



# Pharr



## POPULAR ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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# CITY OF PHARR

## POULAR ANNUAL FINANCIAL REPORT

### A MESSAGE FROM THE MAYOR



To The Citizens of the City of Pharr:

Dr. Ambrosio "Amos" Hernandez  
Mayor  
mayor@pharr-tx.gov

I am pleased to present you the City of Pharr's fourth Popular Annual Financial Report (PAFR) for the year ended September 30, 2014. This report is an easy-to-read version of the City's Comprehensive Annual Financial Report (CAFR) that is published on an annual basis.

This report provides a summary of the City's revenue, spending, and financial condition. It also includes statistical information for the City as well as reference information for usage in contacting Board Members or City departments.

Thank you for your interest in the City of Pharr's government and how it functions. I welcome your feedback, suggestions, and comments regarding the information contained in this report.

Sincerely,

Dr. Ambrosio "Amos" Hernandez  
Mayor

### ELECTED OFFICIALS

Dr. Ambrosio "Amos" Hernandez - Mayor



Oscar Elizondo, Jr.  
Mayor Pro Term



Eleazar Guajardo  
Commissioner



Roberto "Bobby" Carrillo  
Commissioner



Edmund Maldonado, Jr.  
Commissioner



Ricardo Medina  
Commissioner



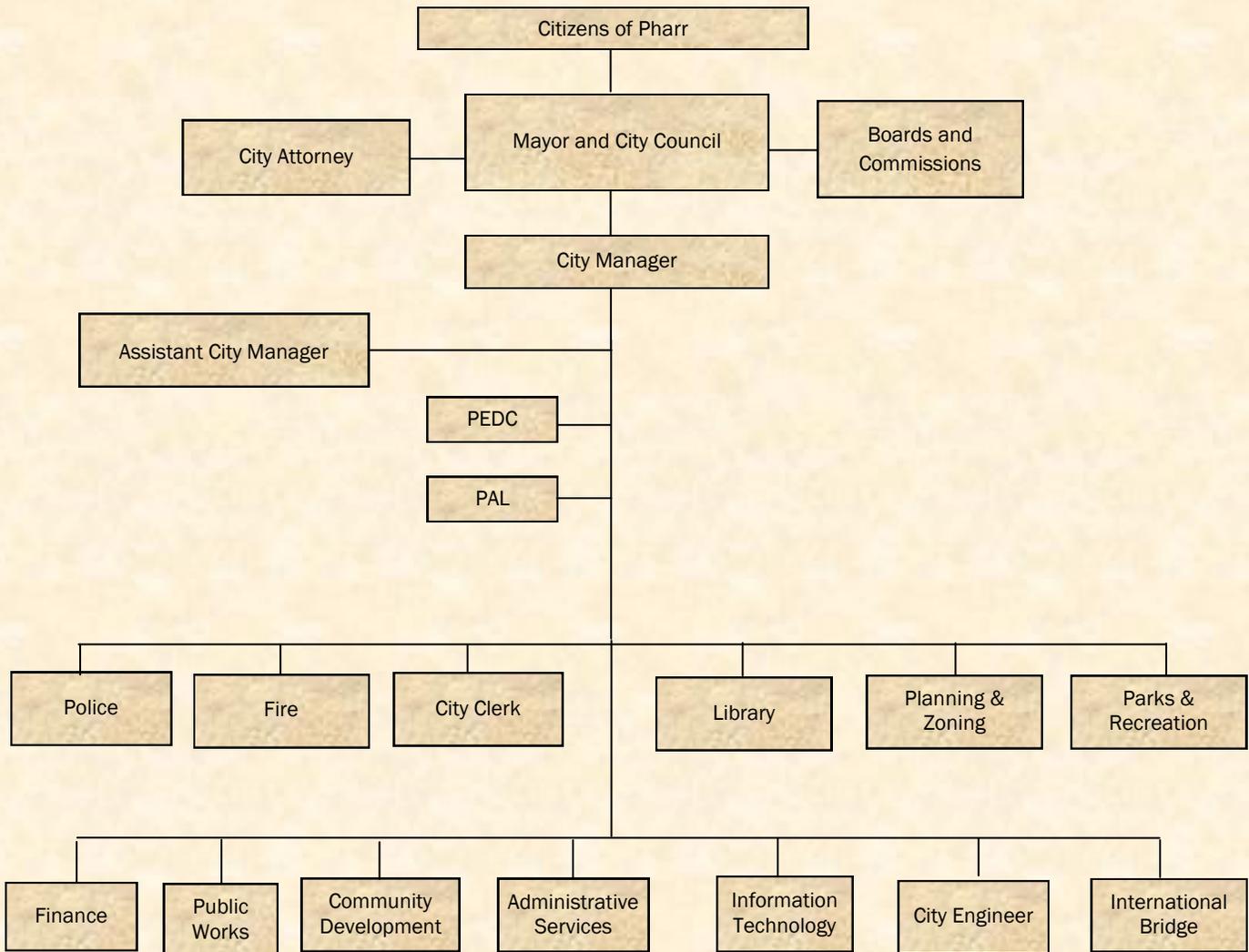
Mario A. Bracamontes  
Commissioner



Juan G. Guerra  
City Manager

Contact Information: (956) 702-5335  
P.O.Box 1729 Pharr, TX 78577

# ORGANIZATION CHART-CITY OF PHARR



# ABOUT THIS REPORT

This Popular Annual Financial Report (PAFR) has been prepared to inform citizens about the City of Pharr and its operations, services and programs, as well as its financial condition.

The PAFR is a summary of the major financial activities of the City's Governmental and Enterprise funds and does not include component unit and non-major fund data.\* The information in this report was drawn from information found in the audited 2014 Comprehensive Annual Financial Report (CAFR) of the City of Pharr. The CAFR report is prepared in accordance with generally accepted accounting principles (GAAP) and includes financial statements audited by Oscar R. Gonzalez, C.P.A. & Associates, P.L.L.C.

The financial information presented in this report is summarized and does not substitute for the City's CAFR. By its nature, this report is unaudited and presented on a non-GAAP basis.

\*Net Position analysis (pg. 8) includes component units and non-major funds.



Pharr Aquatic Center

Copies of the CAFR are available for public viewing at City Hall, Pharr Memorial Library, and online at: <http://www.pharr-tx.gov/departments/finance/financial-reports>



Pharr International Bridge

## IMPORTANT PHONE NUMBERS

**ADMINISTRATION**  
(956) 402-4000

**POLICE DEPT.**  
(956) 402-4700

**FIRE RESCUE**  
(956) 402-4400

**PUBLIC WORKS**  
(956) 402-4310

**PUBLIC UTILITIES**  
(956) 402-4300

**MUNICIPAL COURT**  
(956) 402-4690

**LIBRARY**  
(956) 402-4650

**BRIDGE**  
(956) 402-4660

**CODE ENFORCEMENT**  
(956) 402-4222

**ANIMAL CONTROL**  
(956) 402-4320

**RECYCLING CTR**  
(956) 402-4360

**FINANCE**  
(956) 402-4150

**PARKS & REC**  
(956) 402-4550

**HUMAN RESOURCES**  
(956) 402-4111

## ABOUT THE CITY OF PHARR

The City of Pharr was founded in 1909 and has an estimated population of 75,382 as of September 30, 2014. The City boasts of the largest International Bridge in the world and is the gateway to Latin America along U.S. 281. In 2006 the City was awarded the title of All America City.

The City utilizes a City Manager form of government. The City Manager, who is appointed by the Board of Commissioners, is held responsible for the execution of the laws and the administration of the government of the City.

The Board of Commissioners consists of a Mayor and six (6) commissioners, whom are elected by the City at large for a term of four (4) years. The Board of Commissioners enacts local legislation, adopts budgets, and determines policies.

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.

**PROPERTY TAX  
STATISTICS** <sup>(1) (2)</sup>

**PRINCIPAL PROPERTY  
TAX PAYERS**

<u>Taxpayer</u>	<u>Rank</u>
HEB Grocery	1
McAllen LEVCAL Inc.	2
Capote Farms LTD	3
Wilder Corp of Delaware	4
Costco Wholesale Corp	5
AEP Texas Central Company	6
FJRS Investments LTD	7
Costco Whole Sale Corp	8
McAllen LEVCAL, LLC	9
DMJ Real Estate LP	10

**CITY OF PHARR  
TAX RATE  
2005-2014**

<u>FY ENDING</u>	<u>RATE</u>
2005	\$0.683
2006	0.683
2007	0.683
2008	0.682
2009	0.680
2010	0.680
2011	0.680
2012	0.680
2013	0.680
2014	\$0.680

REFERENCES:

- (1) City of Pharr Tax Assessor/Collector
- (2) Hidalgo County Tax Office

# WHERE GENERAL FUND MONEY COMES FROM

The City must raise funds to pay for the services that it provides to the citizens and businesses. The sources of funds, known as revenues, are raised through taxes, grants, and charges.

**GOVERNMENTAL  
REVENUES**

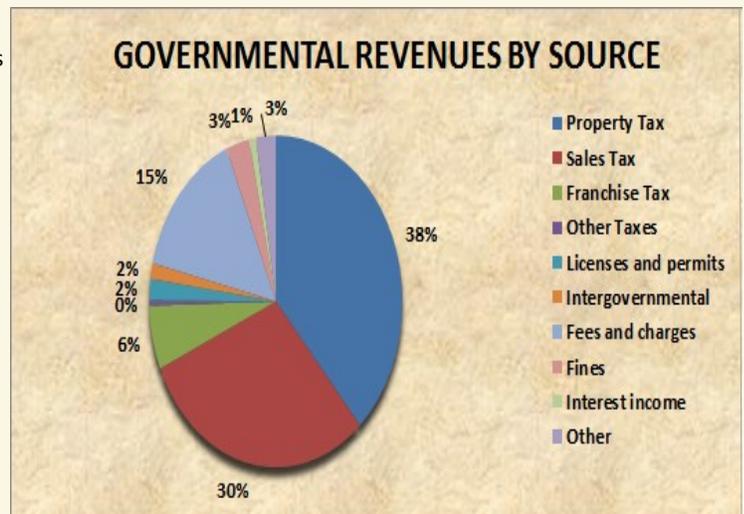
It is important to analyze the City's General fund when assessing the financial results of the City. The General fund is the general operating fund of the City and supports the day-to-day operations of the City, therefore our main focus will be the General Fund. This fund is used to account for all financial resources traditionally associated with government, except those required to be accounted for in another fund.

Total revenues of the governmental funds increased by \$2,796,486 or 7.66% over the prior year.

REVENUE SOURCE	2014	2013
Property Tax	\$ 14,033,540	\$ 13,550,260
Sales Tax	10,917,821	9,809,264
Franchise Tax	2,272,994	2,143,885
Other Taxes	188,597	145,005
Licenses and permits	761,980	818,118
Intergovernmental	554,945	371,736
Fees and charges	5,444,356	4,912,921
Fines	1,085,589	935,671
Interest income	316,136	387,634
Other	926,990	631,971
<b>Total Revenues*</b>	<b>\$ 36,502,948</b>	<b>\$ 33,706,462</b>

\*Does not include component unit and Non-Major governmental funds.

The graph on the right illustrates governmental revenues by source. Property taxes (38%) and Sales tax (30%) are the largest sources of funds followed by Fees and Charges (15%).



# WHERE GENERAL FUND MONEY GOES

The money the City collects from all sources must be spent efficiently to provide services to the citizens and businesses of the City. The General fund finances the day-to-day operations of the City. General fund expenditures are categorized by the type of service provided. The different categories are General Government, Public Safety, Highways and Streets, Health and Welfare, and Culture and Recreation. Also fully operated this year was the City's 501(c)(3) organization, Police Athletic League (PAL), which is a youth prevention program that relies on educational, athletic and other recreational activities to cement a bond between police officers and the youth of the community.

## GOVERNMENTAL EXPENDITURES

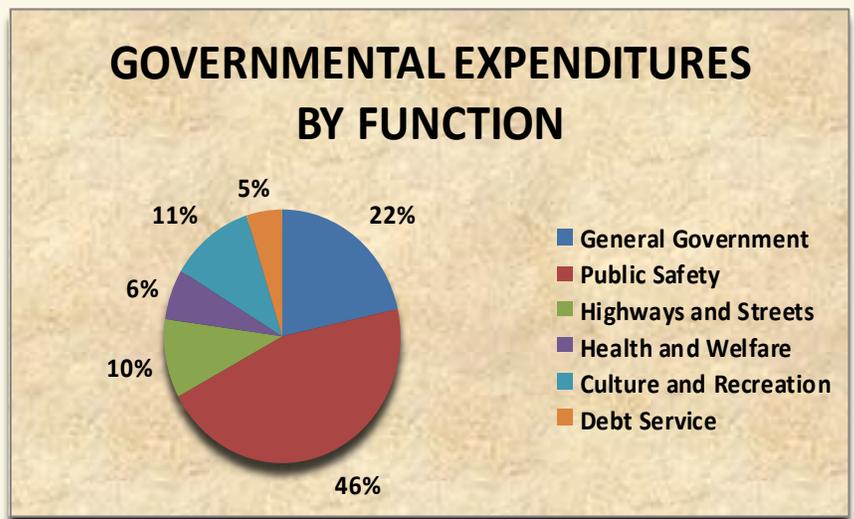
During the years ended September 30, 2014 and 2013, the City expended funds as shown below.

EXPENDITURES	2014	2013
General Government	\$9,207,787	\$9,127,124
Public Safety	19,477,291	19,894,925
Highways and Streets	4,296,700	2,132,006
Health and Welfare	2,758,305	2,371,340
Culture and Recreation	4,908,356	4,377,163
Debt Service	2,088,022	5,500,704
<b>Total Expenditures *</b>	<b>\$42,736,461</b>	<b>\$43,403,262</b>

\*Does not include component unit and Non-Major governmental funds.

The City expensed \$666,801 Thousand less than it expensed last year. This was mainly due to lower debt service principal and interest payments.

The graph on the right illustrates the General fund expenditures by function. Public Safety (46%) is the largest use of funds followed by General government (22%) and Culture and Recreation (11%).



### CITY'S CAPITAL ASSET

#### RECREATION AND PUBLIC SAFETY (2)

- Police Stations: 2
- Fire Stations: 3
- Police Units: 68
- Tennis Courts: 2
- Community and Convention Centers: 4
- International Bridge: 1
- Libraries: 1
- Golf Course: 1

#### PUBLIC SCHOOLS (1)

- High School: 3
- Middle Schools: 4
- Elementary Schools: 14
- Special Purpose Schools: 3

#### REFERENCES:

- (1) 2013-2014 P.S.J.A. ISD School District Enrollment
- (2) Various City Departments

**OTHER NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**-are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- Asset Sharing
- Community Development
- Hotel Motel
- Parkland Dedication
- Paving & Drainage
- Special Revenue
- Grants

**DEBT SERVICE FUNDS**-are used to account for the accumulation of resources and payment of general long-term debt.

- Debt Service

**CAPITAL PROJECTS FUNDS**-are used to account for major capital acquisition and construction activities.

- General Capital Projects

# GOVERNMENTAL FUNDS OVERALL FINANCES

The 2014 financial results of the City of Pharr for general government purposes were as follows:

Revenues	\$ 36,502,948
Expenditures	\$ 42,736,461
Total	\$ (6,233,513)

The City's general fund brought in less money than it spent. This is due to expenditures made with last year's excess cash. This amount excludes data from Component units and Non-major governmental funds and transfer in and out from/to other funds.



Pharr Memorial Library

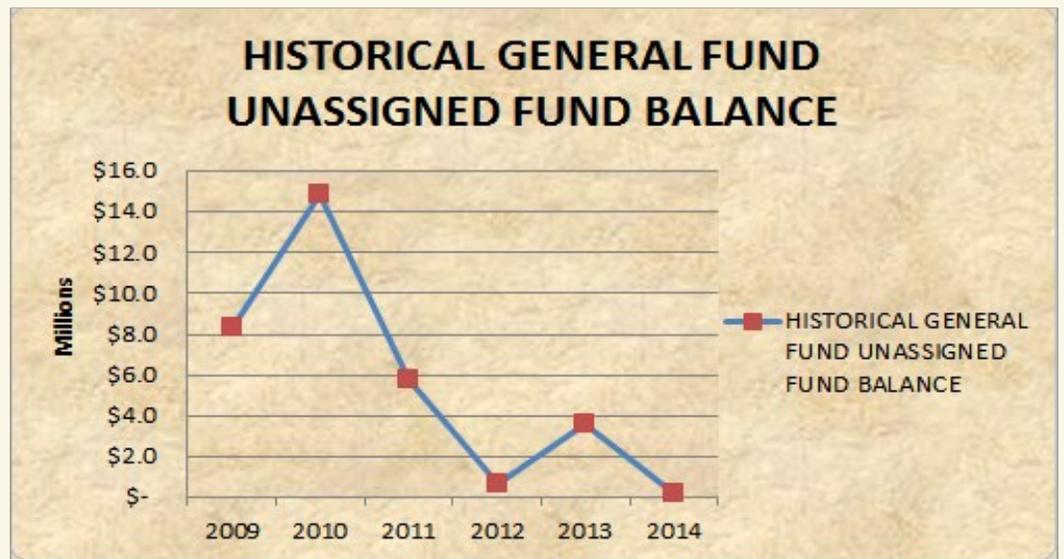
## GENERAL FUND UNASSIGNED FUND BALANCE

At the end of the current fiscal year, the unassigned fund balance for the general fund decreased \$3.38 million from fiscal year 2013. The unassigned fund balance of the General Fund at the end of the year represents funds available that the city can use for any of its purposes. The decrease is due to the purchase of land of over \$200 thousand, provide funding to the Hotel/Motel fund for \$752 thousand, the Golf Course for operations for roughly \$682 thousand, the Paving and Drainage Fund to pay off outstanding debt in the amount of \$693 thousand, and to Police Athletic League for operations in the amount of roughly 229 thousand. This information does not include the City's Contingency Fund (an amount kept in reserve to guard against possible losses) of 25% of operating expenditures. At the end of 2013-2014 that amount equaled to \$8.3 million.

	<b><u>2014-2013</u></b>	<b><u>2013-2012</u></b>
Unassigned General Fund, Fund Balance	\$0.21	\$3.59

(in millions)

Below is a chart that compares the general fund's unassigned fund balance for the past five years.



# ENTERPRISE FUNDS

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business. There are three enterprise funds in the City: Utility Fund, Bridge Fund, and Golf Course Fund.

The Utility fund revenue sources include water sales, sewer sales, tapping fees, and reconnecting fees. Bridge major revenue source is toll fees, and Golf revenue sources include member fees, food and beverage sales, and cart rentals.

The following chart shows operating income (loss) for enterprise funds for the year ended September 30, 2014.

	UTILITY FUND	BRIDGE FUND	GOLF FUND
Operating Revenues	\$ 13,670,175	\$ 12,572,173	\$ 786,422
Operating Expenses	11,909,165	4,394,603	1,384,333
<b>Operating Income (Loss)</b>	<b>\$ 1,761,010</b>	<b>\$ 8,177,570</b>	<b>\$ (597,911)</b>

## 2014 OPERATING INDICATORS BY FUNCTION

### International Bridge

Car Crossings: 866,328  
Truck Crossings: 508,180

### Utilities

New Connections 256  
Water main breaks 1,642

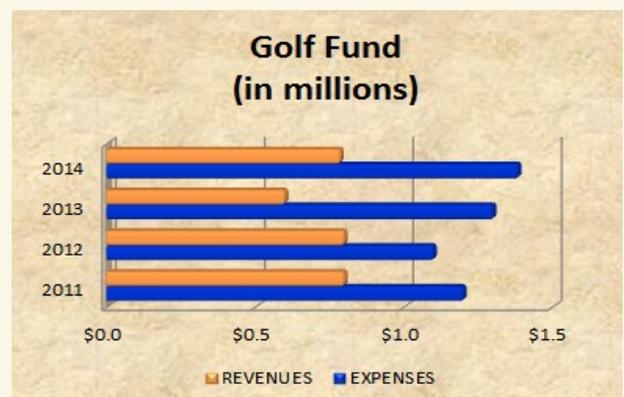
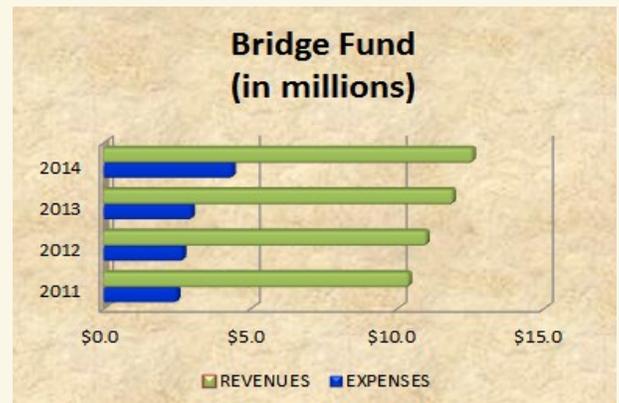
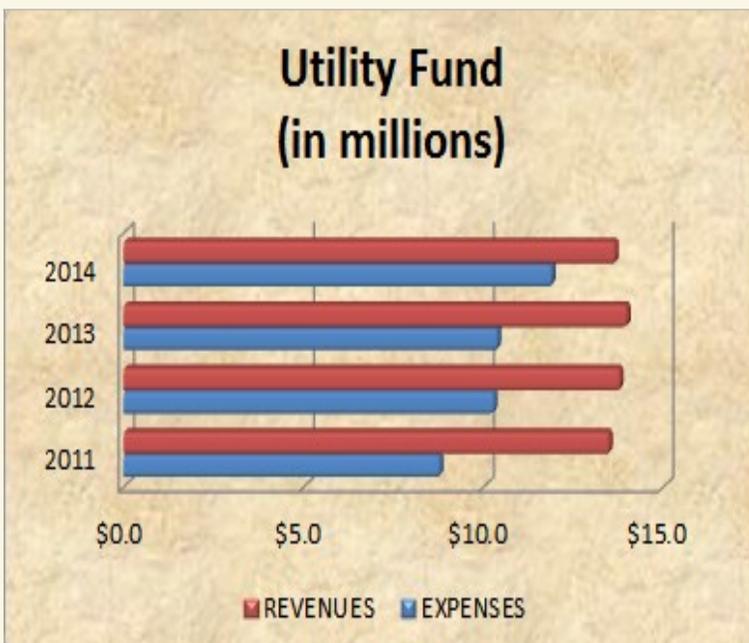
Avg. daily Consumption (millions of gallons) 7.1 MGD

Avg. daily Sewage treatment (thousands of gallons) 5.1 MGD

Water mains (miles) 304  
Sanitary sewers (miles) 267  
Storm sewers (miles) 96.6

SOURCE:  
Various City Departments

The following charts show a comparison of revenues and expenses for the past four years for each of the enterprise funds (not including debt service or capital purchases).



**DEMOGRAPHIC  
AND ECONOMIC  
STATISTICS**

**POPULATION  
STATISTICS**

Population:	75,382
% Female:	52.0%(2)
% Male:	48.0%(2)
% with Bachelor	
Degree or higher	11.2%(2)
Median Household	
Income:	32,087(1)
Per Capita Income:	12,964(1)
Median Age:	28.3 (1)
School Enrollment:	32,287(1)

**POPULATION FOR THE  
LAST 10 YEARS**

2005	59,029
2006	61,360
2007	64,318
2008	66,078
2009	66,874
2010	67,217
2011	70,400
2012	72,513
2013	74,116
2014	75,382

**UNEMPLOYMENT  
RATE (2)**

City:	7.9%
State:	4.9%
County:	9.1%

**REFERENCES:**

- (1) City of Pharr September 30, 2014 Comprehensive Annual Financial Report
- (2) 2010 Census
- (3) Texas Workforce Commission

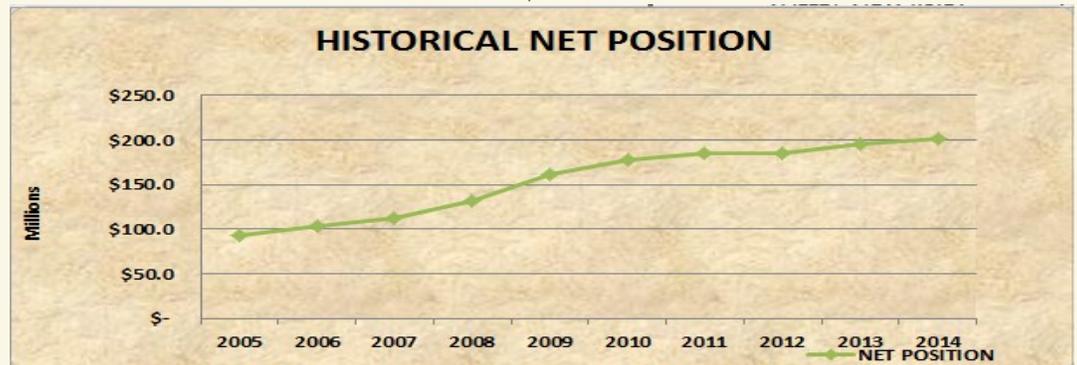
# GOVERNMENT-WIDE FINANCIAL ANALYSIS

## NET POSITION

Net position, the amount in which assets and deferred outflows (what we have) exceed liabilities and deferred inflows (what we owe), may serve as a useful indicator of a City's financial position. The City of Pharr's Net Position combined for fiscal year 2014 were \$202.8 million. Of this amount \$19.2 million are unrestricted net position which can be used to meet the government's ongoing obligations to citizens and creditors. The City's combined net position increased \$6.2 million from last year which is a 3.1%

NET POSITION	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Current and Other	\$ 62.1	\$ 62.4	\$ 46.0	\$ 47.2	\$ 108.0	\$ 109.6
Capital Assets	83.9	83.2	133.7	135.4	217.6	218.5
<b>Total Assets</b>	<b>\$ 145.9</b>	<b>\$ 145.5</b>	<b>\$ 179.7</b>	<b>\$ 182.6</b>	<b>\$ 325.6</b>	<b>\$ 328.1</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>						
Long-Term	\$ 45.7	\$ 50.8	\$ 55.0	\$ 58.4	\$ 100.8	\$ 109.2
Other Liabilities	11.9	11.5	10.1	10.8	22.0	22.3
<b>Total Liabilities</b>	<b>\$ 57.7</b>	<b>\$ 62.3</b>	<b>\$ 65.1</b>	<b>\$ 69.1</b>	<b>\$ 122.8</b>	<b>\$ 131.4</b>
<b>NET POSITION</b>						
Net Invested in Capital Assets,	\$ 64.3	\$ 39.4	\$ 85.3	\$ 86.0	\$ 149.6	\$ 125.4
Restricted	15.0	35.8	19.0	21.4	34.0	57.2
Unrestricted	9.0	8.0	10.3	6.0	19.2	14.0
<b>Total Net Position</b>	<b>\$ 88.2</b>	<b>\$ 83.2</b>	<b>\$ 114.6</b>	<b>\$ 113.4</b>	<b>\$ 202.8</b>	<b>\$ 196.6</b>

\*Includes all funds and component unit.



## LONG-TERM DEBT

The City issues long term debt to finance long-term projects. At the end of the fiscal year, the City had a total of \$104.5 million contractually obligated long-term debt. Total Long-term debt decreased by \$8.9 million from last year. The decrease was due to the standard retirement of debt and new capital leases.



In Millions (not including unamortized activity)

# ECONOMIC OUTLOOK

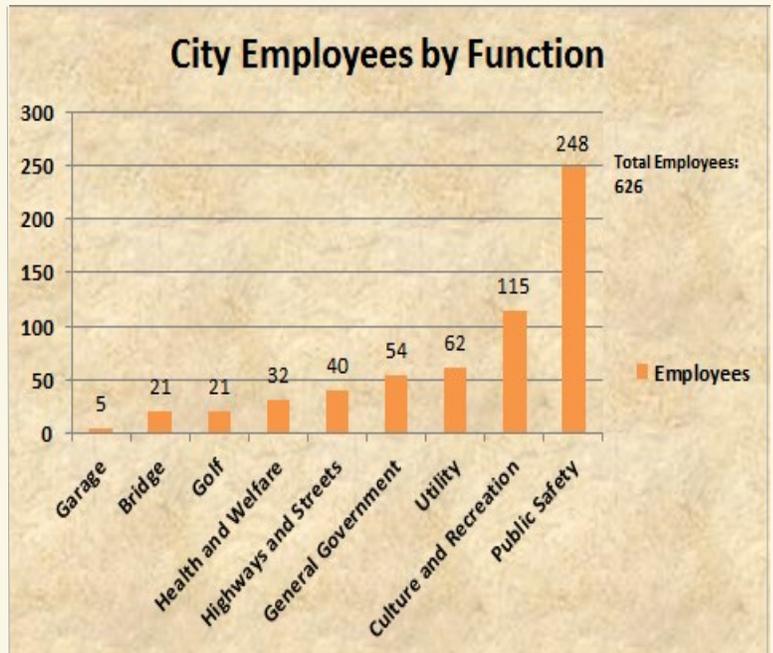
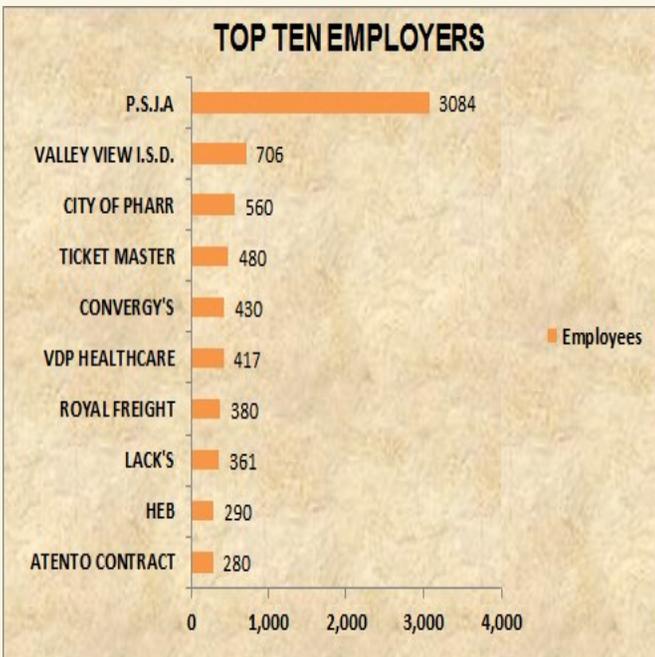
## UPCOMING PROJECTS

- Continued expansion of the Industrial area located close to the International Bridge
- Ongoing development to the shopping mall area
- Consolidation of land in major retail corridor for increase in retail opportunities

## SALES TAX TREND

Sales tax collection for the last four years show a positive trend.

Compared to last year, 11 of the 12 months of sales tax revenues showed positive growth. The sales tax positive trend is expected to continue and have a positive outcome in the upcoming year.



# FEDERAL AND STATE GRANTS RECEIVED

POLICE DEPARTMENT

\$996,882



COMMUNITY PLANNING AND DEVELOPMENT

\$1,874,134

MUNICIPAL COURT

\$21,418



PUBLIC WORKS

\$107,378

PUBLIC UTILITIES

\$366,333



TIERRA DEL SOL  
GOLF COURSE

\$46,454