</u>	<u>7,682</u>	<u>10,758</u>	
Total governmental activities	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>	<u>32,201</u>	<u>31,013</u>	<u>38,083</u>	<u>38,420</u>	<u>38,605</u>	<u>41,780</u>	<u>47,717</u>	
Business-type activities:											
Investment earnings	1,011	866	1,451	877	1,008	795	705	848	848	486	
Grants, Donations, and Miscellaneous	-	495	218	107	131	135	22	21	21	65	
Transfers	<u>(2,288)</u>	<u>(8,655)</u>	<u>(2,190)</u>	<u>(3,182)</u>	<u>(1,841)</u>	<u>-</u>	<u>(6,702)</u>	<u>(6,466)</u>	<u>(7,849)</u>	<u>(11,020)</u>	
Total business-type activities	<u>(1,277)</u>	<u>(7,294)</u>	<u>(521)</u>	<u>(2,198)</u>	<u>(702)</u>	<u>930</u>	<u>(5,975)</u>	<u>(5,598)</u>	<u>(6,981)</u>	<u>(10,469)</u>	
Total primary government	<u>29,648</u>	<u>29,313</u>	<u>29,865</u>	<u>30,003</u>	<u>30,311</u>	<u>39,013</u>	<u>32,445</u>	<u>33,008</u>	<u>34,799</u>	<u>37,248</u>	
Change in Net Position											
Governmental activities	3,527	8,761	5,413	8,151	5,328	6,360	1,658	3,320	4,494	9,327	
Business-type activities	<u>6,201</u>	<u>(328)</u>	<u>14,187</u>	<u>21,172</u>	<u>11,564</u>	<u>4,344</u>	<u>3,875</u>	<u>5,958</u>	<u>1,131</u>	<u>(283)</u>	
Total primary government	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,600</u>	<u>\$ 29,323</u>	<u>\$ 16,892</u>	<u>\$ 10,704</u>	<u>\$ 5,532</u>	<u>\$ 9,278</u>	<u>\$ 5,625</u>	<u>\$ 9,045</u>	

(1) Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

City of Pharr, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved, Nonspendable, Restricted	\$ 7,405	\$ 11,002	\$ 1,049	\$ 102	\$ 231	\$ 3,354	\$ 20,807	\$ 10,752	\$ 12,879	\$ 12,841
Unreserved, undesignated, unassigned	195	(6,402)	2,081	8,338	14,901	5,809	748	3,593	219	794
Designated, Committed, Assigned	-	-	756	-	-	8,054	9,046	-	-	-
Total general fund	<u>7,600</u>	<u>4,600</u>	<u>3,886</u>	<u>8,440</u>	<u>15,132</u>	<u>17,217</u>	<u>30,601</u>	<u>14,346</u>	<u>13,098</u>	<u>13,636</u>
All other governmental funds										
Reserved, Nonspendable,	5,447	7,572	4,718	6,407	2,501	-	(1,611)	1,212	1,677	2,405
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	387	1,339	-	-	-
Debt service fund	-	-	-	-	-	63	20	-	-	-
Economic Development fund	-	-	-	-	-	3,197	3,085	20,014	23,094	12,169
Unreserved, unassigned, reported in:										
Special revenue funds	142	2,425	3,238	1,333	1,086	(2,929)	-	-	-	-
Capital projects funds	(2,590)	(1,508)	-	-	1,251	-	-	11,747	8,349	10,459
Debt service funds	1,044	-	-	-	-	-	-	37	157	317
Assigned	-	-	-	-	-	1,943	17,392	-	-	-
Total all other governmental funds	<u>4,043</u>	<u>8,489</u>	<u>7,956</u>	<u>7,740</u>	<u>4,838</u>	<u>2,661</u>	<u>20,224</u>	<u>33,009</u>	<u>33,278</u>	<u>25,350</u>
Total governmental fund balances	<u>\$ 11,642</u>	<u>\$ 13,089</u>	<u>\$ 11,842</u>	<u>\$ 16,180</u>	<u>\$ 19,970</u>	<u>\$ 19,878</u>	<u>\$ 50,825</u>	<u>\$ 47,355</u>	<u>\$ 46,376</u>	<u>\$ 38,986</u>

City of Pharr, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Taxes	\$ 24,350	\$ 25,972	\$ 27,370	\$ 28,215	\$ 28,707	\$ 29,814	\$ 31,391	\$ 31,504	\$ 33,978	\$ 36,550
Licenses and permits	1,468	886	685	682	550	762	664	818	762	681
Intergovernmental	1,178	1,751	2,455	2,448	4,579	3,451	6,221	9,521	4,468	2,964
Charges for services	4,287	5,073	6,382	4,468	5,226	5,010	5,525	5,778	6,326	5,933
Fines	968	800	880	1,122	1,107	914	977	936	1,086	1,178
Investment earnings	419	445	349	296	361	440	415	474	401	314
Miscellaneous	2,127	1,970	644	254	533	375	692	644	945	368
Total Revenues	<u>34,797</u>	<u>36,897</u>	<u>38,765</u>	<u>37,486</u>	<u>41,064</u>	<u>40,766</u>	<u>45,885</u>	<u>49,675</u>	<u>47,966</u>	<u>47,988</u>
Expenditures										
General government	14,218	12,943	6,034	6,220	6,609	14,398	13,336	10,337	11,933	10,784
Public safety	15,391	15,642	19,392	18,846	18,522	19,963	22,058	22,253	21,439	19,456
Highways and streets	2,542	2,121	4,443	2,499	4,012	4,404	7,401	7,056	5,012	8,412
Health and Welfare	3,021	3,483	4,306	2,318	2,423	2,555	2,654	2,371	2,758	2,808
Culture and recreation	977	3,422	5,661	3,472	3,664	6,010	5,524	12,999	6,346	4,867
Economic development	3,120	5,757	2,067	2,165	1,360	1,538	2,677	1,163	2,775	1,698
Debt service - Principal	1,912	3,904	3,371	3,335	1,781	1,635	2,588	9,339	7,811	8,956
Debt service - Interest	891	1,225	1,009	978	819	712	1,156	1,750	1,866	1,636
Total expenditures	<u>42,072</u>	<u>48,497</u>	<u>46,283</u>	<u>39,833</u>	<u>39,191</u>	<u>51,215</u>	<u>57,393</u>	<u>67,269</u>	<u>59,940</u>	<u>58,618</u>
Excess of revenues over (under) expenditures	(7,275)	(11,600)	(7,518)	(2,347)	1,872	(10,449)	(11,508)	(17,594)	(11,974)	(10,629)
Other financing sources (uses)										
Transfers in	4,044	9,298	16,941	6,066	9,951	11,615	42,210	34,633	19,662	21,849
Transfers out	(1,756)	(669)	(14,415)	(2,882)	(8,110)	(4,393)	(35,508)	(28,316)	(11,981)	(11,090)
Proceeds from sale of assets	3,120	2,480	2,877	-	-	805	120	551	198	(1,134)
Issuance of debt	979	3,479	1,819	3,587	245	2,372	30,572	14,306	2,381	480
Total other financing sources (uses)	<u>6,387</u>	<u>14,588</u>	<u>7,222</u>	<u>6,771</u>	<u>2,086</u>	<u>10,399</u>	<u>37,395</u>	<u>21,175</u>	<u>10,260</u>	<u>10,105</u>
Special Items										
Loss on land available for sale valuation	-	-	-	-	-	-	-	(6,371)	-	(6,485)
Total special items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,371)</u>	<u>-</u>	<u>(6,485)</u>
Net change in fund balances	\$ <u>(888)</u>	\$ <u>2,988</u>	\$ <u>(297)</u>	\$ <u>4,424</u>	\$ <u>3,959</u>	\$ <u>(50)</u>	\$ <u>25,887</u>	\$ <u>(2,790)</u>	\$ <u>(1,714)</u>	\$ <u>(7,010)</u>
Debt service as a percentage of noncapital expenditures*	8.3%	13.1%	11.1%	10.7%	7.2%	5.9%	7.7%	21.8%	18.0%	19%

* Ratio is calculated by dividing debt service - principal/interest by total expenditures minus capital outlay. For 2015 capital outlay is \$3,923,245.

City of Pharr, Texas
Assessed Value and Estimated Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended	Tax Year	Residential Property	Commercial Property	Industrial Property	Minerals	Other	Total Assessed	Less: Ag Loss & Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value¹ as a Percentage of Actual Value
2006	2005	\$ 1,217,836	\$ 327,593	\$ 13,845	\$ 52,742	\$ 162,458	\$ 1,774,474	\$ 332,328	\$ 1,442,146	\$ 0.68	\$ 1,442,146	123.04%
2007	2006	1,383,161	362,968	14,996	54,079	172,167	1,987,371	332,328	1,655,043	0.68	1,655,043	120.08%
2008	2007	1,549,417	397,886	14,537	51,312	195,896	2,209,035	412,202	1,796,833	0.68	1,796,833	122.94%
2009	2008	1,831,559	496,061	15,957	52,232	213,847	2,609,655	506,079	2,103,576	0.68	2,103,576	124.06%
2010	2009	1,852,609	528,963	16,672	49,303	242,187	2,689,735	527,968	2,161,766	0.68	2,161,766	124.42%
2011	2010	1,903,835	561,456	14,999	16,865	264,722	2,761,876	591,022	2,170,854	0.68	2,170,854	127.23%
2012	2011	1,913,524	574,336	13,337	11,027	256,980	2,769,204	604,760	2,164,444	0.68	2,164,444	127.94%
2013	2012	1,978,273	591,866	12,310	11,038	265,359	2,858,847	662,530	2,196,317	0.68	2,196,317	130.17%
2014	2013	1,989,015	623,074	12,350	9,132	320,085	2,953,655	687,001	2,266,654	0.68	2,266,654	130.31%
2015	2014	2,130,562	665,903	12,239	6,201	316,074	3,130,979	753,721	2,377,258	0.68	2,377,258	131.71%

Source: Hidalgo County Central Appraisal District

Note: Assessed values are determined as of August 1, and relate to taxes levied on the first day of the following fiscal year. Assessed value is equal to 100% of estimated value. All property is assessed the same rate regardless of real or personal property, commercial, residential, or industrial.

¹Includes tax-exempt property.

City of Pharr, Texas
Property Tax Rates¹ and Tax Levies
Direct and Overlapping² Governments
Last Ten Fiscal Years

Fiscal Year Ending	City of Pharr Tax Rate			Overlapping Tax Rates								
				Drainage District #1			Hidalgo County			P.S.J.A ISD		
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total
2006	\$ 0.59	\$ 0.09	\$ 0.68	\$ 0.04	\$ -	\$ 0.04	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.50	\$ 0.11	\$ 1.61
2007	0.60	0.09	0.68	0.04	0.01	0.05	0.52	0.08	0.59	1.04	0.17	1.21
2008	0.60	0.08	0.68	0.04	0.03	0.07	0.52	0.07	0.59	1.04	0.23	1.27
2009	0.60	0.08	0.68	0.04	0.03	0.07	0.51	0.08	0.59	1.04	0.26	1.30
2010	0.60	0.08	0.68	0.04	0.03	0.07	0.51	0.08	0.59	1.04	0.17	1.21
2011	0.60	0.08	0.68	0.04	0.03	0.07	0.52	0.07	0.59	1.17	0.19	1.36
2012	0.60	0.08	0.68	0.05	0.03	0.08	0.52	0.07	0.59	1.17	0.19	1.36
2013	0.60	0.08	0.68	0.06	0.04	0.10	0.52	0.07	0.59	1.17	0.19	1.36
2014	0.61	0.08	0.68	0.05	0.05	0.10	0.53	0.06	0.59	1.17	0.19	1.36
2015	0.61	0.07	0.68	0.05	0.05	0.10	0.53	0.06	0.59	1.17	0.19	1.36

Fiscal Year Ending	Overlapping Tax Rates						Total Direct & Overlapping Rates
	South Texas ISD			South Texas College			
	Operating	Debt Service	Total	Operating	Debt Service	Total	
2006	\$ 0.04	\$ -	\$ 0.04	\$ 0.11	\$ 0.04	\$ 0.15	\$ 3.12
2007	0.05	-	0.05	0.11	0.04	0.15	2.74
2008	0.05	-	0.05	0.11	0.04	0.15	2.81
2009	0.05	-	0.05	0.11	0.04	0.15	2.84
2010	0.05	-	0.05	0.11	0.04	0.15	2.76
2011	0.05	-	0.05	0.11	0.04	0.15	2.90
2012	0.05	-	0.05	0.11	0.04	0.15	2.90
2013	0.05	-	0.05	0.11	0.04	0.15	2.92
2014	0.05	-	0.05	0.19	0.04	0.23	3.00
2015	0.05	-	0.05	0.19	0.04	0.23	3.00

Source: City of Pharr Tax Assessor/Collector, Hidalgo County Tax Office, Pharr-San Juan-Alamo Independent School District, TEA Financial Audit Reports

¹Tax rate is per \$100 of taxable assessed value

²Overlapping rates are those of local and county governments that apply to property owners within the City of Pharr. Not all overlapping rates apply to all City of Pharr property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.

City of Pharr, Texas
Principal Property Taxpayers
Fiscal Year End 2015 and 2006
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2015</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
WILDER CORPORATION OF DELAWARE	\$ 20,024	1	0.88%	\$ 12,497	3	0.87%
HEB GROCERY COMPANY LP	18,898	2	0.83%	-		-
MCALLEN LEVCAL LLC	17,731	3	0.78%	17,404	1	1.21%
MCALLEN LEVCAL INC LLC	15,069	4	0.66%	-		-
CAPOTE ABCD INC	13,614	5	0.60%	-		-
AEP TEXAS CENTRAL CO	13,472	6	0.59%	-		-
PARADISE RESORT ESTATES LLC	11,969	7	0.53%	-		-
COSTCO WHOLESALE CORP	11,500	8	0.51%	-		-
FJRS INVESTMENTS LTD	10,464	9	0.46%	-		-
AEP TEXAS CENTRAL COMPANY	10,181	10	0.45%	12,267	4	0.85%
SHELL WESTERN E&P (TOTAL E&P)	-		-	14,583	2	1.01%
SOUTHWESTERN BELL TELE	-		-	9,223	6	0.64%
CENTRAL POWER & LIGHT	-		-	9,594	5	0.67%
LACK'S	-		-	6,316	7	0.44%
HOME DEPOT, THE	-		-	5,915	8	0.41%
MATT'S CASH & CARRY	-		-	5,641	9	0.39%
ROYAL FREIGHT L P	-		-	5,611	10	0.39%
Totals	\$ <u>142,922</u>		6.3%	\$ <u>99,052</u>		6.9%
Assessed Taxable Value	\$ \$ 2,266,654			\$ 1,442,146		

City of Pharr, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Tax	Total Tax	Collections within the		Delinquent	Total Collections to Date	
			Levy* for	Fiscal Year of the Levy		Percentage	Collections in
Ended	Year	Fiscal Year	Amount	of Levy	Subsequent Years	Amount	of Levy
2006	2005	\$ 9,831	\$ 8,980	91.3%	\$ 747	\$ 9,727	98.9%
2007	2006	11,014	10,094	91.6%	802	10,896	98.9%
2008	2007	12,691	11,634	91.7%	915	12,549	98.9%
2009	2008	14,567	13,391	91.9%	967	14,358	98.6%
2010	2009	14,824	13,673	92.2%	860	14,532	98.0%
2011	2010	14,555	13,559	93.2%	587	14,146	97.2%
2012	2011	14,576	13,771	94.5%	1,050	14,821	101.7%
2013	2012	14,757	14,049	95.2%	732	14,781	100.2%
2014	2013	15,317	14,631	95.5%	640	15,271	99.7%
2015	2014	16,188	15,448	95.4%	-	15,448	95.4%

*Tax Levy including modifications throughout the year

Sources: City of Pharr Tax Assessor/Collector
Hidalgo County Tax Assessor/Collector

City of Pharr, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes			
2006	\$ 16,025	\$ 6,070	\$ 5,565	\$ 1,566	\$ 20,042	\$ 233	\$ -	\$ 49,501	0.08%	\$ 810
2007	16,816	5,000	4,962	1,550	61,824	816	5,995	96,963	0.04%	1,492
2008	15,066	3,885	2,801	3,550	63,702	337	4,590	93,931	0.04%	1,483
2009	14,428	3,330	731	2,503	61,568	1,016	3,125	86,701	0.04%	1,351
2010	13,767	2,745	270	1,621	58,734	713	1,595	79,445	0.04%	1,182
2011	15,160	-	-	2,738	56,135	952	-	74,985	0.04%	1,065
2012	14,008	7,625	21,557	3,405	54,633	537	-	101,765	0.03%	1,403
2013	12,557	7,330	28,526	3,183	60,535	463	-	112,595	0.03%	1,553
2014	11,056	7,025	24,064	4,101	58,145	389	-	104,780	0.03%	1,445
2015	9,505	6,720	18,159	3,413	55,846	218	-	93,861	0.03%	1,294

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.

City of Pharr, Texas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2006	\$ 16,025	1.08%	\$ 261
2007	16,816	0.96%	248
2008	15,066	0.86%	240
2009	14,428	0.70%	226
2010	13,767	0.51%	205
2011	15,160	0.55%	215
2012	14,008	0.51%	193
2013	12,557	0.45%	173
2014	11,056	0.37%	151
2015	9,505	0.30%	126

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics

City of Pharr, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2015
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 151,665	5.2%	\$ 7,891
Hidalgo Irrigation District #1	-	0.0%	-
South Texas College	88,835	53.1%	47,183
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	382,365	61.0%	<u>233,060</u>
Overlapping debt			288,134
City of Pharr direct debt	37,797	100.0%	<u>37,797</u>
Total direct and overlapping debt			\$ <u><u>325,931</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment.
Debt outstanding data provided by the county. Data as of 08/31/2014

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the city of Pharr. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the governments boundaries and dividing it by the county's total taxable assessed value.

City of Pharr, Texas
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 148,988	\$ 166,146	\$ 184,767	\$ 260,966	\$ 268,973	\$ 276,288	\$ 276,920	\$ 285,885	\$ 354,845	\$ 384,809
Total net debt applicable to limit	<u>22,095</u>	<u>20,935</u>	<u>19,725</u>	<u>14,428</u>	<u>13,767</u>	<u>15,160</u>	<u>14,008</u>	<u>12,557</u>	<u>11,056</u>	<u>9,505</u>
Legal debt margin	\$ <u>126,893</u>	\$ <u>145,211</u>	\$ <u>165,042</u>	\$ <u>246,538</u>	\$ <u>255,206</u>	\$ <u>261,128</u>	\$ <u>262,912</u>	\$ <u>273,328</u>	\$ <u>343,789</u>	\$ <u>375,304</u>
Total net debt applicable to the limit as a percentage of debt limit	14.8%	12.6%	10.7%	5.5%	5.1%	5.49%	5.1%	4.4%	3.1%	2.5%

Legal Debt Margin Calculation for Fiscal Year 2014-2015

Assessed Value	\$ 3,209,704
Add Back: exempt property	<u>638,387</u>
Total Assessed Value	3,848,091
Debt limit (10% of total assessed value)	384,809
Debt applicable to limit:	
General obligation bonds	<u>9,505</u>
Legal debt margin	<u>\$ <u>375,304</u></u>

Note: Under state finance law, the City of Pharr's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Pharr, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Water & Sewer Revenue Bonds

Fiscal Year	Utility Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 11,594	\$ 5,695	\$ 5,899	\$ 937	\$ 542	3.99
2007	11,954	5,427	6,527	851	595	4.51
2008	13,820	5,910	7,910	2,265	1,872	1.91
2009	13,259	5,714	7,545	2,330	1,807	1.82
2010	12,473	5,750	6,723	2,385	1,749	1.63
2011	13,553	6,946	6,607	2,465	1,670	1.60
2012	13,814	7,465	6,349	2,540	1,598	1.53
2013	13,977	7,043	6,934	2,540	1,618	1.67
2014	13,728	7,862	5,866	2,870	1,675	1.29
2015	12,991	7,966	5,025	2,950	1,600	1.10

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Utility charges and other revenues include only utility service charges, investment earnings, and tap fees. Operating expenses do not include interest or depreciation. Historical information taken from prior financial reports.

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

Fiscal Year	<u>Population</u>¹	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>²	<u>School Enrollment</u>³	<u>Unemployment Rate</u>⁴
2006	61,360	38,967*	9,462*	27.8*	47.3% *	28,088	5.7%
2007	64,318	38,967*	9,462*	27.8*	47.3% *	28,868	5.5%
2008	66,078	38,967*	9,462*	27.8*	47.3% *	29,999	7.2%
2009	66,874	38,967*	9,462*	27.8*	47.3% *	30,618	11.2%
2010	67,217	28,000	11,421	27.1	58.1%	31,329	10.5%
2011	70,400	28,000	11,420	27.1	58.1%	31,508	10.7%
2012	72,513	30,486	12,328	27.3	59.7%	31,633	8.4%
2013	73,138	30,486	12,328	28.0	59.7%	32,050	9.3%
2014	73,138	32,087	12,964	28.3	61.3%	32,287	7.9%
2015	75,382	34,655	12,694	27.6	61.3%	32,519	7.1%

Data Sources: U.S. Census, Texas Workforce Commission, U.S. Bureau of Labor Statistics, and PSJA ISD

¹Population data from 2004 to 2007 taken from Planning/Zoning department. 2010 population estimate based on percentage increase of US Census Bureau totals for 2008 and 2009. 2011 population estimate based on percentage increase of US Census Bureau totals for 2009 and 2010. 2012 population estimate based on percentage increase of US Census Bureau totals for 2010 and 2011. 2013 population estimate based on percentage increase of US Census Bureau totals for 2011 and 2012. Population for 2014 and 2015 is based on the United States Census Bureau

²Represents population age 25 or greater that has graduated from high school.

³School Enrollment data for 2004 to 2015 includes enrollment for Pharr San Juan and Alamo School District. (As of September 2015)

⁴Unemployment rate as of December 2015. (Source: Bureau of Labor Statistics)

* Data Not Available

**City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2015 and 2006**

<u>Employer</u>	2015		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment¹</u>
Pharr-San Juan-Alamo ISD	4,230	1	18.32%
Valley View ISD	785	2	3.40%
City of Pharr	725	3	3.14%
Ticketmaster	475	4	2.06%
VDP Healthcare	375	5	1.62%
Lack's Valley Store Ltd	350	6	1.52%
Atento Contract US Teleservices	320	7	1.39%
Royal Freight	305	8	1.32%
HEB	300	9	1.30%
Costco	180	10	0.78%
Total	<u>8,045</u>		<u>34.84%</u>
	2006*		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergy's	Unknown	-	0.00%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
Total	<u>-</u>		<u>0.00%</u>

Source: EMSI Dec. 2014, Workforce Solutions Lower RGV

Provided by Mike Willis, Workforce Solution 1/7/2016

* Information was not tracked to provide stated information.

City of Pharr, Texas
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GENERAL FUND										
City Manager	9.0	9.0	9.0	9.0	8.0	7.5	9.5	8.5	15.0	9.0
Finance	12.5	13.5	14.0	5.5	9.0	9.0	14.0	14.0	14.0	12.0
Police Department	146.0	155.0	167.0	161.0	160.0	172.0	174.5	176.5	186.5	178.5
Traffic Safety	13.0	16.0	17.0	16.0	16.0	16.0	17.0	17.0	0.0	0.0
Municipal Court	6.0	6.0	6.0	5.0	6.5	7.5	7.5	8.0	7.0	8.0
Fire Protection	57.0	65.0	68.0	66.0	65.0	74.0	73.0	78.0	82.0	80.0
(PAL)Administrative Services	0.0	0.0	0.0	7.0	7.5	7.0	7.0	7.0	8.3	8.3
Street Maintenance	28.0	30.0	29.0	29.0	31.0	33.0	32.0	32.0	48.0	50.0
Information Technology	0.0	0.0	0.0	0.0	0.0	2.5	2.0	5.0	10.0	12.5
Municipal Library	25.0	26.0	26.0	26.0	22.5	22.5	22.5	23.5	25.0	23.5
Parks & Recreation	71.0	73.0	73.0	102.0	102.0	64.3	68.1	62.1	56.8	112.6
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Planning & Community Dev	20.0	23.0	23.0	22.0	18.5	18.5	18.5	20.0	22.5	23.0
Engineer	0.0	0.0	0.0	0.0	0.0	0.0	4.0	5.5	4.5	6.5
Total General Fund	387.5	416.5	432.0	448.5	446.0	433.8	449.6	457.1	479.6	527.9
UTILITY FUND										
Administrative	9.5	10.5	11.0	12.5	9.5	9.0	9.0	9.0	9.0	9.0
Water Production	9.0	10.0	10.0	10.0	10.0	10.0	10.0	13.0	15.0	15.0
Water Distribution	25.0	26.0	26.0	23.0	23.5	24.0	26.5	27.0	30.5	30.5
Water Treatment Plant	11.0	13.0	13.0	13.0	13.0	13.0	17.0	18.0	19.0	19.0
Lift Station	4.0	4.0	4.0	3.0	1.0	1.0	0.0	0.0	0.0	0.0
Total Utility Fund	58.5	63.5	64.0	61.5	57.0	57.0	62.5	67.0	73.5	73.5
INTERNAL SERVICE FUND										
Chief Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laborers	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0
Total Internal Svc Fund	5.0	5.0	5.0	5.0	4.0	4.0	4.0	5.0	5.0	5.0
INTERNATIONAL BRIDGE										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	26.0	26.0	28.0	24.0	24.5	24.0	22.0	22.0	27.0	23.5
Total Int'l Bridge	27.0	27.0	29.0	25.0	25.5	25.0	23.0	23.0	28.0	24.5
OTHER										
CDBG	6.0	6.0	5.0	4.0	5.5	5.5	4.5	3.5	4	0
Grants Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	6
Golf Course	15.0	15.0	17.0	15.5	15.0	15.5	15.5	17.0	23.5	20.5
Events Center	0.0	0.0	0.0	0.0	0.0	0.0	6.4	8.0	17.5	18.5
Total Other	21.0	21.0	22.0	19.5	20.5	21.0	26.4	28.5	45.0	45.0
GRAND TOTAL	499.0	533.0	552.0	559.5	553.0	540.8	565.5	580.6	631.1	675.9

Source: City of Pharr Budget Reports

City of Pharr, Texas
Operating Indicators by Function
Last Ten Fiscal Years

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Physical arrests	2,858	2,808	2,944	4,839	15,660	3,395	3,477	2,197	3,573	2,423
Parking & Traffic Violations	13,742	12,742	15,194	25,689	12,556	10,742	9,654	12,607	12,893	19,628
Fire										
Number of calls answered	1,701	1,794	2,238	2,148	2,144	2,018	1,850	2,491	2,488	2,899
Inspections	809	1,108	1,344	1,325	1,160	1,842	2,620	2,263	2,942	2,184
Highways and streets										
Street resurfacing (miles)	2	7	2	7	9	9	7	6.44	7.31	1.41
Potholes repaired	unknown	unknown	137	825	775	4000	1500	545	1297	506
International Bridge										
Car Crossings	1,716,751	1,683,048	1,649,983	1,444,912	1,264,573	1,038,430	946,847	937,829	866,328	794,930
Truck Crossings	404,103	433,880	461,559	409,336	447,122	440,705	463,714	485,299	508,180	523,373
Culture and recreation										
Pharr Events Center	86	95	216	84	50	20	72	60	91	69
Other Community Center Events	206	268	597	414	378	329	703	442	unknown	unknown
Water										
New connections	1,204	638	324	220	278	428	304	372	256	303
Water mains breaks	3,948	4,156	578	445	711	768	~1365	~1625	~1642	~1726
Average daily consumption (millions of gallons)	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD	6.3 MGD	6.6 MGD	7.0 MGD	6.9 MGD	7.1 MGD	6.46 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	5.0 MGD	4.94 MGD	4.8 MGD	4.76MGD	4.9 MGD	4.9MGD	4.8 MGD	5.1 MGD	5.2 MGD

Sources: Various City Departments

City of Pharr, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	82	84	90	93	128	125	62	61	68	68
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	213	213	213	214	214	214	214	214	214	214
Streetlights	unknown									
Traffic signals	51	51	51	55	56	58	61	68	72	75
Culture and recreation										
Parks Acreage (Developed)	57	57	57	57	57	57	79	46	57	57
Swimming pools	2	2	2	2	-	-	-	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community and Convention Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water mains (miles)	~190	191.6	~313.4	315	313	325	~304	~304	~303	~304
Fire hydrants	1,918	2,010	2,030	1,896	1,946	1,946	~2,214	~2,214	~2,213	~2,214
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	8.28 MGD	12.01 MGD	9.9 MGD	10.0 MGD	10.0 MGD	10.0 MGD	19 MGD	20 MGD
Sewer										
Sanitary sewers (miles)	~246	~262	~265	265	266	269	267	~267	~266	~267
Storm sewers (miles)	unknown	unknown	57	82	94.43	97.2	Unknown	96.63	95.63	95.64
Maximum daily treatment capacity (thousands of gallons)	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD	5.3 MGD	8 MGD	8 MGD	7.4 MGD	6.4 MGD	7.3 MGD

Sources: Various City Departments



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Single Audit Section



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Oscar R. González

Melissa González

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

To Honorable Mayor and City Commission
City of Pharr, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pharr, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Pharr, Texas's basic financial statements and have issued our report thereon dated February 3, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2015-1 and 2015-2.

Compliance and Other Matters

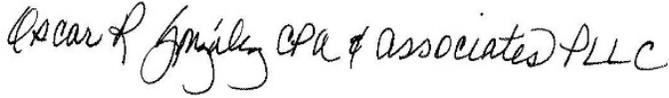
As part of obtaining reasonable assurance about whether the City of Pharr, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2.

City of Pharr, Texas's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Oscar R. Gonzalez CPA & Associates PLLC".

Oscar R. Gonzalez, CPA & Associates, PLLC

Certified Public Accountants

Pharr, Texas

February 3, 2016



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Oscar R. González
Melissa González

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

To Honorable Major and City Commission
City of Pharr, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Pharr, 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 Pharr, Texas's major federal programs for the year ended September 30, 2015. City of Pharr, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

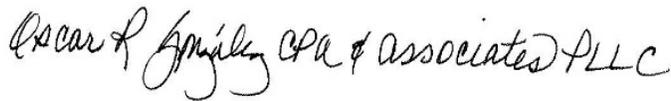
Management of the City of Pharr, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pharr, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for

each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pharr, Texas's internal control over compliance.

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

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

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



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas

February 3, 2016

CITY OF PHARR, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Governor's Division of Emergency Management:			
Operation Stonegarden	97.067	EMW-2012-SS-0018-01	\$ 69,200
Homeland Security Grant Program	97.073	EMW-2014-SS-00019	8,000
Total Passed Through Governor's Division of Emergency Management			<u>77,200</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>77,200</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-11-MC-48-0507	358,262
Community Development Block Grant	14.218	B-12-MC-48-0507	78,547
Community Development Block Grant	14.218	B-13-MC-48-0507	653,797
Total Passed Through Direct Programs			<u>1,090,607</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,090,607</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Direct Programs:			
Human Trafficking Liaison Grant 14-15	16.575	VA-10-V30-24305-04	40,847
Victims of Crime Formula Grant 14-15	16.575	VA-10-V30-24305-05	2,931
Total Passed Through Governor's Division of Criminal Justice			<u>43,778</u>
<u>AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)</u>			
Passed Through Direct Programs:			
ARRA- FY 2014 Justice Assistance Grant Program	16.804	2014-DJ-BX-0631	20,800
ARRA- FY 2015 Justice Assistance Grant Program	16.804	2015-DJ-BX-0631	18,841
ARRA - Domestic Violence Coordinator Project	16.575	WF-11-V30-22994-03	32,997
Total ARRA Passed Through Direct Programs			<u>72,638</u>
Total AMERICAN RECOVERY AND REINVESTMENT ACT			<u>72,638</u>
Total U.S. DEPARTMENT OF JUSTICE			<u>116,416</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	112SA1599	39,230
Total U.S. DEPARTMENT OF TREASURY			<u>39,230</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,323,453</u></u>

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Grantor/ Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>OFFICE OF THE ATTORNEY GENERAL</u>		
Victim Coordinator Liaison Grant 14/15	1332931	38,156
Total OFFICE OF THE ATTORNEY GENERAL		<u>38,156</u>
<u>STATE CRIMINAL JUSTICE PLANNING</u>		
STOP Failure to Attend School FY 13/14	SF-14-J20-2546802	21,286
Total STATE CRIMINAL JUSTICE PLANNING		<u>21,286</u>
<u>TEXAS DEPARTMENT OF MOTOR VEHICLES</u>		
South Texas Auto Theft Enforcement Task Force 11/12	SA-T01-10041-13	53,520
Total TEXAS DEPARTMENT OF TRANSPORTATION		<u>53,520</u>
<u>TEXAS WATER DEVELOPMENT BOARD</u>		
Regional Water and Wastewater Facilities Planning	1004831080	726
Total TEXAS WATER DEVELOPMENT BOARD		<u>726</u>
<u>TEXAS DEPARTMEN OF PUBLIC SAFETY</u>		
Local Border Security Program	LBSP 2014-0058	149,013
Total TEXAS DEPARTMENT OF PUBLIC SAFETY		<u>149,013</u>
<u>LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL</u>		
Regional Solid Waste Grant Program	12-21-G02	28,877
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		<u>28,877</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
Selective Traffic Enforcement Program	2015-PharrPD-IDM-00088	11,175
Total TEXAS DEPARTMENT OF TRANSPORTATION		<u>11,175</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>302,753</u>
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		<u>\$ 1,626,206</u>

City of Pharr, Texas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2015

1. General Statement

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of the City of Pharr, Texas, for the year ended September 30, 2015. The reporting entity consists of the primary government, organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

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

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

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

3. Basis of Presentation

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

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued UNMODIFIED

Internal control over financial reporting:

- One or more material weakness identified? YES X NO
- One or more significant deficiencies identified that are not considered to be material weaknesses? X YES NO

Noncompliance material to financial statements noted? YES X NO

2. Federal Awards

Internal control over major programs:

- One or more material weakness identified? YES X NO
- One or more significant deficiencies identified that are not considered to be material weaknesses? YES X NONE

Type of auditor's report issued on compliance for major programs: UNMODIFIED

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 500,000

Auditee qualified as low-risk auditee? X YES NO

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR - Continued

A. Summary of Auditor's Results - Continued

3. State Awards

Internal control over major programs:

- Material weakness identified? YES X NO
- Significant deficiencies identified that are not considered to be material weaknesses? YES X NONE REPORTED

Type of auditor's report issued on compliance for major programs: UNMODIFIED

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

Identification of major programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
NONE	

Dollar threshold used to distinguish between type A and type B programs: \$ 500,000

Auditee qualified as low-risk auditee? X YES NO

City of Pharr, TX
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

B. Financial Statement Findings

Schedule Reference: (2015-1) Purchasing Policies

Criteria: The City purchasing will follow applicable procurement laws and approved City's internal purchasing procedures manual. Specifically, the purchase order process.

Condition: The purchasing procedures approved are not being followed or adhered to. Department heads responsible do not utilize purchase orders as specified in The City's purchasing policies nor do they follow approval procedures on a timely basis.

Cause: Auditor reviewed several invoices for procedures followed and found several purchase order forms being processed after the purchase was made, if processed at all. Purchases are made without following proper procedures and/or approval was done after the purchase was completed.

Effect: Purchases were made that did not follow the proper approval procedures.

Recommendation: Purchasing policies should be followed and all purchase orders should be approved as specified in the purchasing manual.

Auditee's Response: We concur. Purchasing Policies were reviewed and redistributed to Department Heads. City will ensure to enforce in a stricter manner these policies to be followed.

Questioned Costs: Unknown

Schedule Reference: (2015-2) Overtime Policies for Departments

Criteria: The Fair Labor Standards Act (FLSA) requires employers to pay at least one and one-half times the employees' regular rates of pay for all hours actually worked over 40 in the work week. Compensatory time refers to a type of work schedule arrangement that allows non-exempt workers to take time off instead of, or in addition to, receiving overtime pay. According to the City's Personnel Policy Manual Chapter 16, section 1 and 2, all non-exempt employees are required to accurately and timely record their hours of work for payroll purposes. This must include any hours that would qualify for overtime pay or compensatory time. Time records are official government records that involve the expenditure of public funds. Therefore, they must be maintained accurately and truthfully. Improper or illegal alteration or mutilation of City personnel records can lead to disciplinary or even criminal liability exposure. Chapter 18, section 2, all overtime must be authorized by the department head prior to a non-exempt employee actually working overtime, except in cases of emergency. Unauthorized overtime will be paid, as required by law, but failure to secure prior approval of overtime compensation may subject the employee to disciplinary action, up to and including termination.

Condition: Auditor reviewed payroll policies and procedures. Two payroll periods from two different departments were sampled. Time card audit trails were reviewed and auditor noted alterations were made to time punches on a consistent basis in order to avoid overtime hours being shown on the time card.

Effect: Potential violation of fair labor standards act and City personnel policy manual.

Recommendations: Alterations should not be done on time card records. Overtime should be reflected and the time should be paid at time and one half or employee should be informed of their compensatory time balance. The payroll department should have all compensatory time balances owed to all employees of the City.

Auditee's Response: We concur. Issue will be addressed and will review Payroll Policies and ensure they are followed accordingly.

Questioned Costs: Unknown

Federal Awards Findings:

None

CITY OF PHARR, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Schedule Reference: (2015-1): Purchasing Policies

Purchasing Policies Purchasing Policies were reviewed and redistributed to Department Heads. City will ensure to enforce in a stricter manner these policies to be followed.

Schedule Reference: (2015-2): Overtime policies for Departments

Issue will be addressed and will review Payroll Policies and ensure they are followed accordingly.

Contact Persons responsible for corrective action:

Primary Government - City of Pharr, Texas

Juan G. Guerra, City Manager
118 S. Cage Blvd.
Pharr, Texas 78577
(956) 702-5300

Karla Moya, Finance Director
118 S. Cage Blvd.
Pharr, Texas 78577
(956) 702-5300

Component Unit - Pharr Economic Development Corporation, Inc. (PEDC 4B)

Sergio Contreras, PEDC Director
1215 S. Cage Blvd.
Pharr, Texas 78577
(956) 702-5300

CITY OF PHARR, TEXAS

*SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR

A. Financial Statement Findings - Prior Fiscal Year

Schedule Reference: (2014-1): Expenditures in Excess of Appropriations

Criteria: The City purchasing will follow applicable procurement laws and approved City's internal Purchasing procedures manual. Specifically, the purchase order process.

Condition: The purchasing procedures approved are not being followed or adhered to. Department heads responsible do not utilize purchase orders as specified in The City's purchasing policies nor do they follow approval procedures on a timely basis.

Cause: Auditor reviewed several invoices for procedures followed and found several purchase order forms being processed after the purchase was made, if processed at all. Auditor interviewed department heads and found through the interviews that these findings were accurate and in some instances purchases were made without following proper procedures and/or approval was done after the purchase was completed.

Effect: Purchases were made that did not follow the proper approval procedures.

Recommendation: Purchasing policies should be followed and all purchase orders should be approved as specified in the purchasing manual.

Questioned Costs: Unknown

Auditee's Response: We concur. Purchasing policies will be reviewed and updated to coincide with internal operations while continuing to maintain strong internal controls.

Status: Corrected

B . Federal Award Findings and Questioned Cost – Prior Fiscal Year

Schedule Reference: (2014-2): Competitive Bidding or Competitive Proposals Required

Criteria: The City should adhere to Texas Local Government Chapter 252, in specific, competitive bidding, and complying with all requirements of the bid process and honoring the selected bid. For projects or purchases with expenditures of more than \$50,000 a competitive bid procedure should be followed. The Company awarded the bid, should be used for the project awarded. The original contract price may not be increased under section 252.048 of Texas Local Government Code by more than 25%.

Condition: Auditor reviewed the bidding process and found several instances of noncompliance with State laws. Projects with expenditures well over \$50,000 were not bided out. A Company that was awarded a bid was not used for a considerable portion of the project, instead another company that was doing business with the City, was used, which resulted in paying more for the project due to the company used charged more than what the awarded company had bided. In addition, a change order was not processed correctly for a project that total costs increased well above the 25% threshold. The Company was paid prior to advising the City Council of the increase of costs well over the 25% threshold and a month later the commission approved the change order, in addition no retainage was kept as required by the contract on this project.

Cause: Lack of internal controls over the biding process and/or lack knowledge of State and City biding policies and procedures.

Effect: Violation of Texas Local Government Chapter 252.

Recommendation: Management should ensure all individuals involved in the purchasing procedures are knowledgeable and follow the local and state government codes and policies.

Questioned Costs: Unknown

Auditee's Response: We concur. Training will take place to ensure all departments are aware of local and state laws concerning competitive bidding. Monitoring of all bids will take place more frequently to ensure we are always in compliance.

Status: Corrected

CITY OF PHARR, TEXAS

*SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR

B . Federal Award Findings and Questioned Cost – Prior Fiscal Year (continued)

Schedule Reference: (2014-3): Pharr Events Center

Criteria: All expenditures, except those that fall under a specific category, \$50,000 or more must be approved by the City Commission and, if applicable, follow the competitive bidding process per Texas Local Government code, Chapter 252 and City Purchasing Policies. Agreements with third parties should be in writing and should specify in detail the purposes of the agreement and the responsibilities of both parties. All reporting that is provided to the City Council should be accurate in order for them to be able to make fiscally responsible decisions.

Condition: The City Manager entered into a verbal partnership agreement with a third party for promotion of the City. The City Council gave the City Manager authority to handle all transactions (rental of the facilities) of the Pharr Events Center. This authority does not prevail State Laws governing purchasing. During the audit review of a particular event, auditor found that the report provided to the council was inaccurate. Tickets sold were reported as 3,900, when in actuality, it was 2,199 tickets that were sold. This resulted in a significant loss for the City.

Cause: Lack of internal controls over the purchasing process and / or knowledge of State and City purchasing policies and procedures.

Effect: Violation of the Texas Local Government code, Chapter 252 and City Purchasing policies.

Recommendations: All partnership agreements should be in writing; detailing the specifics, responsibilities and limitations of both parties. Any transaction that results in an expenditure of \$50,000 or more should be approved by City Council and all reporting provided to the City Council should be as accurate as possible in order for them to be able to make fiscally responsible decisions.

Questioned Costs: \$295,751

Auditee's Response: We concur. With Resolution R-2012-02, the City Manager is "authorized to negotiate the terms and conditions of any agreements with any promoter, entertainer, or tenant for use of the Pharr Events Center", the resolution is being reevaluated to ensure it falls in line with the Chapter 252 of the Texas Local Government Code. The Events Center's Partnership Program with our in-house promoters was on a one year test basis, as of September 2014, the program is no longer in effect. The situation leading to this finding will no longer take place.

Status: Corrected

Schedule Reference: (2014-4): Community Development Block Grant (CDBG)

Criteria: The City should adhere to Texas Local Government Chapter 252, in specific, competitive bidding, and complying with all requirements of the bid process and honoring the selected bid. For projects or purchases with expenditures of more than \$50,000 a competitive bid procedure should be followed.

Condition: Auditor reviewed the bidding process used in projects and found several instances of noncompliance with State laws. A change order was not processed correctly for the project that total costs increased well above the 25% threshold and they did not rebid as required by state law. The Company was paid prior to advising the City Council of the increase of costs well over the 25% threshold and a month later the commission approved the change order, in addition no retainage was kept as required by the contract on this project.

Cause: Lack of internal controls over the bidding process and/or lack knowledge of State and City bidding policies and procedures.

Effect: Violation of Texas Local Government Chapter 252.

Recommendation: Management should ensure all individuals involved in the purchasing procedures are knowledgeable and follow the local and state government codes and policies.

Questioned Costs: \$295,368.88

Auditee's Response: We concur. Training will take place to ensure all departments are aware of local and state laws concerning competitive bidding. Monitoring of all bids will take place more frequently to ensure we are always in compliance.

Status: Corrected



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