CITY OF PHARR, TX

Pharr
All-America City
2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2011

RECIPIENTS OF:

GFOA Certificate of Achievement for Excellence in Financial Reporting

GFOA Distinguished Budget Presentation Award

GTOT Government Treasurers Organization of Texas Est. 1987 Certificate of Distinction

Comptroller Leadership Circle Member

City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2011

ELECTED OFFICIALS

Leo "Polo" Palacios, Jr. - Mayor

Adan Farias
Arturo J. Cortez
Aquiles Garza
Bobby Carrillo
Eduardo Cantu
Oscar Elizondo, Jr.

CITY MANAGER

Fred Sandoval

FINANCE DIRECTOR

Juan G. Guerra, CPA

INDEPENDENT AUDITORS

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

Prepared by:

Pharr
Finance Department

CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

CITY OF PHARR
On the Rise!

MAYOR
Leo "Polo" Palacios, Jr.

COMMISSIONERS
Arturo J. Cortez
Roberto "Bobby" Carrillo
Oscar Elizondo, Jr.
Eduardo "Eddie" Cantu
Aquiles "Jimmy" Garza
Adan Farias

CITY MANAGER
Fred Sandoval

Pharr
All-America City
2006

March 20, 2012

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

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. 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 controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of Pharr, Texas.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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.

On November 10, 2008 via ordinance O-2008-49, the PEDC 4b 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 4b 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.

Tel. (956) 702-5335 • Fax: (956) 702-5313 • 118 S. Cage • P.O. Box 1729 • Pharr, Texas 78577

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 an 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 and U.S Business 83 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 largest International Bridge in the world and is the gateway to Latin America along U.S 281. Pharr will be 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.

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 over 50% in sales tax collections. Its population has steadily increased to over 70,000 people. The housing industry has slowed but is still increasing, businesses continue to look at Pharr and the Pharr-Reynosa International Bridge traffic is still producing positive changes in net assets. The sales tax base has shown good signs of reversing its negative trend 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
- Additional industrial warehouses
- Redevelopment of local mall

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 2011, which will be in effect during next fiscal year, is expected to see a minor decrease in tax appraisals that will provide the City with levies slightly less than this fiscal year. A strong indicator of the City's fiscal health is the ability to keep the same tax rate as tax year 2009 and 2010 during the national economic slow-down.
>
> **Sales Tax:** Sales tax revenue is used by the City as an economic indicator. This fiscal year, sales tax revenues were budgeted at a 1% decrease from the estimated actual of last fiscal year's sales tax collections. The City has experienced positive sales tax revenue growth in 18 out of the last 19 months. During the upcoming fiscal year, City is expected to have its highest sales tax revenues ever.

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 are in place this fiscal year. The fund balance is fully funded to three months of operating expenditures as of September 30, 2010. Also, the Bridge Fund reserve fund, which consists of one full year of operating expenses and one full year of the highest debt service balance, has also been fully funded as of September 30, 2010.

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. Last fiscal year, a long term lease was entered into to assist in providing much needed assets to the Police and Fire personnel, this fiscal year, and several grants were awarded to assist in paying for new public safety personnel and equipment.

The Police Department along with the Bridge administrators collectively with federal border security organizations began a southbound inspection station, a first of its kind in south Texas. The purpose is to slow the flow of stolen vehicles and weapons into Mexico.

The Fire Department is in need of an administration building. Several grant applications have been submitted to assist in paying for the building. We are still waiting on a response concerning this assistant.

Public Works: The cost of infrastructure continues to rise while the need for the projects continues to be a priority. A new fund was created this fiscal year to monitor the Paving and Drainage Assessment that are applied to every utility bill to assist in maintaining and developing new streets within the City. The assessment provides an additional $700,000 annually for that purpose. An example of this fund's benefit is that the school district in Pharr is building two new schools, these funds will be used to assist in paying for the development of streets leading to the schools.

Utility Infrastructure: The utility capital projects expenditures for the upcoming fiscal year are budgeted at $12,590,000. Prior year's net revenues/fund balance will be used up almost in its entirety. For this fiscal year, there are eleven utility capital projects: water tower rehab; wastewater collection system improvements (6); a wastewater and a water treatment plant construction; and two waterline relocation projects.

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). The majority of the bridge traffic is from commercial vehicles. Although several international bridges are being built in surrounding communities, the City's continuous flow of commercial traffic is expected to continue at a prosperous rate.

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 UNRESERVED FUND BALANCE: The unreserved, undesignated fund balance of the General Fund are reflected in the table below.

	Fiscal Year (expressed in millions)		
	2010-11	**2009 - 10**	**2008 - 09**
Unreserved, Undesignated, Committed, Assigned, Unassigned General Fund, Fund Balance	$ 13.9	$ 14.9	$ 8.3
Days Expenditure	133	190	102
Unassigned General Fund, Fund Balance	$ 5.81	$ -	$ -
Days Expenditure	56	-	-

The total General Fund fund balance is $17.2 million; the committed, assigned, and unassigned fund balance (comparable to prior year's unreserved fund balance) is $13.9 million and is equal to 133 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.

UTILITY FUND NET ASSETS: The unreserved, available assets of the Utility Fund are reflected in the table below.

	Fiscal Year (expressed in millions)		
	2010 - 11	**2009 - 10**	**2008 - 09**
Unrestricted, Available Assets	$ 4.6	$ 1.5	$ 0.1
Days Expense	239	98	3

GENERAL FUND FUND BALANCE POLICY: The City approved fiscal policies during every budget process. The fiscal policy as it relates to General Fund fund balance 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 2010-2011 that balance was $8 million; this amount was fully funded and per City Commission action, 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 approved by the City Commission. Use of these funds will be disclosed to the Commission. If the required amounts go 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.

DEBT ADMINISTRATION: State law provides for and limits the issuance of debt. Furthermore, the amount of bonds issued or to be issued by the City, or on the City's behalf, shall at no time exceed ten percent of the value of property within the City that is subject to ad valorem tax.

General obligation bonds are backed by the full faith and credit of the City of Pharr and are used to finance permanent public improvements. They are repaid through an apportionment of the ad valorem tax. In January 2011, Fitch reaffirmed the rating of the City to "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, 2011, 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 2.02%, far greater than anything in the investment market.

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.

OTHER INFORMATION

INDEPENDENT AUDIT: The City's financial statements have been audited by Oscar R. Gonzalez, CPA, a firm of a licensed certified public accountant and his degreed accounting staff. As a result of the audit, the City's financial statements have received an unqualified opinion. This indicates that there was no limitation on the scope of the auditor's examination, that the financial statements conform to generally accepted accounting principles and that the statements present fairly, in all material respects, the financial position of the City at September 30, 2011.

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 for the year ended September 30, 2010. This was the City's third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2010. This was the City's third budget award from GFOA. The budget for October 1, 2011 has been submitted for review and notification of an award is awaited. 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 and organization.

ACKNOWLEDGMENTS: The preparation of the City's fourth Comprehensive Annual Financial Report on a timely basis requires a great deal of cooperation. In recognition of that, the Finance Department gratefully acknowledges the leadership and support of the City Commission and City Manager. Furthermore, for their cooperation, the other departments within the City of Pharr have the Finance Department's appreciation. Also, the efforts of our external audit firm were invaluable.

Respectfully Submitted,

Fred Sandoval
City Manager

Juan G Guerra, CPA
Director of Finance

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

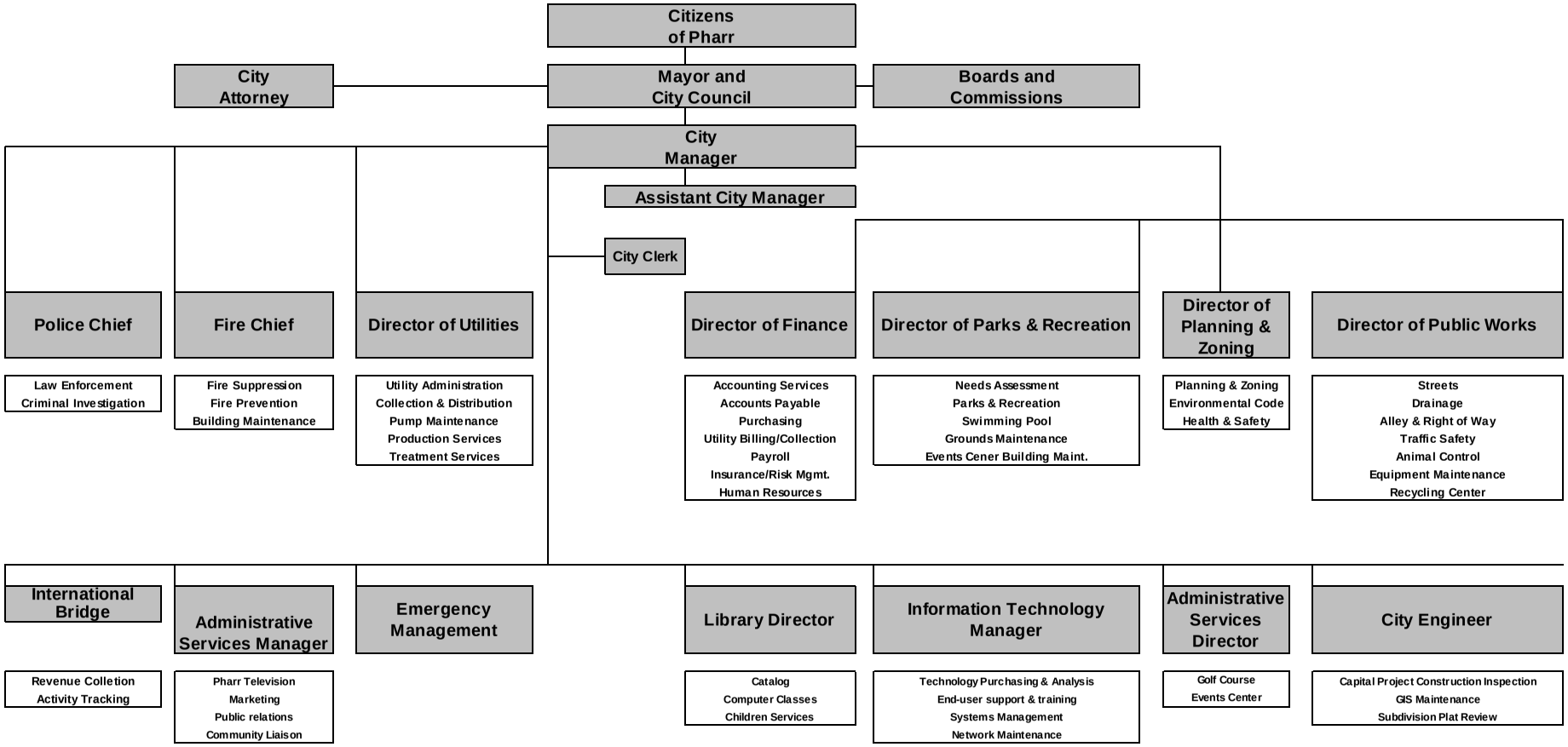
CURRENT CITY OFFICIALS

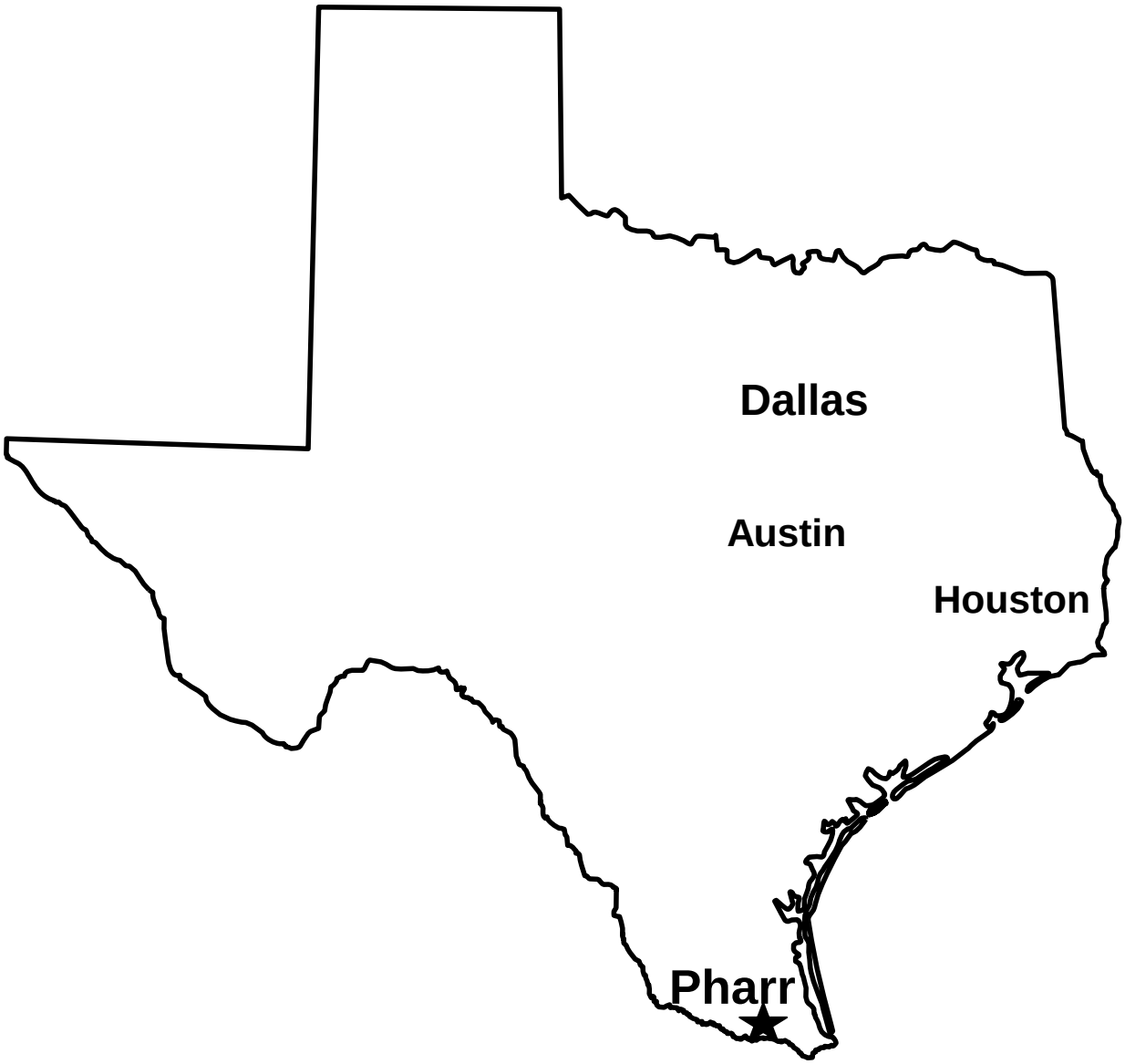
Elected Officials	
Mayor	Leo "Polo" Palacios, Jr.
Mayor – Pro Tem	Adan Farias
Alternate Mayor – Pro Tem	Arturo J. Cortez
Commissioner	Bobby Carrillo
Commissioner	Eduardo Cantu
Commissioner	Oscar Elizondo, Jr.
Commissioner	Aquiles Garza

Appointed Officials	
City Manager	Fred Sandoval

Department Directors	
City Clerk	Hilda Pedraza
Police Chief	Ruben Villescas
Fire Chief	Jaime Guzman
Assistant City Manager/Director of Utilities	David Garza
Director of Finance	Juan G Guerra, CPA
Director of Parks & Recreation	Frank Marin
Library Director	Adolfo Garcia
Director of Planning & Zoning	Javier Rodriguez
Public Works Director	Roy Garcia
Director of IT	Jason Arms
Bridge Director	Jesse Medina
Director of Administrative Services	Raul Garza

ORGANIZATION CHART - CITY OF PHARR




Dallas
Austin
Houston
Pharr

FINANCIAL SECTION

Independent Auditor's Report

Oscar R. González, CPA
&
Associates, P.L.L.C.
Certified Public Accountants
208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: orgl10n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the City Commissioners,

City of Pharr, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pharr, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pharr, Texas, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 59 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas's financial statements as a whole. The introductory section, combining and individual

nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

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

March 16, 2012

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over $80 million (net assets). Of this amount, over $16.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of more than $2.5 million in unrestricted net assets, or -13.35%. The decrease is mainly due to the Hotel fund purchasing land and renovation the convention center for over $2 million.
- At the end of the current fiscal year, spendable and non-restricted fund balance for all governmental funds decreased by more than $3.2 million, or -20.3%. This decrease is mainly due to the non-current advance from the General fund to the Hotel fund of over $2 million, which is considered a non-current advance. The advance was used to fund the renovation of the convention center.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over $104.9 million (net assets). Of this amount, over $12.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors, which is an increase of nearly $2.7 million, or more than 28.3%. The increase is due to the Utility Fund's change in net assets. The Utility fund routinely has positive change in net assets and will use the funds to reduce the amount of financing needed for capital projects.
- The General Fund assets exceeded its liabilities by over $17.2 million (fund balance). Of this amount, over $5.8 million (unassigned fund balance) may be used to meet the General Fund's ongoing obligations. This is a decrease of over $1 million, or -15.8%. The decrease is due to non-current advance from the General fund to the Hotel fund of over $2 million.

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

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

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, and golf course fees to all residents and businesses.

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 4B (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 and PEDC 4B) and ten 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 for the General Fund and the 4b fund, which is considered to be a major fund due to its importance to the City. 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, Bridge, Golf, and Garage funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund. The Retired Volunteer Firefighter's Pension Fund is an agency fund which accumulates resources for pension benefit payments to retired volunteer firefighter's or their resulting widow, it is an agency account because there is no written legal trust.

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.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over $179.6 million at the close of the fiscal year.

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

City of Pharr's Net Assets

Table 1 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	$32.2	$32.1	$38.6	$55.3	$70.8	$87.4
Capital assets	74.3	71.7	128.6	112.9	202.9	184.6
Total assets	$106.5	$103.8	$167.2	$168.2	$273.7	$272.0
Liabilities						
Long-term liabilities	$20.1	$19.4	$55.0	$56.7	$75.1	$76.1
Other liabilities	6.4	6.7	7.3	11.8	13.7	18.5
Total liabilities	$26.5	$26.1	$62.3	$68.5	$88.8	$94.6
Net Assets						
Invested in capital assets, net of related debt	$56.4	$53.4	$82.3	$82.6	$138.7	$136.0
Restricted	7.1	5.3	10.2	7.4	17.3	12.7
Unrestricted	16.5	19.0	12.4	9.7	28.9	28.7
Total net assets	$80.0	$77.7	$104.9	$99.7	$184.9	$177.4

By far the largest portion of the City's net assets ($138.7) reflects its investment 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 assets, $17.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($28.9 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 Assets along with last fiscal year's numbers are presented for comparison in the following table below:

City of Pharr's Changes in Net Assets

Table 2 – Dollars in Millions	**Governmental Activities**		**Business-Type Activities**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenues						
Program Revenues:						
Charges for services	$ 7.7	$ 7.3	$ 24.8	$ 23.3	$ 32.5	$ 30.6
Operating grants and contributions	3.4	4.2	-	-	3.4	4.2
Capital grants and contributions	-	0.5	0.6	2.5	0.6	3.0
General Revenues:						
Property tax	15.0	15.3	-	-	15.0	15.3
Sales tax	11.8	10.3	-	-	11.8	10.3
Other taxes	2.8	3.2	-	-	2.8	3.2
Other	1.3	0.6	0.8	1.1	2.1	1.7
Total Revenues	42.0	41.4	26.2	26.9	68.2	68.3
Expenses:						
General governmental	10.9	8.1	-	-	10.9	8.1
Public safety	21.6	19.8	-	-	21.6	19.8
Streets	3.8	3.1	-	-	3.8	3.1
Health and welfare	2.7	2.0	-	-	2.7	2.0
Culture and recreation	3.2	3.9	-	-	3.2	3.9
Interest of debt service	0.7	0.9	-	-	0.7	0.9
Utility	-	-	10.4	9.1	10.4	9.1
Toll bridge	-	-	3.1	3.4	3.1	3.4
Tierra Del Sol Golf Course	-	-	1.2	1.0	1.2	1.0
Total Expenses	42.9	37.8	14.7	13.5	57.6	51.3
Excess of revenues over expenditures	(0.9)	3.6	11.5	13.4	10.6	17.0
Transfers	7.2	1.8	(7.2)	(1.8)	-	-
Net change in fund balance	6.3	5.4	4.3	11.6	10.6	17.0
Net assets - beginning	77.7	71.9	99.7	88.7	177.4	160.6
Prior period adjustment	(4.0)	0.4	0.9	(0.6)	(3.1)	(0.2)
Net assets - ending	$ 80.0	$ 77.7	$ 104.9	$ 99.7	$ 184.9	$ 177.4

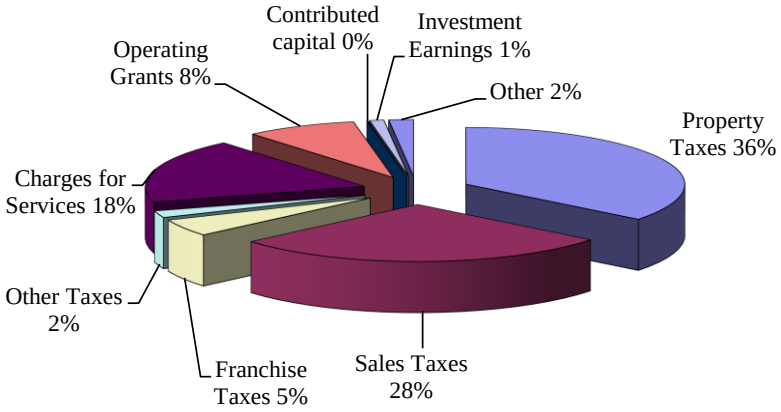
Governmental Activities

Governmental activities increased the City's net assets by $1 million, or 1.3%. The key change this fiscal year along with element of this decrease is described as follows:

- Increase of $1.6 million in sales tax

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

Revenues by Source – Governmental Activities



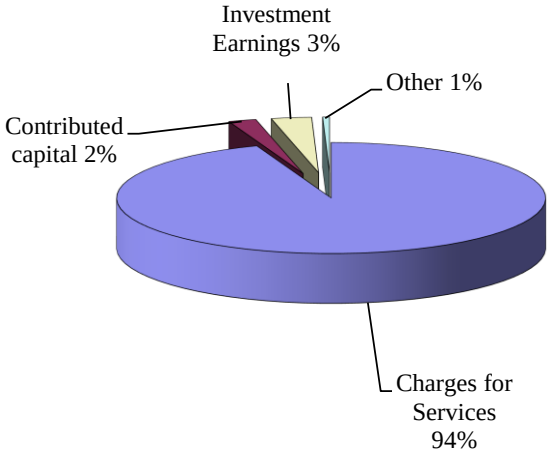
Business-Type Activities

Business-type activities increased the City's net assets by over $4.3 million, or 4.4%. Key changes this fiscal year along with elements of this increase are described as follows:

- Utility Fund's charges for services increased by $1.7 million
- Capital grants decreased by $2 million due to capital project grant funding received last fiscal year
- Increase in net assets decreased this year by 7.2 million due to a one-time transfer of excess funds by the Bridge to the General Fund.

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

Revenues by Source – Business-Type Activities



GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's net change in fund balance was more than $11.5 million more than budget. The operating revenues were $1.5 million more than budget. The main reason for this increase was due to property tax collection greater by $300,000 sales tax collections greater by $370,000, franchise tax greater by $205,000, building permits being greater by $224,000, and sanitation and brush charges being greater by $322,000 than the amended budget. Expenditures were $11.4 million less than budget. This savings mainly came from $8.2 million in General governmental expenditures that were budgeted for emergency repairs should the need arise (allocated in a contingency account). (see the Notes to Basic Financial Statement for additional information on budgetary policy)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Pharr's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounts to $195.1 million. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total increase in the City's investments in capital assets for the current fiscal year was $10.5 million or 5.7%.

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

Table 3- Dollars in millions	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 10.3	$ 4.4	$ 2.7	$ 2.6	$ 13.0	$ 7.0
Building and system improvements	20.5	19.4	16.5	16.9	37.0	36.3
Other improvements	3.4	8.4	2.4	2.7	5.8	11.1
Machinery and equipment	6.3	2.8	5.1	4.5	11.4	7.3
Infrastructure	31.5	34.4	79.4	39.2	110.9	73.6
Construction in progress	2.3	2.3	22.5	47.0	24.8	49.3
	$ 74.3	$ 71.7	$ 128.6	$ 112.9	$ 202.9	$ 184.6

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 $77.7 million. The details of the change in debt from last fiscal year are as indicated:

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

	2011	2010	Change
Governmental			
Bonds	$ 15.7	$ 14.4	$ 1.3
Certificates of obligation	-	2.7	(2.7)
Capital leases	2.7	1.6	1.1
Notes	-	0.3	(0.3)
	18.4	19.0	(0.6)
Business-Type			
Bonds	58.4	61.3	(2.9)
Notes	-	1.6	(1.6)
Capital leases	0.9	0.7	0.2
	59.3	63.6	(4.3)
Total	$ 77.7	$ 82.6	$ (4.9)

Long-term debt for the Governmental activities decreased by a net $.6 million. This decrease was due to the retirement of debt and a new capital lease debt.

Long-term debt for the Business-Type activities decreased by a net $4.3 million. This decrease was due to the standard retirement of debt and a new capital lease debt.

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.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Remodeled our current convention center for a mid-sized entertainment center (Pharr Events Center) will assist with tourism, property, hotel/motel, and sales tax funds increase.
- Owners of the retail shopping mall have shown interest in upgrading the area and allowing for an opportunity for economic growth.
- The need for a new comprehensive master plan has been identified. This will allow for better management growth for the city of Pharr.
- Annexation plans and public hearing that would almost double the current acreage area of the city has will need to be updated due to completion of legal challenges by a neighboring city.
- Major wholesale business is expand its business in Pharr.
- Industrial area located close to the international bridge continues to expand annually with a possibility of a new major development area catering to the bridge crossings.

All of these factors were considered in preparing the City's budget for the 2011-12 fiscal year.

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 ASSETS
SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Current assets:			
Cash	$ 19,922,122	$ 15,942,325	$ 35,864,447
Receivables (net of allowance for uncollectibles)	11,233,635	2,724,780	13,958,415
Prepaid Items	60,150	-	60,150
Internal balances	(248,568)	248,568	-
Inventories	255,673	115,247	370,920
Total current assets	31,223,012	19,030,920	50,253,932
Noncurrent assets:			
Restricted assets:			
Cash	68,860	11,901,532	11,970,392
Cash with Fiscal Agent	491,674	7,655,000	8,146,674
Intergovernmental receivable	493,478	-	493,478
Capital assets not being depreciated:			
Land	10,306,870	2,656,023	12,962,893
Construction in progress	2,308,191	22,507,841	24,816,032
Capital assets net of accumulated depreciation:			
Buildings and system	20,541,899	16,471,730	37,013,629
Improvements other than buildings	3,373,668	2,407,879	5,781,547
Machinery and equipment	6,325,309	5,112,674	11,437,983
Infrastructure	31,449,904	79,458,947	110,908,851
Total non-current assets	75,359,853	148,171,626	223,531,479
Total assets	$ 106,582,865	$ 167,202,546	$ 273,785,411
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	$ 2,643,856	$ 2,170,915	$ 4,814,771
Deferred revenue	675,137	35,214	710,351
Current portion debt payable	2,615,512	3,156,093	5,771,605
Liabilities payable from restricted assets	515,845	1,877,680	2,393,525
Total current liabilities	6,450,350	7,239,902	13,690,252
Noncurrent liabilities:			
Other post employment benefit	675,403	145,408	820,811
Due in more than one year, net	19,427,349	54,886,626	74,313,975
Total non-current liabilities	20,102,752	55,032,034	75,134,786
Total liabilities	26,553,102	62,271,936	88,825,038
NET ASSETS			
Invested in capital assets, net of related debt	56,408,108	82,300,300	138,708,408
Restricted for:			
Debt service	220,592	4,572,342	4,792,934
Capital projects	-	5,508,076	5,508,076
Economic Development	3,196,775	-	3,196,775
Other purposes	3,741,344	115,247	3,856,591
Unrestricted (deficit)	16,462,944	12,434,645	28,897,589
Total net assets	80,029,763	104,930,610	184,960,373
Total liabilities and net assets	$ 106,582,865	$ 167,202,546	$ 273,785,411

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

CITY OF PHARR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary government:							
Governmental activities:							
General government	$ 10,916,639	$ 1,961,947	$ 990,334	$ -	$ (7,964,358)		$ (7,964,358)
Public safety	21,545,454	1,183,745	1,954,150	-	(18,407,559)		(18,407,559)
Highways and streets	3,756,625	782,167	356,101	24,525	(2,593,832)		(2,593,832)
Health and welfare	2,749,480	3,559,743	4,332	-	814,595		814,595
Culture and recreation	3,239,382	256,708	146,468	-	(2,836,206)		(2,836,206)
Interest on long-term debt	735,833	-	-	-	(735,833)		(735,833)
Total governmental activities	42,943,413	7,744,310	3,451,385	24,525	(31,723,193)		(31,723,193)
Business-type activities:							
Utility	10,381,922	13,553,436	-	547,710		3,719,224	3,719,224
Toll Bridge	3,082,157	10,415,164	-	-		7,333,007	7,333,007
Tierra Del Sol Golf Course	1,236,242	811,717	-	-		(424,525)	(424,525)
Total business-type activities	14,700,321	24,780,317	-	547,710		10,627,706	10,627,706
Total primary government	$ 57,643,734	$ 32,524,627	$ 3,451,385	$ 572,235	$ (31,723,193)	$ 10,627,706	$ (21,095,487)
		General revenues:					
		Property taxes			14,984,010	-	14,984,010
		Sales taxes			11,837,797	-	11,837,797
		Franchise taxes			2,037,428	-	2,037,428
		Other taxes			807,298	-	807,298
		Investment earnings			440,385	794,697	1,235,082
		Gain on sale of assets			762,759	1,800	764,559
		Other			-	133,845	133,845
		Transfers			7,213,949	(7,213,949)	-
		Total general revenues and transfers			38,083,626	(6,283,607)	31,800,019
		Change in net assets			6,360,433	4,344,099	10,704,532
		Net assets - beginning			77,648,460	99,674,933	177,323,393
		Prior period adjustment			(3,979,130)	911,578	(3,067,552)
		Net assets - ending			$ 80,029,763	$ 104,930,610	$ 184,960,373

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

CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Economic Development Corporation 4B	Non-Major Governmental	Total Governmental
ASSETS				
Cash	$ 14,333,317	$ 2,539,653	$ 3,003,045	$ 19,876,015
Receivables (net of allowance for uncollectible):				
Property taxes	1,793,998	-	237,105	2,031,103
Warrants	5,817,102	-	-	5,817,102
Sales tax	1,504,372	495,053	-	1,999,425
Notes	-	130,909	60,951	191,860
Accounts	645,263	-	107,403	752,666
Intergovernmental	-	-	43,052	43,052
Other	318,463	5,200	74,766	398,429
Prepaid Items	-	60,150	-	60,150
Inventories	241,624	-	-	241,624
Due from other funds	3,404,772	240,093	230	3,645,095
Restricted assets:				
Cash	-	68,860	-	68,860
Cash with Fiscal Agent	491,674	-	-	491,674
Intergovernmental receivable	-	-	493,478	493,478
Total assets	$ 28,550,585	$ 3,539,918	$ 4,020,030	$ 36,110,533
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 2,291,730	$ 57,440	$ 202,129	$ 2,551,299
Due to other funds	240,323	5,247	3,643,441	3,889,011
Escrow accounts	515,845	-	-	515,845
Deferred property tax	1,793,998	-	237,105	2,031,103
Deferred accounts	645,263	-	107,403	752,666
Deferred warrants	5,817,102	-	-	5,817,102
Deferred revenue	29,034	50,000	596,102	675,136
Total liabilities	11,333,295	112,687	4,786,180	16,232,162
Fund balances:				
Nonspendable:				
Encumbrances	450,000	-	-	450,000
Inventory	241,624	-	-	241,624
Noncurrent advances	2,662,284	-	-	2,662,284
Restricted:				
Debt service	-	-	63,426	63,426
Street paving and drainage	-	-	376	376
Public safety	-	-	376,208	376,208
Community development	-	-	10,852	10,852
Economic development	-	3,196,776	-	3,196,776
Committed:				
Contingency	8,013,170	-	-	8,013,170
Assigned:				
Capital outlay	41,674	230,455	1,711,735	1,983,864
Unassigned:	5,808,538	-	(2,928,747)	2,879,791
Total fund balances	17,217,290	3,427,231	(766,150)	19,878,371
Total liabilities Total fund balances	$ 28,550,585	$ 3,539,918	$ 4,020,030	$ 36,110,533

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 ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Total fund balances - governmental funds balance sheet			$ 19,878,371
(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	128,847,623	
	Accumulated depreciation	(55,076,499)	73,771,124
(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 assets			
	Garage	548,765	548,765
(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 assets			
	Bonds/Certificates/Notes	(15,750,000)	
	Capital leases	(3,229,397)	
	Unspent financing proceed	491,674	
	Unamortized debt activity	589,991	(17,897,732)
(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	2,917,660	
	Allowance	(886,557)	2,031,103
(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	463,309	
	Brush & Debris	181,956	
	Paving	107,402	752,667
(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	(79,939)	(79,939)

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011 - 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	(879,231)	
		Long-term	(3,237,063)	(4,116,294)
(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	9,438,061	
		Allowance	(3,620,960)	5,817,101
(9)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions			
		OPEB Liability - Prior fiscal years	(520,698)	
		This fiscal year contribution	(154,705)	
				(675,403)
Net assets of governmental activities - statement of net assets				$ 80,029,763

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, 2011

	General	Economic Development Corporation 4B	Non-Major Governmental	Total Governmental
REVENUES				
Taxes:				
Property	$ 13,448,557	$ -	$ 1,681,392	$ 15,129,949
Sales	8,878,348	2,959,449	-	11,837,797
Franchise	2,037,428	-	-	2,037,428
Other	163,482	-	643,817	807,299
Licenses and permits	762,292	-	-	762,292
Intergovernmental	331,409	-	3,119,976	3,451,385
Fees and charges:				
Sanitation	2,457,464	-	-	2,457,464
Brush	1,024,975	-	-	1,024,975
Other	503,301	49,066	975,471	1,527,838
Fines	914,121	-	-	914,121
Interest income	337,483	40,593	62,308	440,384
Other	338,998	14,994	20,786	374,778
Total revenues	31,197,858	3,064,102	6,503,750	40,765,710
EXPENDITURES				
Current:				
General government	12,116,324	-	2,281,330	14,397,654
Public safety	17,858,474	-	2,104,276	19,962,750
Highways and streets	2,095,192	-	2,309,125	4,404,317
Health and welfare	2,550,318	-	4,332	2,554,650
Culture and recreation	3,446,095	-	2,564,138	6,010,233
Economic development	-	1,537,975	-	1,537,975
Debt service:				
Principal	-	-	1,635,000	1,635,000
Interest	-	-	712,338	712,338
Total expenditures	38,066,403	1,537,975	11,610,539	51,214,917
Excess (deficiency) of revenues over (under) expenditures	(6,868,545)	1,526,127	(5,106,789)	(10,449,207)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,413,287	-	4,201,861	11,615,148
Transfers (out)	(130,893)	(977,971)	(3,283,836)	(4,392,700)
Proceeds from sale of assets	19,600	746,950	38,056	804,606
Bond/loan proceeds	1,647,651	-	724,211	2,371,862
Total other financing sources and uses	8,949,645	(231,021)	1,680,292	10,398,916
Net change in fund balance	2,081,100	1,295,106	(3,426,497)	(50,291)
Fund balance - beginning	15,131,907	2,178,232	2,660,347	19,970,486
Prior period adjustment	4,283	(46,107)	-	(41,824)
Fund balance - ending	$ 17,217,290	$ 3,427,231	$ (766,150)	$ 19,878,371

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, 2011

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

	Net change in fund balances - total governmental funds			(50,291)
(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	11,166,516	
		Depreciation expense	(4,591,766)	6,574,750
(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	700	
		Contributed capital - streets	24,670	
		Depreciation - sanitation	(23)	
		Depreciation - highways	(822)	24,525
(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	(139,447)	
				(139,447)
(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 proceeds	(2,371,863)	
		Unspent lease proceeds	491,674	
		Lease/Notes	763,024	
		Net refunding cash outflow	23,215	
		Tax Supported Debt, net of refunc	1,635,000	
		Unamortized debt activity	(38,045)	503,005
(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	Current tax	995,907	
		Delinquent tax	(1,141,846)	(145,939)

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, 2011

(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	(68,915)	
		Brush	(477)	
		Paving	(362)	(69,754)
(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	(79,939)	
		Prior year accrual	94,489	14,550
(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	(4,116,294)	
		Prior year	3,700,958	(415,336)
(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	(5,556,181)	
		Current Year Warrant A/R	5,817,102	260,921
(10)	The proceeds from the sale of land are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital asset account in the statement of net assets and offset against the sale proceeds resulting in a "gain on sale of asset" in the statement of activities. Thus, more revenue is reported in governmental funds than the gain in the statement of activities			
		PEDC sale proceeds	(804,605)	
		Gain on sale	762,759	(41,846)
(11)	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	(346,635)	
		This fiscal year contribution	191,930	
				(154,705)
Change in net assets of governmental activities				$ 6,360,433

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

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CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
ASSETS					
Current assets:					
Cash	$ 8,131,116	$ 7,607,187	$ 204,022	$ 15,942,325	$ 46,106
Receivables (net of allowance for uncollectible):					
Accounts	2,448,850	202,148	-	2,650,998	-
Other	67,124	-	6,658	73,782	-
Inventories	97,380	-	17,867	115,247	14,048
Due from other funds	-	400,000	-	400,000	-
Restricted assets:					
Cash	11,896,479	5,053	-	11,901,532	-
Cash with Fiscal Agent	7,655,000	-	-	7,655,000	-
Total current assets	30,295,949	8,214,388	228,547	38,738,884	60,154
Capital assets (net of accumulated: depreciation):					
Land	837,036	819,645	999,342	2,656,023	-
Buildings	14,323,236	1,797,065	351,429	16,471,730	450,698
Improvements other than buildings	304,069	117,260	1,986,550	2,407,879	84,018
Machinery and equipment	2,733,722	2,300,335	78,617	5,112,674	-
Infrastructure	64,372,440	15,008,130	78,377	79,458,947	-
Construction in progress	22,336,930	170,911	-	22,507,841	-
Total capital assets, net of accumulated depreciation	104,907,433	20,213,346	3,494,315	128,615,094	534,716
Total noncurrent assets	104,907,433	20,213,346	3,494,315	128,615,094	534,716
Total assets	$ 135,203,382	$ 28,427,734	$ 3,722,862	$ 167,353,978	$ 594,870

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
LIABILITIES					
Current liabilities payable:					
Accounts payable	$ 1,937,806	$ 36,596	$ 23,597	$ 1,997,999	$ 12,618
Accrued liabilities	137,920	34,996	-	172,916	-
Due to other funds	95,573	33,379	22,480	151,432	4,653
Deferred revenue	-	-	35,214	35,214	-
Total current liabilities payable	2,171,299	104,971	81,291	2,357,561	17,271
Current liabilities payable from restricted assets:					
Customer deposits payable	1,849,222	-	-	1,849,222	-
Escrow payable	28,458	-	-	28,458	-
Current portion accrued compensation	94,415	40,881	17,760	153,056	5,784
Current portion capital lease	75,959	181,882	46,294	304,135	-
Current portion bonds/notes, net	2,355,620	343,282	-	2,698,902	-
Total current liabilities payable from restricted assets	4,403,674	566,045	64,054	5,033,773	5,784
Total current liabilities	6,574,973	671,016	145,345	7,391,334	23,055
Noncurrent liabilities:					
Accrued compensation	564,931	147,851	89,279	802,061	23,051
Other post employment benefit	86,244	36,813	22,351	145,408	-
Capital lease payable	185,257	326,177	136,683	648,117	-
Bonds/notes principal payable	47,919,326	5,517,122	-	53,436,448	-
Total noncurrent liabilities	48,755,758	6,027,963	248,313	55,032,034	23,051
Total liabilities	55,330,731	6,698,979	393,658	62,423,368	46,106
NET ASSETS					
Net assets:					
Invested in capital assets, net of related debt	65,144,080	13,844,883	3,311,337	82,300,300	534,716
Restricted for:					
Debt service	4,567,289	5,053	-	4,572,342	-
Capital projects	5,508,076	-	-	5,508,076	-
Other	97,380	-	17,867	115,247	14,048
Unrestricted	4,555,826	7,878,819	-	12,434,645	-
Total net assets	$ 79,872,651	$ 21,728,755	$ 3,329,204	$ 104,930,610	$ 548,764

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Operating revenues:					
Charges for sales and services:					
Water sales	$ 7,472,115	$ -	$ -	$ 7,472,115	$ -
Sewer service	5,499,441	-	-	5,499,441	-
Tap fees	434,422	-	-	434,422	-
Toll fees	-	10,225,622	-	10,225,622	-
Golf services	-	-	720,174	720,174	-
Other	147,458	189,542	91,543	428,543	458,240
Total operating revenues	13,553,436	10,415,164	811,717	24,780,317	458,240
Operating expenses:					
Personnel services	2,472,856	945,832	511,286	3,929,974	147,576
Supplies and Materials	1,481,809	67,061	173,464	1,722,334	691
Contractual Services	2,991,569	762,743	191,599	3,945,911	311,955
Depreciation	1,859,185	712,728	355,979	2,927,892	130,947
Total operating expenses	8,805,419	2,488,364	1,232,328	12,526,111	591,169
Operating income (loss)	4,748,017	7,926,800	(420,611)	12,254,206	(132,929)
Nonoperating revenues (expenses):					
Investment earnings	568,772	221,400	4,525	794,697	-
Interest expense	(1,467,123)	(372,075)	(3,914)	(1,843,112)	-
Amortization expense	(109,380)	(221,718)	-	(331,098)	-
Other	77,190	18,587	38,068	133,845	-
Gain on sale of assets	1,800	-	-	1,800	1,980
Total nonoperating revenues (expenses)	(928,741)	(353,806)	38,679	(1,243,868)	1,980
Income before contributions and transfers	3,819,276	7,572,994	(381,932)	11,010,338	(130,949)
Transfers in	-	278,450	115,401	393,851	14,048
Transfers (out)	(677,800)	(6,900,000)	(30,000)	(7,607,800)	(22,547)
Capital contributions	547,710	-	-	547,710	-
Changes in net assets	3,689,186	951,444	(296,531)	4,344,099	(139,448)
Total net assets - beginning	76,435,486	19,409,291	3,830,156	99,674,933	630,741
Prior period adjustment	(252,021)	1,368,020	(204,421)	911,578	57,471
Total net assets - ending	$ 79,872,651	$ 21,728,755	$ 3,329,204	$ 104,930,610	$ 548,764

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, 2011

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 13,160,976	$ 10,232,844	$ 726,296	$ 24,120,116	$ 458,240
Payments to suppliers	(1,468,530)	(67,061)	(172,673)	(1,708,264)	(3,364)
Payments to employees	(2,353,712)	(916,863)	(490,717)	(3,761,292)	(146,437)
Payments for contractual services	(5,379,691)	(748,344)	(187,269)	(6,315,304)	(321,845)
Payments (to)/from others	147,993	189,542	91,543	429,078	-
Net cash flow (to)/from operating activities	4,107,036	8,690,118	(32,820)	12,764,334	(13,406)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from grants	751,042	200,000	-	951,042	-
Advances (to)/from other funds	103,525	92,496	45,950	241,971	1,770
Transfers in from other funds	-	278,450	115,401	393,851	14,048
Transfers out to other funds	(677,800)	(6,900,000)	(30,000)	(7,607,800)	(22,548)
Net cash provided/(used) by noncapital and related financing activities	176,767	(6,329,054)	131,351	(6,020,936)	(6,730)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(14,995,846)	(77,862)	(224,559)	(15,298,267)	-
Principal paid on long-term debt	(4,622,989)	(2,307,188)	179,429	(6,750,748)	-
Interest paid on long-term debt	(1,449,191)	(382,497)	(3,914)	(1,835,602)	-
Capital contributions	547,710	-	-	547,710	-
Net cash provided/(used) by capital and related financing activities	(20,520,316)	(2,767,547)	(49,044)	(23,336,907)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Maturity (purchases) of investments	695,000	-	-	695,000	-
Interest income received	568,772	221,400	4,526	794,698	-
Net cash provided/(used) by investing activities	1,263,772	221,400	4,526	1,489,698	-
Net increase/(decrease) in cash	(14,972,741)	(185,083)	54,013	(15,103,811)	(20,136)
Cash beginning of fiscal year	42,655,336	7,797,323	150,009	50,602,668	66,242
Cash end of fiscal year	$ 27,682,595	$ 7,612,240	$ 204,022	$ 35,498,857	$ 46,106

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	$ 4,748,017	$ 7,926,800	$ (420,611)	$ 12,254,206	$ (132,929)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,859,185	712,728	355,979	2,927,892	130,947
(Increase) Decrease in Accounts and Other Receivables, net	(115,297)	7,221	2,624	(105,452)	-
(Increase) Decrease in Inventories	13,278	-	791	14,069	(2,671)
Increase (Decrease) in Accounts Payable	(2,388,124)	14,399	4,329	(2,369,396)	(9,890)
Increase (Decrease) in Accrued Compensation	119,144	28,970	20,569	168,683	1,137
Increase (Decrease) in Deferred/Escrow Revenue	534	-	3,499	4,033	-
Increase (Decrease) in Customer Deposits	(129,701)	-	-	(129,701)	-
Total adjustments	(640,981)	763,318	387,791	510,128	119,523
Net cash provided by operating activities	$ 4,107,036	$ 8,690,118	$ (32,820)	$ 12,764,334	$ (13,406)

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

CITY OF PHARR, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

		Retired Volunteer Firefighter's Pension Agency Fund
ASSETS		
Cash	$	109,543
Investments		220,663
Total assets		330,206
LIABILITIES		
Accounts payable		330,206
Total liabilities		330,206
NET ASSETS		
Held in trust for pension benefits and other purposes	$	-

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

NOTES TO THE FINANCIAL STATEMENTS

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 one blended component unit, the Pharr Economic Development Corporation (PEDC) 4b. PEDC info 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 revenues. The PEDC board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is because the City appoints all PEDC board members and can be removed them at will,

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

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
P.O. Box 1729
Pharr, TX 78577

Discretely Presented Component Unit
Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. There are no discretely presented component units in the City of Pharr.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets 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.

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 City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (continued)

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.

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 4B*– is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.

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.
- *Bridge Fund* – accounts for the operating function of the City's international bridge with Mexico.

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.

The Retired Volunteer Firefighter's Pension Fund is an agency fund (no legal trust exists) which accumulates resources for pension benefit payments to retired volunteer firefighter's or their resulting widow.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Liabilities and Net Assets 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 as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to County-wide revaluation every five years. The effective tax rate is based upon the previous year's total assessed valuation.

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 and 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Liabilities and Net Assets or Equity – (continued)

6. Capital Assets – (continued)
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)

Non exempt employees may accumulate no more than a maximum of two years allotment of vacation leave as set above. Exempt employees can 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, as well as issuance cost 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, issuance cost and gain or loss on refunding are not netted against the liability but recorded in the asset portion of the financial statements. 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.

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 Assets / 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.

12. General Fund's Fund Balance Policy
The City has adopted GASB 54 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. Assets, Liabilities and Net Assets or Equity – (continued)

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

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 Hotel/Motel fund. 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.

-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. Committed amounts cannot be used for any other purpose unless the governing board removes 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 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). For this fiscal year, the General Fund committed balance was more than fully funded at over $8 million since the requirement to be funded was $7,613,083.
>
> 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.

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 several budget amendments during the fiscal year. The major reasons for the amendment was: to account for the funds received from the dissolution of PEDC 4a, to allocate funds for a year end salary stipend, allocate transfers to the General Capital Projects fund, and to reduce the sales tax revenue. In the General fund, net budget amendments totaled roughly $1,508,100 in expenditures over revenues.

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 and the recording of bond/loan proceeds.

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations of current health and welfare by $28,343. The main reason for this excess was due to the routine costs incurred for sanitation services. Expenditures exceeded appropriations of current culture and recreation by $22,275. The main reason for this excess was due to utility costs for indoor recreation. Expenditures exceeded appropriations of transfers out by $63,343. The main reason for this excess was due to supplementation of the Golf Course Fund.

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:

Violation	Action Taken
None	Not applicable

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

E. Deficit Fund Equity/Net Assets

There were two funds with a deficit fund balance. The Hotel/Motel Fund has a negative balance due to the borrowing of funds for the improvement of the convention center that was transformed into an events center. This negative fund balance was expected and will remain for several years, until the borrowings have been repaid. The Special Revenue Fund also has a negative fund balance, due to the allowance for bad debt. This negative fund balance was expected and will remain for several years, until the allowance is either written off or collected.

F. Prior Period Adjustment

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

Governmental Reports **Purpose of Prior Period Adjustment**	**Amount**
General Fund:	
Grant revenue received for prior year expenditures	$ 4,283
Special Revenue Fund: PEDC 4B:	
Reconcile fund balance	(46,107)
Total Governmental Funds Adjustment	$ (41,824)
Enterprise Fund: Utility Fund:	
Clear capital project grant receivable, all grant funds have been received, adjustment to accumulated depreciation	$ (252,021)
Enterprise Fund: Bridge Fund:	
Adjustment to accumulated depreciation	1,368,020
Enterprise Fund: Golf Fund:	
Adjustment to accumulated depreciation	(204,421)
Internal Service Fund: Garage Fund:	
Adjustment to accumulated depreciation	57,471
Total Proprietary Funds Adjustment	$ 969,049
Fiduciary Fund: Volunteer Firefighter's Pension Agency Fund:	
Remove funds that were not for pension purposes	$ (42,307)
Total Fiduciary Fund Adjustment	$ (42,307)

Government-Wide Reports **Purpose of Prior Period Adjustment**	**Amount**
Governmental Activities:	
Adjustment to accumulated depreciation	$ (3,994,777)
Total Governmental Activities Adjustment	$ (3,994,777)

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.

At September 30, 2011, the carrying amount of all of the City's deposits was $47,944,382. The City has one depository account: LoneStar National Bank (LSNB).

LSNB Depository Account	September 30, 2011 Bank Balance
Insured	$ 250,000
Security collateral issued by pledging bank's trust department in the City's name	66,942,621
(Over-insured)/over-collateralized	(17,805,965)
Total Deposits	$ 49,386,656

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, 2011, 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 $63,779,842
c. The highest combined balances of cash accounts amounted to $63,787,903 and occurred during February 2011
d. The total amount of FDIC coverage at the time of the largest combined balance was $250,000

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Cash with fiscal agents of $6,183,751 on September 30, 2011, 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. There are two fiscal agents, one is Texas Water Development Board with cash that is escrowed to the City of $5,692,077, and SunTrust with cash that is escrowed to the City of $491,674.

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, 2011. The City's depository provides a greater savings rate (a floor of 2%) according to the depository contract entered into. The funds are available immediately as needed.

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

A. Deposits and Investments - (continued)

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.

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

B. Receivables

Receivables for the City at September 30, 2011, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Non-Major & Other	Total	Utility	Bridge & Golf	Total
Property taxes	$ 2,555,414	$ 362,246	$ 2,917,660	$ -	$ -	$ -
Warrants	9,438,061	-	9,438,061	-	-	-
Sales tax	1,504,372	495,053	1,999,425	-	-	-
Notes	-	191,860	191,860	-	-	-
Accounts	659,353	109,599	768,952	2,552,053	195,734	2,747,787
Intergovernmental	-	536,530	536,530	-	-	-
Franchise taxes	172,489	-	172,489			
Other	212,668	137,894	350,562	17,182	13,072	30,254
Gross receivables	14,542,357	1,833,182	16,375,539	2,569,235	208,806	2,778,041
Less: allowance for uncollectible	(4,463,161)	(185,266)	(4,648,427)	(53,261)	-	(53,261)
Net total receivable	$ 10,079,197	$ 1,647,916	$ 11,727,113	$ 2,515,974	$ 208,806	$ 2,724,780

C. Payables

Payables for the City at September 30, 2011, were as follows:

	Governmental Activities	Business-Type Activities				
	Governmental	Utility	Bridge	Golf	Business-Type Total	Total
Vendors	$ 1,313,789	$ 979,199	$ 36,596	$ 23,596	$ 1,039,391	$ 2,353,180
Salaries & benefits	1,027,474	-	-	-	-	1,027,474
Retainage fee	-	958,608	-	-	958,608	958,608
Accrued interest	79,940	137,920	34,996	-	172,916	252,856
Due to the state	222,653	-	-	-	-	222,653
Total payables	$ 2,643,856	$ 2,075,727	$ 71,592	$ 23,596	$ 2,170,915	$ 4,814,771

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

D. Deferred 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:

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general & debt service funds)	$ 2,031,103	$ -
Outstanding municipal court warrants (general)	5,817,102	-
Utility charges receivable (general fund)	645,263	-
Restricted revenues (general fund) - other	-	29,034
Restricted revenues (special revenue fund) - other	-	536,394
Special assessment (special revenue fund) - paving	-	107,403
Loans receivable (PEDC 4B fund) - other	-	50,000
Loans receivable (community development fund)	-	59,694
Intergovernmental (grants fund and community development fund)	-	14
Total deferred/unearned revenues for governmental funds	$ 8,493,468	$ 782,539

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, 2011 consisted of the following:

		DUE FROM Governmental Funds					
		General	PEDC 4B	Community Development	Grant	Hotel/ Motel	Total Governmental
DUE TO	General	$ -	$ 5,247	$ 87,528	$ 483,815	$ 2,672,098	$ 3,248,688
	PEDC 4B	240,093	-	-	-	-	240,093
	Community Development	230	-	-	-	-	230
	Total governmental	240,323	5,247	87,528	483,815	2,672,098	3,489,011
	Bridge	-	-	-	-	400,000	400,000
	Total enterprise	-	-	-	-	400,000	400,000
	Total	$ 240,323	$ 5,247	$ 87,528	$ 483,815	$ 3,072,098	$ 3,889,011

		DUE FROM Enterprise Funds				DUE FROM Internal Service Funds		DUE FROM
		Utility	Bridge	Golf	Total Enterprise	Garage	Total Internal Service	Grand Total
DUE TO	General	$ 95,572	$ 33,379	$ 22,480	$ 151,431	$ 4,653	$ 4,653	$ 3,404,772
	PEDC 4B	-	-	-	-	-	-	240,093
	Community Development	-	-	-	-	-	-	230
	Total governmental	95,572	33,379	22,480	151,431	4,653	4,653	3,645,095
	Bridge	-	-	-	-	-	-	400,000
	Total enterprise	-	-	-	-	-	-	400,000
	Total	$ 95,572	$ 33,379	$ 22,480	$ 151,431	$ 4,653	$ 4,653	$ 4,045,095

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance
Primary Government					
Governmental Activities:					
Capital assets, not being depreciated:					
Land and right of way	$ 3,382,693	$ 5,985,047	$ -	$ -	$ 9,367,740
Construction in Progress	2,286,712	3,415,582	3,394,103	-	2,308,191
Total capital assets, not being depreciated	5,669,405	9,400,629	-	-	11,675,931
Capital assets, being depreciated:					
Buildings	26,290,249	2,659,870	-	-	28,950,119
Machinery and equipment	12,055,146	2,269,594	562,255	(62,541)	13,699,944
Improvements other than buildings	5,269,252	115,000	-	-	5,384,252
Infrastructure	67,877,215	759,604	-	-	68,636,819
Total capital assets, being depreciated	111,491,862	5,804,068	562,255	(62,541)	116,671,134
Less accumulated depreciation for:					
Buildings	7,653,177	736,530	-	776,374	9,166,081
Machinery and equipment	3,631,620	422,840	-	3,320,175	7,374,635
Improvements other than buildings~	2,539,956	752,145	-	(1,216,689)	2,075,412
Infrastructure	33,477,059	2,637,613	-	1,072,243	37,186,915
Total accumulated depreciation	47,301,812	4,549,128	-	3,952,103	55,803,043
Total capital assets, being depreciated, net	64,190,050	1,254,940	562,255	(4,014,644)	60,868,091
Governmental activities capital assets, net	**$ 69,859,455**	**$ 10,655,569**	**$ 562,255**	**$ (4,014,644)**	**$ 72,544,022**
Business-Type Activities:					
Capital assets, not being depreciated:					
Land and right of way	2,622,109	33,914	-	-	2,656,023
Construction in Progress	46,982,444	16,324,923	40,799,526	-	22,507,841
Total capital assets, not being depreciated	49,604,553	16,358,837	40,799,526	-	25,163,864
Capital assets, being depreciated:					
Buildings	27,928,299	195,876	-	-	28,124,175
Machinery and equipment	13,626,400	441,026	-	-	14,067,426
Improvements other than buildings	3,518,317	162,179	-	-	3,680,496
Infrastructure	55,554,919	41,332,174	-	-	96,887,093
Total capital assets, being depreciated	100,627,935	42,131,255	-	-	142,759,190
Less accumulated depreciation for:					
Buildings	11,005,846	646,597	-	-	11,652,443
Machinery and equipment	9,145,275	793,800	984,325	-	8,954,750
Improvements other than buildings	808,954	463,664	-	-	1,272,618
Infrastructure	16,404,317	1,023,831	-	-	17,428,148
Total accumulated depreciation	37,364,392	2,927,892	984,325	-	39,307,959
Total Capital assets, being depreciated, net	63,263,543	39,203,363	(984,325)	-	103,451,231
Business-Type activities capital assets, net	$ 112,868,096	$ 55,562,200	$ 39,815,201	$ -	$ 128,615,095
Total Primary Government	$ 182,727,551	$ 66,217,769	$ 40,377,456	$ (4,014,644)	$ 201,159,117

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

F. Capital Assets - (continued)

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance
Component Unit-Blended					
Capital assets, not being depreciated:					
Land and right of way	$ 1,091,885	$ 328,728	$ 481,483	$ -	$ 939,130
Total capital assets, not being depreciated	1,091,885	328,728	481,483	-	939,130
Capital assets, being depreciated:					
Buildings	1,137,326	-	-	-	1,137,326
Machinery and equipment	69,226	-	-	-	69,226
Improvements other than buildings	79,365	-	-	-	79,365
Total capital assets, being depreciated	1,285,917	-	-	-	1,285,917
Less accumulated depreciation for:					
Buildings	341,555	37,910	-	-	379,465
Machinery and equipment	67,422	1,804	-	-	69,226
Improvements other than buildings	11,613	2,924	-	-	14,537
Total accumulated depreciation	420,590	42,638	-	-	463,228
Total Capital assets, being depreciated, net	865,327	(42,638)	-	-	822,689
Component Unit-Blended capital assets, net	$ 1,957,212	$ 286,090	$ 481,483	$ -	$ 1,761,819
City-Wide capital assets, net	$ 184,684,763	$ 66,503,859	$ 40,858,939	$ (4,014,644)	$ 202,920,936

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

Governmental Activities	
General Government	$ 1,304,819
Public Safety	1,857,788
Highways & Streets	873,507
Sanitation	318,183
Culture and Recreation	194,831
Economic Development	42,638
Total Governmental Activities	$ 4,591,766

Business-Type Activities	
Utility	$ 1,859,185
Bridge	712,728
Golf	355,979
Total Business-Type Activities	$ 2,927,892

This walk-forward capital asset table has an “Adjustment” column this fiscal year. Due to the reconciliation of our capital asset module in our accounting system, a computer error was identified. The error had an incorrect accumulated depreciation calculation. This adjustment will update the ending capital asset balances to their correct figures. A prior period adjustment is also being recorded to correct the accumulated depreciation balances in our financial statements.

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, 2011:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Refunding Bonds Payable	$ 14,395,000	$ 2,220,000	$ 865,000	$ --	$ 15,750,000	$ 1,435,000
Certificates of Obligation	2,745,000	--	2,745,000	--	-	-
Unamortized Issuance Cost	(292,896)	(73,887)	(117,727)	--	(249,056)	(40,368)
Unamortized Premium/(Discount)	166,599	115,613	28,686	--	253,526	17,239
Unamortized Gain/(Loss) on Refunding	(501,739)	(138,335)	(45,613)	--	(594,461)	(80,196)
Capital Leases Payable	1,620,544	2,371,862	763,009 *	(491,674)	2,737,723	398,822
CDBG Section 108 Note Payable	270,000	--	270,000	--	-	-
Other Post Employment Benefits	520,698	154,705	--	--	675,403	-
Accrued Compensated Absences - PEDC	--	26,091	--	--	26,091	7,137
Accrued Compensated Absences	3,726,884	1,721,398	1,329,244	--	4,119,038	877,878
Total Governmental Activities	$ 22,650,090	$ 6,397,447	$ 5,837,599	$ (491,674)	$ 22,718,264	$ 2,615,512
Business-Type Activities						
Revenue Bonds Payable *	$ 49,100,000	$ --	$ 1,715,000	$ -- *	$ 47,385,000	$ 2,130,000
Refunding Revenue Bonds Payable	12,245,000	--	1,215,000	--	11,030,000	900,000
Tax Note Payable	1,595,000	--	1,595,000	--	-	-
Unamortized Issuance Cost	(1,405,240)	--	(104,122)	--	(1,301,118)	(104,123)
Unamortized (Premium)/Discount	38,239	--	3,187	--	35,052	3,187
Unamortized (Gain)/Loss on Refunding	(1,243,748)	--	(230,163)	--	(1,013,585)	(230,163)
Capital Leases Payable	713,012	549,858	310,602	--	952,268	304,136
Other Post Employment Benefits	111,218	34,190	--	--	145,408	-
Accrued Compensated Absences	931,843	210,488	187,229	--	955,102	153,056
Total Business-Type Activities	$ 62,085,324	$ 794,536	$ 4,691,733	$ --	58,188,127	3,156,093
Total Primary Government	$ 84,735,414	$ 7,191,983	$ 10,529,332	$ (491,674)	$ 80,906,391	$ 5,771,605

*Unspent Proceeds

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, 2011 is comprised of the following:

	Original Issuance	Series	Type	Name	Payment Installments	Installments Lowest	Installments Highest	Interest Rates Lowest	Interest Rates Highest	Payment Through	Current Balance
Governmental Activities	$ 16,110,000	2005B	Refunding Bonds	GO	Annual	$ 905,000	$ 1,535,000	3.75%	5.00%	08/15/2021	$ 13,530,000
	2,220,000	2011	Refunding Bonds	GO	Annual	530,000	580,000	2.00%	4.00%	08/15/2015	2,220,000
										Subtotal - Refunding Bonds	15,750,000
										Governmental Total	$ 15,750,000
Business-Type Activities	$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW&SS	Annual	$ 185,000	$ 190,000	0.00%	0.00%	09/01/2013	$ 380,000
	29,000,000	2007	Revenue Bonds - CWSRF	WW&SS	Annual	790,000	2,480,000	2.90%	3.50%	09/01/2027	26,050,000
	13,310,000	2007A	Revenue Bonds - DWSRF	WW&SS	Annual	380,000	1,075,000	2.35%	2.35%	09/01/2027	12,495,000
	10,000,000	2007B	Revenue Bonds - NADBank	WW&SS	Annual	385,000	685,000	3.75%	3.75%	09/01/2027	8,460,000
										Subtotal - Revenue Bonds	47,385,000
	9,755,000	2005A	Refunding Bonds	CT&IBR	Annual	510,000	740,000	3.63%	4.50%	08/15/2022	6,740,000
	6,430,000	2008	Refunding Bonds	WW&SS	Annual	75,000	815,000	3.60%	3.60%	09/01/2018	4,290,000
										Subtotal - Refunding Bonds	11,030,000
										Business-Type Total	$ 58,415,000

CT&IBR = Combination Tax & International Bridge Revenue
CWSRF = Clean Water State Revolving Fund
DWSRF = Drinking Water State Revolving Fund
GO = General Obligation
NADBank = North American Development Bank
WW&SS = Waterworks & Sewer System

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, 2011 are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2012	$ 1,435,000	$ 639,510	$ 2,074,510	$ 3,030,000	$ 1,949,819	$ 4,979,819
2013	1,485,000	594,973	2,079,973	3,050,000	1,856,419	4,906,419
2014	1,535,000	543,373	2,078,373	3,145,000	1,758,292	4,903,292
2015	1,585,000	490,318	2,075,318	3,250,000	1,650,746	4,900,746
2016	1,675,000	427,928	2,102,928	3,360,000	1,539,526	4,899,526
2017 - 2021	8,035,000	970,014	9,005,014	18,730,000	5,943,527	24,673,527
2022 - 2026	--	--	--	19,610,000	2,710,476	22,320,476
2027	--	--	--	4,240,000	144,201	4,384,201
	$ 15,750,000	$ 3,666,116	$ 19,416,116	$ 58,415,000	$ 17,553,006	$ 75,968,006

2. Capital Leases Payable

Capital leases payable at September 30, 2011 is comprised of the following issues:

Capital Leases	Governmental	Business-Type	Total
$279,600 lease payable; due in monthly installments of $3,832, including interest, through June 10, 2013; interest at 4.08% All funds used to purchase Machinery & Equipment	77,541	-	77,541
$2,322,000 lease payable; due in monthly installments of $31,600.21, including interest, through November 14, 2014; interest at 3.87% All funds used to purchase Machinery & Equipment	1,108,485	19,950	1,128,435
$895,638.10 lease payable; due in monthly installments of $17,103.60, including interest, through May 20, 2014; interest at 5.49% - All funds used to purchase Machinery & Equipment	-	508,059	508,059
$2,9221,720 lease payable; due in quarterly installments starting with $167,702.24, including interest, through May 20, 2014; interest at 2.42% - All funds used to purchase Machinery & Equipment	1,551,697	424,259	1,975,956
	$ 2,737,723	$ 952,268	$3,689,991

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense. Debt service requirements of capital lease obligations at September 30, 2011 are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
September 30,	Principal	Interest	Total	Principal	Principal	Total
2012	$ 398,822	$ 83,468	$ 482,290	$ 294,088	$ 33,188	$ 327,276
2013	905,634	56,833	962,467	306,998	20,292	327,290
2014	652,756	31,879	684,635	200,848	7,491	208,339
2015	276,714	16,390	293,104	45,736	3,346	49,082
2016	220,398	10,624	231,022	45,759	2,206	47,965
2017-2018	283,399	5,379	288,778	58,839	1,117	59,956
	$ 2,737,723	$ 204,573	$ 2,942,296	$ 952,268	$ 67,640	$ 1,019,908

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 and 2008, 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, 2011, the following outstanding bonds are considered defeased:

General Obligation Bonds		
- Interest rates:	5.00% - 5.53%	
Series 2003		$ 13,270,000
- Interest rates:	4.65% - 5.00%	
Series 2011		2,245,000
Waterworks & Sewer System Revenue Bonds		
- Interest rates:	4.15% - 6.74%	
Series 1996	through 1998a	6,033,000
Bridge Revenue Bonds		
- Interest rates:	3.625% - 4.25%	
Series 1998	through 2001	6,630,000
	Bonds legally defeased	$ 28,178,000

6. Defeased Debt This Fiscal Year

On May 19, 2011, the City of Pharr paid $38,353 as well as issued general obligation refunding State & Local Government Series bonds of $2,220,000 (par value) with an interest rate of 2% to 4% to advance refund term and serial bonds with interest rates ranging from 4.65% to 5% and a par value of $2,245,000. The refunding bonds are serial bonds which mature on August 15, 2015. The general obligation serial refunding bonds were issued at par with a premium of $115,613 and after paying issuance cost totaling $73,887, the net proceeds were $2,261,726. The net proceeds from the issuance of the revenue refunding bonds were used to purchase U.S. governmental securities, and those securities were deposited in an irrevocable trust with an escrow agent (U.S. Bank Corp. Trust Services) to provide debt service payments until bonds are called beginning on August 15, 2012. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements. They were previously recorded in the Government-Wide balance sheet.

As a result of the advance refunding, the City reduced the total debt service requirements by $158,428 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $76,790.

7. 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, 2011, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	$ 4,082,361
PEDC 4B	26,091
Community Development	7,842
Garage	28,835
Utility	659,331
Bridge	188,732
Golf	107,039
	$ 5,100,231

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

G. Long-Term Obligations - (continued)

8. 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, 2011, there was no liability of arbitrage that would have been owed to the federal government.

H. INTERFUND TRANSFERS

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2011, consisted of the following:

		TRANSFER FROM Governmental Funds						
		General	PEDC 4B	Hotel/ Motel	Parkland Dedication	Paving & Drainage	Debt Service	Total Governmental
TRANSFER TO	General	$ -	$ 132,940	$ -	$ -	$ -	$ -	$ 132,940
	Capital Projects	-	350,000	2,332,801	136,408	536,177	-	3,355,386
	Community Development	1,444	-	-	-	-	-	1,444
	Debt Service	-	495,031	-	-	-	-	495,031
	Total governmental	1,444	977,971	2,332,801	136,408	536,177	-	3,984,801
	Bridge	-	-	75,460	-	-	202,990	278,450
	Golf	115,401	-	-	-	-	-	115,401
	Total enterprise	115,401	-	75,460	-	-	202,990	393,851
	Garage	14,048	-	-	-	-	-	14,048
	Total internal service	14,048	-	-	-	-	-	14,048
	Total	$ 130,893	$ 977,971	$2,408,261	$ 136,408	$ 536,177	$202,990	$ 4,392,700

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 to Community Development, Golf, and Garage was for routine operational expenditures. PEDC 4B's transfers to General is for reimbursement of operational expenditures. The PEDC 4B's transfer to Debt Service is for a bond issue the General Fund undertook a portion of which is to be paid through PEDC's sales tax collection. The PEDC 4B's transfer to Capital Projects is

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

H. INTERFUND TRANSFERS - (continued)

to assist in funding the construction of a capital project. The Hotel/Motel transfer to Capital Projects was for a project to upgrade the Convention Center. The Hotel/Motel transfer to Bridge (debt issued for a Hotel/Motel project) is for prior year agreement and is expected to continue for several more years. The Parkland Dedication transfer to Capital Projects was for a project to construct a swimming pool. The Paving & Drainage transfer to Capital Projects is for street improvement projects. The Debt Service transfer to the Bridge is to provide tax proceeds for the payment of general obligation debt accounted for in Bridge, this transfer will continue as long as excess debt related tax proceeds are collected.

The following transfers are related to Proprietary transactions. The Utility transfers to General are for reimbursement on the use of General assets and for payroll related charges, the reimbursement transfer is expected to continue in future years. Transfers from Bridge to General are for capital and operational transactions and are expected to continue in future years if the Bridge has excess funds. The Golf transfer to General is for reimbursement of capital expenditures from a prior year and is expected to continue in future years. The Garage transfer to General is for payroll related expenses and is not expected to occur in future years.

		TRANSFER FROM Enterprise Funds				TRANSFER FROM Internal Service Funds		
		Utility	Bridge	Golf	Total Enterprise	Garage	Total Internal Service	Grand Total
TRANSFER TO	General	$ 327,800	$ 6,900,000	$ 30,000	$ 7,257,800	$ 22,547	22,547	$ 7,413,287
	Capital Projects	350,000	-	-	350,000	-	-	3,705,386
	Community Development	-	-	-	-	-	-	1,444
	Debt Service	-	-	-	-	-	-	495,031
	Total governmental	677,800	6,900,000	30,000	7,607,800	22,547	22,547	11,615,148
	Bridge	-	-	-	-	-	-	278,450
	Golf	-	-	-	-	-	-	115,401
	Total enterprise	-	-	-	-	-	-	393,851
	Garage	-	-	-	-	-	-	14,048
	Total internal service	-	-	-	-	-	-	14,048
	Total	$ 677,800	$ 6,900,000	$ 30,000	$ 7,607,800	$ 22,547	$ 22,547	$ 12,023,047

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

I. Restricted Assets

The balances of restricted asset as of September 30, 2011 are as follows:

Governmental Funds		
Grant restrictions - Grant	$	493,478
Grant restrictions - PEDC 4B		68,860
Capital outlay reserves - General		491,674
Total restricted assets - governmental funds	$	1,054,012
Business-Type Funds		
Capital financing - Utility	$	13,134,967
Customer deposits - Utility		1,849,221
Debt reserves - Utility		4,567,291
Debt reserves - Bridge		5,053
Total restricted assets - business-type funds	$	19,556,532
Total restricted assets	$	20,610,544

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.

IV. OTHER INFORMATION - (continued)

A. Risk Management - (continued)

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.

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. 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.

IV. OTHER INFORMATION - (continued)

C. Commitments – (continued)

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, 2011.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2011, they are as follows:

	Project Amount	Expended To Date	Remaining Cost
Sam Houston	$ 287,269	$ 194,539	$ 92,730
Owassa road - east	505,640	271,101	234,539
Owassa road - west	470,525	235,989	234,536
Owassa/Jackson	500,000	346,052	153,948
Hall Acres West	3,905,220	681,220	3,224,000
Downtown Drainage	2,455,959	218,821	2,237,138
Aquatic Park	13,388,000	339,862	13,048,138
Rancho Blanco	150,000	20,607	129,393
Total Governmental	$ 21,662,613	$ 2,308,191	$ 19,354,422
Sewer collection - Engineering	$ 300,000	$ 120,406	$ 179,594
Wastewater Plant	17,575,757	16,651,765	923,992
Water Plant	13,273,495	5,530,160	7,743,335
LBJ Watertower Rehab	1,500,000	34,600	1,465,400
Port of Entry Modernization	416,649	170,910	245,739
Total Business-Type	$ 33,065,901	$ 22,507,841	$ 10,558,060
Total	$ 54,728,514	$ 24,816,032	$ 29,912,482

4. Economic Development Commitments

The City of Pharr has five year economic commitments with a major restaurant and a grocery store. The commitments deal with increases in property and sales taxes associated with their activity, which means there is no net liability. A major retail company also has a commitment with the City for 3 years, worth $1.5 million per year regardless of economic activity.

The Pharr Economic Development Corporation (PEDC) 4B has the following outstanding commitments:

Program Commitment To	Amount Pending
Universal Metal Products	$ 15,726
Colimar International	225,000
Monarch Business Park	291,000
Casa Rodriguez	61,000
Total	$ 592,726

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V. OTHER INFORMATION - (continued)

D. 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 2010	Plan Year 2011
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%, Transfers	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:

Trend Information

	Fiscal Years Ended December 31,		
	2010	2009	2008
Net Pension Obligation at Beginning of Period	$ -	$ -	$ -
Annual Pension Cost:			
Annual Required Contribution	3,059,283	3,092,191	3,396,106
Contributions Made	3,059,283	3,092,191	3,396,106
Net Pension Obligation at End of Period	$ --	$ --	$ --

IV. OTHER INFORMATION - (continued)

D. Pension Plan - (continued)

The required contribution rates for this fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2010, also follows:

General System-wide Actuarial Assumptions

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - Prior to Restructuring	12/31/2010 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Gains/Losses	29 Years - Closed Period	28 Years - Closed Period	27 Years - Closed Period	28 Years - Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	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, 2010, 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)
12/31/2008	$ 26,472,033	$ 35,134,900	75.3%	$ 8,662,867	$ 16,450,849	52.7%
12/31/2009	28,465,143	37,276,917	76.4%	8,811,774	17,729,336	49.7%
12/31/2010[1]	31,719,659	40,488,486	78.3%	8,768,827	17,770,636	49.3%
12/31/2010[2]	41,686,353	46,768,782	89.1%	5,082,429	17,770,636	28.6%

[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.

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.

IV. OTHER INFORMATION - (continued)

E. 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) knows 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 2011, 2010, and 2009 were $5,224.87, $5,319, and $3,290 respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (ARC) (Rate)	Actual Contribution Made (Rate)	Percentage of ARC
2008	0.03%	0.03%	100.0%
2009	0.02%	0.02%	100.0%
2010	0.03%	0.03%	100.0%
2011	0.02%	0.02%	100.0%

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.

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.

IV. OTHER INFORMATION - (continued)

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

4. Retiree Health Insurance Benefit Plan Funding Policy

The policy of the City is to fund the plan on a pay-as-you-go basis. An irrevocable trust to fully fund this benefit plan has been created will be funded beginning next year.

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, 2010.

The following table 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:

		As of January 1, 2010
Valuation Results		**Total Benefits**
1. Present Value of Future Benefits	$	6,786,852
2. Actuarial Accrued Liability		4,698,844
3. Normal Cost Beginning of Year		128,988
4. Net OPEB Obligation (NOO)		631,916
Amortization Cost		
5. Actuarial Accrued Liability		4,698,844
6. Amortization Factor (30 years)		16.29
7. Amortization cost (5./6.)		288,450
Annual Required Contribution		
Using 30-Year Amortization		
8. Normal Cost with 4.5% Interest to EOY		134,792
9. Amortization Cost at end of year		288,450
10. Total	$	423,242
Assumptions		
Discount Rate		4.5%
Healthcare cost trend rate		
* 2010 - 2011		9%
* Ultimate (2015)		4.5%
Future participation rate		100%
Future retirees covering a spouse		0%
Annual OPEB Cost, Contribution, and Change in OPEB - FYE 9/30/11		
Annual required contribution prior to adjustments	$	423,242
Interest on net OPEB obligation at 4.5%		28,436
Adjustment to annual required contribution		(38,792)
Annual OPEB cost		412,886
Contributions made		(243,199)
Increase in net OPEB obligation		169,687
Net OPEB obligation beginning of year		640,768
Net OPEB obligation end of year	$	810,455

IV. OTHER INFORMATION - (continued)

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

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

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 o Annual OPE Cost Contribut
2009	$ 559,157	$ 243,199	43.5%
2010	559,157	243,199	43.5%
2011	412,886	234,347	56.8%

The information presented relating to the Retiree Health Insurance Benefit Plan (including the information in the Required Supplementary Information section) was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date	01/01/2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Projected Salary Increases	N/A
Healthcare Inflation Rate	10% initial, 4.5% ultimate

F. Subsequent Events

In late September 2011, the City authorized the creation of Pharr Public Facilities Corporation #1. This Corporation was created for the purpose of assisting in creating and or partnering up with third parties for retail development. In November 2011, the City lent this corporation $13 million to buy land from a developer and incentivize a major retailer for economic development. In January 2012, the corporation received a $15 million loan and repaid the City. The entire $15 million is for economic development. The loan principle is for $15 million, amortized 15 years, but for a term of 5 years with a balloon at the fifth year, no penalty for prepayment, interest rate of prime plus zero, and secured by the PEDC 4B's sales tax. Should the PEDC have to use its sales tax to repay the loan, the General Fund will reimburse the PEDC 4B for 100% of its costs.

In October 2011, the City authorized the creation of Pharr Public Facilities Corporation #2. This Corporation was created for the purpose of assisting in creating and or partnering up with third parties for industrial development. In September 2011, the City purchased land and entered into an agreement with this Corporation for the development of this land. The City is in final discussions for obtaining a $12 million loan to provide funding for developing the land for industrial purposes. The loan principle is estimated to be for $12 million, amortized 15 years, but for a term of 5 years with a balloon at the fifth year, no penalty for prepayment, interest rate of prime plus zero, and secured by the City's bridge crossing revenues and the land the City has already purchased.

On January 2012, the City Commission gave the Finance Department authority to go out for bids for capital lease financing of $1,505,150 for capital equipment purchases in the new fiscal year.

IV. OTHER INFORMATION - (continued)

F. Subsequent Events - (continued)

The City is finalizing a loan package for the purchase of land that will be used to house the Public Works Department. The loan principle is estimated to be for $1,020,000, amortized and for a term of 7 years, no penalty for prepayment, interest rate of 4.5%, and secured by the land the City will purchase with the funds.

The City is currently in negotiations with Hidalgo County for participation in a Tax Increment Reinvestment Zone #1 (TIRZ). The TIRZ will be for industrial development purposes. It is estimated that Hidalgo County will participate in the TIRZ by providing 50% of the incremental maintenance and operation (M&O) tax increase, the City will participate by providing 70% of the incremental maintenance and operation (M&O) tax increase.

G. New Accounting Principles

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011.

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)
12/31/08	26,472,033	35,134,900	75.3%	(8,662,867)	16,450,849	52.7%
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%

(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)
1/1/08	$ -	$ 6,701,179	0.0%	$ (6,701,179)	$ 16,450,849	40.7%
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%

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, 2011

	Budgeted Amounts		Actual Budget	Final Variance
	Original	Final	Basis	Budget Basis
REVENUES				
Taxes:				
Property	$ 13,149,000	$ 13,149,000	$ 13,448,557	$ 299,557
Sales	7,466,300	8,508,600	8,878,348	369,748
Franchise	1,832,100	1,832,100	2,037,428	205,328
Other	144,000	144,000	163,482	19,482
Licenses and permits	487,000	487,000	762,292	275,292
Intergovernmental	405,320	405,320	331,409	(73,911)
Fees and charges:				
Sanitation	2,200,000	2,200,000	2,457,464	257,464
Brush	960,000	960,000	1,024,975	64,975
Other	585,210	510,210	503,301	(6,909)
Fines	1,088,000	888,000	914,121	26,121
Interest income	220,000	220,000	337,483	117,483
Other	137,710	397,280	338,998	(58,282)
Total revenues	28,674,640	29,701,510	31,197,858	1,496,348
EXPENDITURES				
Current:				
General government	14,207,100	20,835,180	12,116,324	8,718,856
Public safety	18,075,545	18,898,685	17,858,474	1,040,211
Highways and streets	2,169,300	2,287,360	2,095,192	192,168
Health and welfare	2,460,975	2,521,975	2,550,318	(28,343)
Culture and recreation	3,119,130	3,423,820	3,446,095	(22,275)
Total expenditures	40,032,050	47,967,020	38,066,403	9,900,617
Excess (deficiency) of revenues over (under) expenditures	(11,357,410)	(18,265,510)	(6,868,545)	11,396,965
OTHER FINANCING SOURCES (USES)				
Transfers in	1,990,740	7,390,740	7,413,287	22,547
Transfers (out)	(97,550)	(97,550)	(130,893)	(33,343)
Proceeds from sale of assets	-	-	19,600	19,600
Bond/loan proceeds	1,464,220	1,464,220	1,647,651	183,431
Total other financing sources and uses	3,357,410	8,757,410	8,949,645	192,235
Net change in fund balance	(8,000,000)	(9,508,100)	2,081,100	11,589,200
Fund balance - beginning	15,131,907	15,131,907	15,131,907	-
Prior period adjustment	-	-	4,283	4,283
Fund balance - ending	$ 7,131,907	$ 5,623,807	$ 17,217,290	$ 11,593,483

CITY OF PHARR, TEXAS
ECONOMIC DEVELOPMENT CORPORATION 4b FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Sales	$ 2,500,000	$ 2,500,000	$ 2,959,449	$ 459,449
Intergovernmental	1,000,000	1,000,000	-	(1,000,000)
Fees and charges:				
Other	6,500	30,000	49,066	19,066
Interest income	18,000	18,000	40,593	22,593
Other	3,700	25,000	14,994	(10,006)
Total revenues	3,528,200	3,573,000	3,064,102	(508,898)
EXPENDITURES				
Current:				
Economic development	5,230,176	4,790,064	1,537,975	3,252,089
Total expenditures	5,230,176	4,790,064	1,537,975	3,252,089
Excess (deficiency) of revenues over (under) expenditures	(1,701,976)	(1,217,064)	1,526,127	2,743,191
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	-	(500,000)
Transfers (out)	-	(400,000)	(977,971)	(577,971)
Proceeds from sale of assets	675,000	675,000	746,950	71,950
Total other financing sources and uses	1,175,000	775,000	(231,021)	(1,006,021)
Net change in fund balance	(526,976)	(442,064)	1,295,106	1,737,170
Fund balance - beginning	2,178,232	2,178,232	2,178,232	-
Prior period adjustment	-	-	(46,107)	(46,107)
Fund balance - ending	$ 1,651,256	$ 1,736,168	$ 3,427,231	$ 1,691,063

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.

Capital Projects Funds are used to account for major capital acquisition and construction activities so as to not distort ongoing operating activities of other funds.

> ***General Capital Projects:*** is used to account for projects planned as part of the City's general capital improvement program.

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, 2011

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
ASSETS				
Cash	$ 422,498	$ 150,299	$ 166,814	$ -
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	60,951	-	-
Accounts	-	-	-	-
Intergovernmental	-	43,052	-	-
Other	-	-	49,721	-
Due from other funds	-	230	-	-
Restricted assets:				
Intergovernmental receivable	-	-	-	-
Total assets	$ 422,498	$ 254,532	$ 216,535	$ -
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 46,290	$ 96,458	$ 15,256	$ -
Due to other funds	-	87,528	3,072,098	-
Deferred property tax	-	-	-	-
Deferred accounts	-	-	-	-
Deferred revenue	-	59,694	-	-
Total liabilities	46,290	243,680	3,087,354	-
Fund balances:				
Restricted:				
Debt service	-	-	-	-
Street paving and drainage	-	-	-	-
Public safety	376,208	-	-	-
Community development	-	10,852	-	-
Assigned:				
Capital outlay	-	-	-	-
Unassigned:	-	-	(2,870,819)	-
Total fund balances	376,208	10,852	(2,870,819)	-
Total liabilities and fund balances	$ 422,498	$ 254,532	$ 216,535	$ -

Paving & Drainage	Special Revenues	Grants	Total	Capital Projects Fund Capital Projects	Debt Service Fund Debt Service	Total Nonmajor Governmental Funds
$ 376	$ 469,347	$ -	$ 1,209,334	$ 1,729,735	$ 63,976	$ 3,003,045
-	-	-	-	-	237,105	237,105
-	-	-	60,951	-	-	60,951
107,403	-	-	107,403	-	-	107,403
-	-	-	43,052	-	-	43,052
-	25,045	-	74,766	-	-	74,766
-	-	-	230	-	-	230
-	-	493,478	493,478	-	-	493,478
$ 107,779	$ 494,392	$ 493,478	$ 1,989,214	$ 1,729,735	$ 301,081	$ 4,020,030
$ -	$ 15,926	$ 9,649	$ 183,579	$ 18,000	$ 550	$ 202,129
-	-	483,815	3,643,441	-	-	3,643,441
-	-	-	-	-	237,105	237,105
107,403	-	-	107,403	-	-	107,403
-	536,394	14	596,102	-	-	596,102
107,403	552,320	493,478	4,530,525	18,000	237,655	4,786,180
-	-	-	-	-	63,426	63,426
376	-	-	376	-	-	376
-	-	-	376,208	-	-	376,208
-	-	-	10,852	-	-	10,852
-	-	-	-	1,711,735	-	1,711,735
-	(57,928)	-	(2,928,747)	-	-	(2,928,747)
376	(57,928)	-	(2,541,311)	1,711,735	63,426	(766,150)
$ 107,779	$ 494,392	$ 493,478	$ 1,989,214	$ 1,729,735	$ 301,081	$ 4,020,030

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds			
	Asset Sharing	**Community Development**	**Hotel/Motel**	**Parkland Dedication**
REVENUES				
Taxes:				
Property	$ -	$ -	$ -	$ -
Other	-	-	643,817	-
Intergovernmental	216,355	1,081,275	-	-
Fees and charges:	-	-	-	-
Other	-	-	97,898	20,488
Interest income	11,271	546	25,048	1,013
Other	10,377	8,429	1,980	-
Total revenues	238,003	1,090,250	768,743	21,501
EXPENDITURES				
Current:				
General government	-	482,281	1,529,330	-
Public safety	639,962	23,285	-	-
Highways and streets	-	162,210	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	131,764	-	-
Debt service:				
Principal	-	270,000	-	-
Interest	-	15,660	-	-
Total expenditures	639,962	1,085,200	1,529,330	-
Excess (deficiency) of revenues over (under) expenditures	(401,959)	5,050	(760,587)	21,501
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,444	-	-
Transfers (out)	-	-	(2,408,261)	(136,408)
Proceeds from sale of assets	38,056	-	-	-
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	38,056	1,444	(2,408,261)	(136,408)
Net change in fund balances	(363,903)	6,494	(3,168,848)	(114,907)
Fund balance - beginning	740,111	4,358	298,029	114,907
Fund balance - ending	$ 376,208	$ 10,852	$ (2,870,819)	$ -

Paving & Drainage	Special Revenues	Grants	Total	Capital Projects Fund Capital Projects	Debt Service Fund Debt Service	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 1,681,392	$ 1,681,392
-	-	-	643,817	-	-	643,817
-	-	1,752,619	3,050,249	69,727	-	3,119,976
-	-	-		-	-	
781,741	-	-	900,127	-	75,344	975,471
1,908	-	-	39,786	-	22,522	62,308
-	-	-	20,786	-	-	20,786
783,649	-	1,752,619	4,654,765	69,727	1,779,258	6,503,750
-	-	226,318	2,237,929	-	43,401	2,281,330
-	57,928	1,383,101	2,104,276	-	-	2,104,276
1,125,642	-	124,164	1,412,016	897,109	-	2,309,125
-	-	4,332	4,332	-	-	4,332
-	-	14,704	146,468	2,417,670	-	2,564,138
-	-	-	270,000	-	1,365,000	1,635,000
-	-	-	15,660	-	696,678	712,338
1,125,642	57,928	1,752,619	6,190,681	3,314,779	2,105,079	11,610,539
(341,993)	(57,928)	-	(1,535,916)	(3,245,052)	(325,821)	(5,106,789)
-	-	-	1,444	3,705,386	495,031	4,201,861
(536,177)	-	-	(3,080,846)	-	(202,990)	(3,283,836)
-	-	-	38,056	-	-	38,056
724,211	-	-	724,211	-	-	724,211
188,034	-	-	(2,317,135)	3,705,386	292,041	1,680,292
(153,959)	(57,928)	-	(3,853,051)	460,334	(33,780)	(3,426,497)
154,335	-	-	1,311,740	1,251,401	97,206	2,660,347
$ 376	$ (57,928)	$ -	$ (2,541,311)	$ 1,711,735	$ 63,426	$ (766,150)

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Fiduciary Fund
Schedule of Changes in Pension Liabilities

Retired Volunteer Firefighter's Pension Fund: is used to account for all changes in pension funds that the City holds for the retired volunteer firefighters.

CITY OF PHARR, TEXAS
SCHEDULE OF CHANGES IN FIDUCIARY PENSION ASSETS & LIABILITIES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

			Retired Volunteer Firefighter's Pension Agency Fund
ADDITIONS			
Contributions:			
City of Pharr		$	30,000
Other			832
	Total contributions		30,832
Investment earnings			
Interest			2,243
	Total additions		33,075
DEDUCTIONS			
Benefits			68,016
Administrative expenses			60
	Total deductions		68,076
Change in pension assets & liabilities			(35,001)
Pension assets & liabilities - beginning			407,514
Prior period adjustment			(42,307)
Pension assets & liabilities - ending		$	330,206

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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.

Capital Projects Funds are used to account for major capital acquisition and construction activities so as to not distort ongoing operating activities of other funds.

> ***General Capital Projects:*** is used to account for projects planned as part of the City's general capital improvement program.

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Property				
Current	$ 11,779,000	$ 11,779,000	$ 11,999,358	$ 220,358
Delinquent	820,000	820,000	903,581	83,581
Penalty & interest	550,000	550,000	545,618	(4,382)
Total property taxes	13,149,000	13,149,000	13,448,557	299,557
Sales	7,466,300	8,508,600	8,878,348	369,748
Franchise				
Telephone	248,000	248,000	229,820	(18,180)
Electric	1,345,000	1,345,000	1,491,257	146,257
Cable	139,100	139,100	226,081	86,981
Gas	100,000	100,000	90,270	(9,730)
Total franchise taxes	1,832,100	1,832,100	2,037,428	205,328
Other	144,000	144,000	163,482	19,482
Total taxes	22,591,400	23,633,700	24,527,815	894,115
Licenses and permits				
Building	280,000	280,000	504,234	224,234
Vocational	120,000	120,000	145,792	25,792
Other	87,000	87,000	112,266	25,266
Total licenses & permits	487,000	487,000	762,292	275,292
Intergovernmental				
Local school districts	399,320	399,320	303,384	(95,936)
County	6,000	6,000	28,025	22,025
Total intergovernmental	405,320	405,320	331,409	(73,911)
Fees and charges:				
Sanitation	2,200,000	2,200,000	2,457,464	257,464
Brush	960,000	960,000	1,024,975	64,975
Other	585,210	510,210	503,301	(6,909)
Total fees & charges	3,745,210	3,670,210	3,985,740	315,530
Fines				
Court	1,048,000	848,000	862,568	14,568
Other	40,000	40,000	51,553	11,553
Total fines	1,088,000	888,000	914,121	26,121
Interest income	220,000	220,000	337,483	117,483
Other	137,710	397,280	338,998	(58,282)
Total revenues	**$ 28,674,640**	**$ 29,701,510**	**$ 31,197,858**	**$ 1,496,348**

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, 2011

EXPENDITURES				
Current:				
General government				
City manager	$ 1,064,120	$ 1,109,300	$ 1,046,121	$ 63,179
Finance	713,670	730,310	680,280	50,030
Administrative services	520,830	555,100	530,362	24,738
IT	722,670	900,870	727,976	172,894
Planning	995,510	1,152,300	985,215	167,085
Non-departmental	10,190,300	16,387,300	8,146,370	8,240,930
Total general government	14,207,100	20,835,180	12,116,324	8,718,856
Public safety				
Police	10,903,530	11,659,310	11,477,518	181,792
Traffic safety	951,455	959,895	933,897	25,998
Court	421,650	428,740	359,528	69,212
Fire	5,798,910	5,850,740	5,087,532	763,208
Total public safety	18,075,545	18,898,685	17,858,475	1,040,210
Highways and streets	2,169,300	2,287,360	2,095,192	192,168
Health and welfare				
Garbage	1,644,000	1,644,000	1,696,924	(52,924)
Brush	576,000	576,000	551,950	24,050
Animal control	240,975	301,975	301,443	532
Total health and welfare	2,460,975	2,521,975	2,550,317	(28,342)
Culture and recreation				
Library	1,073,210	1,080,530	1,019,655	60,875
Parks	2,045,920	2,343,290	2,426,440	(83,150)
Total culture and recreation	3,119,130	3,423,820	3,446,095	(22,275)
Total expenditures	40,032,050	47,967,020	38,066,403	9,900,617
Excess (deficiency) of revenues over (under) expenditures	(11,357,410)	(18,265,510)	(6,868,545)	11,396,965
OTHER FINANCING SOURCES (USES)				
Transfers in				
Bridge	1,500,000	6,900,000	6,900,000	-
Utility	357,800	357,800	357,800	-
Golf	-	-	22,547	22,547
PEDC	132,940	132,940	132,940	-
Total transfers in	1,990,740	7,390,740	7,413,287	22,547
Transfers (out)				
Garage	-	-	(14,048)	(14,048)
Golf	(24,850)	(24,850)	(115,401)	(90,551)
Volunteer firemen	(30,000)	(30,000)	-	30,000
Community Development	(42,700)	(42,700)	(1,444)	41,256
Total transfers (out)	(97,550)	(97,550)	(130,893)	(33,343)
Proceeds from sale of assets	-	-	19,600	19,600
Bond/loan proceeds	1,464,220	1,464,220	1,647,651	183,431
Total	1,464,220	1,464,220	1,667,251	203,031
Total other financing sources and uses	3,357,410	8,757,410	8,949,645	192,235
Net change in fund balance	(8,000,000)	(9,508,100)	2,081,100	11,589,200
Fund balance - beginning	15,131,907	15,131,907	15,131,907	-
Prior period adjustment	-	-	4,283	4,283
Fund balance - ending	$ 7,131,907	$ 5,623,807	$ 17,217,290	$ 11,593,483

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	$ 300,000	$ 300,000	$ 216,355	$ (83,645)
Interest income	8,000	8,000	11,271	3,271
Other	-	-	10,377	10,377
Total revenues	308,000	308,000	238,003	(69,997)
EXPENDITURES				
Current:				
Public safety	1,308,000	1,308,000	639,962	668,038
Total expenditures	1,308,000	1,308,000	639,962	668,038
Excess (deficiency) of revenues over (under) expenditures	(1,000,000)	(1,000,000)	(401,959)	598,041
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	38,056	38,056
Total other financing sources and uses	-	-	38,056	38,056
Net change in fund balance	(1,000,000)	(1,000,000)	(363,903)	636,097
Fund balance - beginning	740,111	740,111	740,111	-
Fund balance - ending	$ (259,889)	$ (259,889)	$ 376,208	$ 636,097

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	$ 2,149,460	$ 2,149,460	$ 1,081,275	$ (1,068,185)
Interest income	-	-	546	546
Other	-	2,480	8,429	5,949
Total revenues	2,149,460	2,151,940	1,090,250	(1,061,690)
EXPENDITURES				
Current:				
General government	1,152,190	1,154,670	482,281	672,389
Public safety	23,280	23,280	23,285	(5)
Highways and streets	581,690	581,690	162,210	419,480
Culture and recreation	95,000	95,000	131,764	(36,764)
Debt service:				
Principal	270,000	270,000	270,000	-
Interest	-	70,000	15,660	54,340
Total expenditures	2,122,160	2,194,640	1,085,200	1,109,440
Excess (deficiency) of revenues over (under) expenditures	27,300	(42,700)	5,050	47,750
OTHER FINANCING SOURCES (USES)				
Transfers in	42,700	42,700	1,444	(41,256)
Total other financing sources and uses	42,700	42,700	1,444	(41,256)
Net change in fund balance	70,000	-	6,494	6,494
Fund balance - beginning	4,358	4,358	4,358	-
Fund balance - ending	$ 74,358	$ 4,358	$ 10,852	$ 6,494

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Other	$ 790,000	$ 790,000	$ 643,817	$ (146,183)
Fees and charges:				
Other	-	-	97,898	97,898
Interest income	10,000	10,000	25,048	15,048
Other	-	1,980	1,980	-
Total revenues	800,000	801,980	768,743	(33,237)
EXPENDITURES				
Current:				
General government	724,540	1,560,520	1,529,330	31,190
Total expenditures	724,540	1,560,520	1,529,330	31,190
Excess (deficiency) of revenues over (under) expenditures	75,460	(758,540)	(760,587)	(2,047)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(75,460)	(2,376,080)	(2,408,261)	(32,181)
Total other financing sources and uses	(75,460)	(2,376,080)	(2,408,261)	(32,181)
Net change in fund balance	-	(3,134,620)	(3,168,848)	(34,228)
Fund balance - beginning	298,029	298,029	298,029	-
Fund balance - ending	$ 298,029	$ (2,836,591)	$ (2,870,819)	$ (34,228)

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Fees and charges:				
Other	$ 2,000	$ 2,000	$ 20,488	$ 18,488
Interest income	2,000	2,000	1,013	(987)
Total revenues	4,000	4,000	21,501	17,501
EXPENDITURES				
Current:				
Culture and recreation	4,000	4,000	-	4,000
Total expenditures	4,000	4,000	-	4,000
Excess (deficiency) of revenues over (under) expenditures	-	-	21,501	21,501
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	(151,000)	(136,408)	14,592
Total other financing sources and uses	-	(151,000)	(136,408)	14,592
Net change in fund balance	-	(151,000)	(114,907)	36,093
Fund balance - beginning	114,907	114,907	114,907	-
Fund balance - ending	$ 114,907	$ (36,093)	$ -	$ 36,093

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Fees and charges:				
Other	$ 720,000	$ 720,000	$ 781,741	$ 61,741
Interest income	5,000	5,000	1,908	(3,092)
Total revenues	725,000	725,000	783,649	58,649
EXPENDITURES				
Current:				
Highways and streets	865,150	1,158,150	1,125,642	32,508
Total expenditures	865,150	1,158,150	1,125,642	32,508
Excess (deficiency) of revenues over (under) expenditures	(140,150)	(433,150)	(341,993)	91,157
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(816,850)	(616,850)	(536,177)	80,673
Bond/loan proceeds	637,000	637,000	724,211	87,211
Total other financing sources and uses	(179,850)	20,150	188,034	167,884
Net change in fund balance	(320,000)	(413,000)	(153,959)	259,041
Fund balance - beginning	154,335	154,335	154,335	-
Fund balance - ending	$ (165,665)	$ (258,665)	$ 376	$ 259,041

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	$ 3,185,110	$ 3,185,110	$ 1,752,619	$ (1,432,491)
Total revenues	3,185,110	3,185,110	1,752,619	(1,432,491)
EXPENDITURES				
Current:				
General government	-	-	226,318	(226,318)
Public safety	863,520	863,520	1,383,101	(519,581)
Highways and streets	2,171,590	2,171,590	124,164	2,047,426
Health and welfare	-	-	4,332	(4,332)
Culture and recreation	150,000	150,000	14,704	135,296
Total expenditures	3,185,110	3,185,110	1,752,619	1,432,491
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	$ 657,000	$ 657,000	$ 69,727	$ (587,273)
Total revenues	657,000	657,000	69,727	(587,273)
EXPENDITURES				
Current:				
Highways and streets	3,546,850	4,701,350	897,109	3,804,241
Culture and recreation	3,600,000	6,005,200	2,417,670	3,587,530
Total expenditures	7,146,850	10,706,550	3,314,779	7,391,771
Excess (deficiency) of revenues over (under) expenditures	(6,489,850)	(10,049,550)	(3,245,052)	6,804,498
OTHER FINANCING SOURCES (USES)				
Transfers in	4,420,310	6,871,930	3,705,386	(3,166,544)
Total other financing sources and uses	4,420,310	6,871,930	3,705,386	(3,166,544)
Net change in fund balance	(2,069,540)	(3,177,620)	460,334	3,637,954
Fund balance - beginning	1,251,401	1,251,401	1,251,401	-
Fund balance - ending	$ (818,139)	$ (1,926,219)	$ 1,711,735	$ 3,637,954

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, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Property	$ 1,631,000	$ 1,631,000	$ 1,681,392	$ 50,392
Fees and charges:				
Other	70,000	70,000	75,344	5,344
Interest income	15,000	15,000	22,522	7,522
Total revenues	1,716,000	1,716,000	1,779,258	63,258
EXPENDITURES				
Current:				
General government	8,000	8,000	43,401	(35,401)
Debt service:				
Principal	1,365,000	1,365,000	1,365,000	-
Interest	735,040	735,040	696,678	38,362
Total expenditures	2,108,040	2,108,040	2,105,079	2,961
Excess (deficiency) of revenues over (under) expenditures	(392,040)	(392,040)	(325,821)	66,219
OTHER FINANCING SOURCES (USES)				
Transfers in	495,030	495,030	495,031	1
Transfers (out)	(102,990)	(102,990)	(202,990)	(100,000)
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	392,040	392,040	292,041	(99,999)
Net change in fund balance	-	-	(33,780)	(33,780)
Fund balance - beginning	97,206	97,206	97,206	-
Fund balance - ending	$ 97,206	$ 97,206	$ 63,426	$ (33,780)

Proprietary Funds
Schedule of Revenues, Expenses and Changes in Fund Net Assets– Budget and Actual

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

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 ASSETS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
OPERATING REVENUES				
Charges for sales and services:				
Water sales	$ 6,275,000	$ 6,275,000	$ 7,472,115	$ 1,197,115
Sewer service	4,975,000	4,975,000	5,499,441	524,441
Tap fees	200,000	200,000	434,422	234,422
Other	124,300	124,300	147,458	23,158
Total operating revenues	11,574,300	11,574,300	13,553,436	1,979,136
OPERATING EXPENSES				
Personnel services	2,519,860	2,562,540	2,472,856	89,684
Supplies and Materials	1,404,980	1,506,635	1,481,809	24,826
Contractual Services	2,320,680	2,655,575	2,991,569	(335,994)
Depreciation	-	-	1,859,185	(1,859,185)
Total operating expenses	6,245,520	6,724,750	8,805,419	(2,080,669)
Operating income (loss)	5,328,780	4,849,550	4,748,017	(101,533)
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	500,000	500,000	568,772	68,772
Interest expense	(1,780,500)	(1,780,500)	(1,467,123)	313,377
Amortization expense	-	-	(109,380)	(109,380)
Intergovernmental	1,300,000	1,300,000	-	(1,300,000)
Other	15,000	44,230	77,190	32,960
Gain on sale of asset	-	-	1,800	1,800
Total nonoperating revenues/ (expenses)	34,500	63,730	(928,741)	(992,471)
Income before contributions and transfers	5,363,280	4,913,280	3,819,276	(1,094,004)
Transfers in	1,000,000	650,000	-	(650,000)
Transfers (out)	(1,517,800)	(1,517,800)	(677,800)	840,000
Capital contributions	1,300,000	1,300,000	547,710	(752,290)
Changes in net assets	6,145,480	5,345,480	3,689,186	(1,656,294)
Total net assets - beginning	76,435,486	76,435,486	76,435,486	-
Prior period adjustment	-	-	(252,021)	(252,021)
Total net assets - ending	$ 82,580,966	$ 81,780,966	$ 79,872,651	$ (1,908,315)

CITY OF PHARR, TEXAS
BRIDGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
OPERATING REVENUES				
Charges for sales and services:				
Toll fees	$ 9,515,000	$ 9,515,000	$ 10,225,622	$ 710,622
Other	135,000	135,000	189,542	54,542
Total operating revenues	9,650,000	9,650,000	10,415,164	765,164
OPERATING EXPENSES				
Personnel services	1,014,370	1,087,260	945,832	141,428
Supplies and Materials	75,000	73,500	67,061	6,439
Contractual Services	1,378,200	1,404,900	762,743	642,157
Depreciation	-	-	712,728	(712,728)
Total operating expenses	2,467,570	2,565,660	2,488,364	77,296
Operating income (loss)	7,182,430	7,084,340	7,926,800	842,460
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	100,000	100,000	221,400	121,400
Interest expense	(2,707,420)	(2,707,420)	(372,075)	2,335,345
Amortization expense	-	-	(221,718)	(221,718)
Other	-	12,670	18,587	5,917
Total nonoperating revenues/ (expenses)	(2,607,420)	(2,594,750)	(353,806)	2,240,944
Income before contributions and transfers	4,575,010	4,489,590	7,572,994	3,083,404
Transfers in	528,450	528,450	278,450	(250,000)
Transfers (out)	(5,103,460)	(10,493,460)	(6,900,000)	3,593,460
Changes in net assets	-	(5,475,420)	951,444	6,426,864
Total net assets - beginning	19,409,291	19,409,291	19,409,291	-
Prior period adjustment	-	-	1,368,020	1,368,020
Total net assets - ending	$ 19,409,291	$ 13,933,871	$ 21,728,755	$ 7,794,884

CITY OF PHARR, TEXAS
GOLF FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
OPERATING REVENUES				
Charges for sales and services:				
Golf services	$ 730,000	$ 730,000	$ 720,174	$ (9,826)
Other	120,000	120,000	91,543	(28,457)
Total operating revenues	850,000	850,000	811,717	(38,283)
OPERATING EXPENSES				
Personnel services	511,070	495,590	511,286	(15,696)
Supplies and Materials	73,630	164,320	173,464	(9,144)
Contractual Services	245,720	188,380	191,599	(3,219)
Depreciation	-	-	355,979	(355,979)
Total operating expenses	830,420	848,290	1,232,328	(384,038)
Operating income (loss)	19,580	1,710	(420,611)	(422,321)
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	4,000	4,000	4,525	525
Interest expense	(48,430)	(48,430)	(3,914)	44,516
Other	262,000	268,020	38,068	(229,952)
Total nonoperating revenues/ (expenses)	217,570	223,590	38,679	(184,911)
Income before contributions and transfers	237,150	225,300	(381,932)	(607,232)
Transfers in	24,850	24,850	115,401	90,551
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Changes in net assets	232,000	220,150	(296,531)	(516,681)
Total net assets - beginning	3,830,156	3,830,156	3,830,156	-
Prior period adjustment	-	-	(204,421)	(204,421)
Total net assets - ending	$ 4,062,156	$ 4,050,306	$ 3,329,204	$ (721,102)

CITY OF PHARR, TEXAS
GARAGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
OPERATING REVENUES				
Charges for sales and services:				
Other	$ 458,190	$ 458,190	$ 458,240	$ 50
Total operating revenues	458,190	458,190	458,240	50
OPERATING EXPENSES				
Personnel services	166,150	168,980	147,576	21,404
Supplies and Materials	9,200	7,850	691	7,159
Contractual Services	282,840	283,340	311,955	(28,615)
Depreciation	-	-	130,947	(130,947)
Total operating expenses	458,190	460,170	591,169	(130,999)
Operating income (loss)	-	(1,980)	(132,929)	(130,949)
NON OPERATING REVENUES/(EXPENSES):				
Other	-	-	1,980	(1,980)
Total nonoperating revenues/ (expenses)	-	-	1,980	1,980
Income before contributions and transfers	-	(1,980)	(130,949)	(128,969)
Transfers in	-	-	14,048	14,048
Transfers (out)	-	-	(22,547)	(22,547)
Capital contributions	-	-	-	-
Changes in net assets	-	(1,980)	(139,448)	(137,468)
Total net assets - beginning	630,741	630,741	630,741	-
Prior period adjustment	-	-	57,471	57,471
Total net assets - ending	$ 630,741	$ 628,761	$ 548,764	$ (79,997)

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 ASSETS
SEPTEMBER 30, 2011

		City Garage
ASSETS		
Current assets:		
Cash	$	46,106
Inventories		14,048
Total current assets		60,154
Noncurrent assets:		
Capital assets (net of accumulated: depreciation):		
Buildings		450,698
Improvements other than buildings		84,018
Total capital assets, net of accumulated depreciation		534,716
Total noncurrent assets		534,716
Total assets	$	594,870
LIABILITIES		
Current liabilities:		
Accounts payable	$	12,618
Due to other funds		4,653
Total current liabilities		17,271
Current liabilities payable from restricted assets:		
Matured accrued compensation		5,784
Total current liabilities payable from restricted assets		5,784
Noncurrent liabilities:		
Accrued compensation		23,051
Total noncurrent liabilities		23,051
Total liabilities		46,106
NET ASSETS		
Net assets:		
Invested in capital assets, net of related debt		534,716
Restricted for:		
Other		14,048
Total net assets	$	548,764

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		City Garage
Operating revenues:		
Charges for sales and services:		
Other	$	458,240
Total operating revenues		458,240
Operating expenses:		
Personnel services		147,576
Supplies and Materials		691
Contractual Services		311,955
Depreciation		130,947
Total operating expenses		591,169
Operating income (loss)		(132,929)
Nonoperating revenues (expenses):		
Other		1,980
Total nonoperating revenues (expenses)		1,980
Income before contributions and transfers		(130,949)
Transfers in		14,048
Transfers out		(22,547)
Changes in net assets		(139,448)
Total net assets - beginning		630,741
Prior period adjustment		57,471
Total net assets - ending	$	548,764

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		City Garage
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	458,240
Payments to suppliers		(3,364)
Payments to employees		(146,437)
Payments for contractual services		(321,845)
Net cash flow from operating activities		(13,406)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances (to)/from other funds		1,770
Transfers in from other funds		14,048
Transfers out to other funds		(22,548)
Net cash provided (used) by noncapital and related financing activities		(6,730)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		-
Net cash provided (used) by capital and related financing activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received		-
Net cash provided (used) by investing activities		-
Net increase/(decrease) in cash		(20,136)
Cash beginning of fiscal year		66,242
Cash end of fiscal year	$	46,106
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$	(132,929)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		130,947
(Increase) Decrease in Inventories		(2,671)
Increase (Decrease) in Accounts Payable		(9,890)
Increase (Decrease) in Accrued Compensation		1,137
Total adjustments		119,523
Net cash provided by operating activities	$	(13,406)

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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.	87
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	92
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	96
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	101
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.	103

City of Pharr, Texas
Net Assets by Component
Last Nine Fiscal Years[1]
(Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	$17,432	$26,339	$28,230	$28,849	$ 40,172	$ 50,941	$ 50,764	$ 53,417	$ 56,408
Restricted	5,054	1,998	6,490	6,763	14,781	8,115	7,904	5,234	7,159
Unrestricted	5,268	3,983	5,147	8,067	2,620	4,822	13,275	18,999	16,463
Total governmental activities net assets	$27,754	$32,320	$39,867	$43,679	$ 57,574	$ 63,878	$ 71,943	$ 77,649	$ 80,030
Business-type activities									
Invested in capital assets, net of related debt	$21,320	$28,366	$38,635	$38,336	$ 46,566	$ 59,224	$ 78,359	$ 82,609	$ 82,300
Restricted	4,349	9,278	2,943	1,950	3,018	5,762	7,759	7,375	10,195
Unrestricted	15,221	8,165	3,390	11,401	4,593	2,568	2,572	9,691	12,435
Total business-type activities net assets	$40,890	$45,809	$44,968	$51,687	$ 54,177	$ 67,554	$ 88,691	$ 99,675	$ 104,930
Primary government									
Invested in capital assets, net of related debt	$38,752	$54,705	$66,865	$67,185	$ 86,738	$110,165	$129,124	$136,026	$ 138,708
Restricted	9,403	11,276	9,433	8,713	17,800	13,877	15,663	12,609	17,354
Unrestricted	20,489	12,148	8,537	19,468	7,213	7,390	15,848	28,690	28,898
Total primary government net assets	$68,644	$78,129	$84,835	$95,366	$111,751	$131,433	$160,634	$177,324	$ 184,960

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

City of Pharr, Texas
Changes in Net Asset
Last Nine Fiscal Years[1]
(Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year								
Expenses	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Governmental activities:									
General government	$ 6,484	$ 4,386	$ 5,463	$ 7,181	$ 8,178	$ 8,265	$ 7,594	$ 8,061	$ 10,917
Public safety	10,331	13,179	14,069	15,000	16,504	18,495	19,177	19,775	21,546
Streets	-	2,140	2,276	2,361	2,442	2,114	2,268	3,102	3,757
Sanitation	2,453	3,411	3,519	3,227	3,518	4,537	2,312	2,008	2,749
Culture and recreation	826	3,156	3,248	3,253	3,340	3,831	3,563	3,890	3,239
Economic development	105	2,503	2,198	1,754	2,653	-	-	-	-
Debt service	1,880	1,537	1,478	1,365	1,433	1,122	1,041	885	736
Total governmental activities expenses	22,079	30,312	32,251	34,141	38,068	38,365	35,955	37,721	42,944
Business-type activities:									
Utility	5,085	6,298	6,885	7,576	7,879	9,291	9,125	9,140	10,382
Toll Bridge	2,070	3,244	3,830	3,156	3,454	3,300	2,975	3,428	3,082
Tierra Del Sol Golf Course	965	1,239	988	1,054	1,241	1,171	1,047	1,035	1,236
Total business-type activities expenses	8,120	10,781	11,703	11,786	12,574	13,763	13,146	13,603	14,700
Total primary government expenses	$ 30,199	$ 41,093	$ 43,954	$ 45,927	$ 50,642	$ 52,127	$ 49,102	$ 51,323	$ 57,644
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ 125	$ 705	$ 2,051	$ 208	$ 1,790	$ 2,375	$ 1,970	$ 1,734	$ 1,962
Public Safety	11	1,038	63	571	1,908	1,662	3,841	999	1,184
Streets	-	-	-	85	472	67	3	1,093	782
Sanitation	3,055	3,069	3,464	3,006	3,274	4,969	3,256	3,347	3,560
Culture and recreation	71	488	489	131	911	372	131	128	257
Economic development	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Operating grants and contributions	79	1,944	1,753	1,648	1,867	2,465	2,448	4,227	3,451
Capital grants and contributions	3,349	1,067	-	1,094	-	1,481	256	508	25
Total governmental activities program revenues	6,690	8,311	7,820	6,743	10,222	13,391	11,906	12,035	11,221

Business-type activities:									
Charges for services:									
Utility	6,079	6,475	7,645	11,200	10,851	12,483	12,461	11,892	13,553
Toll Bridge	5,811	6,669	7,611	7,714	8,058	8,281	9,301	10,660	10,415
Tierra Del Sol Golf Course	696	737	809	350	631	766	856	805	812
Operating grants and contributions	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	2,936	250	-	-	6,940	13,899	2,512	548
Total business-type activities program revenues	12,586	16,817	16,315	19,264	19,540	28,469	36,517	25,870	25,328
Total primary government program revenues	$ 19,276	$ 25,128	$ 24,135	$ 26,007	$ 29,762	$ 41,861	$ 48,423	$ 37,905	$ 36,549
Net (expense)/revenue									
Governmental activities	$ (15,389)	$ (22,001)	$ (24,431)	$ (27,398)	$ (27,846)	$ (24,973)	$ (24,049)	$ (25,686)	$ (31,723)
Business-type activities	4,466	6,036	4,612	7,478	6,966	14,707	23,371	12,268	10,628
Total primary government net expense	$ (10,923)	$ (15,965)	$ (19,819)	$ (19,920)	$ (20,880)	$ (10,267)	$ (679)	$ (13,418)	$ (21,095)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	$ 6,328	$ 8,595	$ 9,713	$ 10,475	$ 11,276	$ 13,082	$ 14,900	$ 15,265	$ 14,984
Sales taxes	8,272	9,297	10,043	11,346	11,160	11,305	10,558	10,289	11,838
Other Taxes	289	2,163	2,283	2,543	2,912	3,087	2,807	3,152	2,844
Investment earnings	440	162	306	419	445	357	296	361	440
Grants, Donations, and Miscellaneous	2,004	1,459	2,657	3,854	2,159	365	458	105	763
Transfers	-	1,640	6,362	2,288	8,655	2,190	3,182	1,841	7,214
Total governmental activities	17,333	23,316	31,364	30,925	36,607	30,386	32,201	31,014	38,083
Business-type activities:									
Investment earnings	-	35	610	1,011	866	1,451	877	1,008	795
Grants, Donations, and Miscellaneous	699	403	10	-	495	218	107	131	135
Transfers	-	(1,640)	(6,362)	(2,288)	(8,655)	(2,190)	(3,182)	(1,841)	(7,214)
Total business-type activities	699	(1,202)	(5,742)	(1,277)	(7,294)	(521)	(2,197)	(702)	(6,284)
Total primary government	$ 18,032	$ 22,114	$ 25,622	$ 29,648	$ 29,313	$ 29,865	$ 30,003	$ 30,312	$ 31,799
Change in Net Assets									
Governmental activities	$ 1,944	$ 1,315	$ 6,933	$ 3,527	$ 8,761	$ 5,413	$ 8,152	$ 5,328	$ 6,360
Business-type activities	5,165	$ 4,834	(1,130)	6,201	(328)	14,185	21,173	11,565	4,344
Total primary government	$ 7,109	$ 6,149	$ 5,803	$ 9,728	$ 8,433	$ 19,598	$ 29,325	$ 16,894	$ 10,704

(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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved, Nonspendable, Restricted	$ 54	$ 54	$ 3,037	$ 3,903	$ 7,405	$ 11,002	$ 1,049	$ 102	$ 231	$ 3,354
Unreserved, undesignated, unassigned	3,825	3,489	1,433	602	195	(6,402)	2,081	8,338	14,901	5,809
Designated, Commited, Assigned	-	-	-	1,327	-	-	756	-	-	8,054
Total general fund	$ 3,879	$ 3,543	$ 4,470	$ 5,832	$ 7,600	$ 4,600	$ 3,886	$ 8,440	$ 15,132	$ 17,217
All other governmental funds										
Reserved, Nonspendable,	$ 1,025	$ (15)	$ 1,369	$ 2,894	$ 5,447	$ 7,572	$ 4,718	$ 6,407	$ 2,501	$ -
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	387
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	63
Economic Development fund	-	-	-	-	-	-	-	-	-	3,197
Unreserved, unassigned, reported in:										
Special revenue funds	200	2	824	3,573	142	2,425	3,238	1,333	1,086	(2,929)
Capital projects funds	10,536	4,534	-	-	(2,590)	(1,508)	-	-	1,251	-
Debt service funds	314	356	-	-	1,044	-	-	-	-	-
Assigneed	-	-	-	-	-	-	-	-	-	1,943
Total all other governmental funds	$ 12,076	$ 4,876	$ 2,193	$ 6,467	$ 4,042	$ 8,488	$ 7,957	$ 7,741	$ 4,839	$ 2,661
Total governmental fund balances	$ 15,955	$ 8,419	$ 6,663	$ 12,299	$ 11,643	$ 13,088	$ 11,843	$ 16,181	$ 19,970	$ 19,878

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 14,205	$ 15,051	$ 20,022	$ 21,929	$ 24,350	$ 25,972	$ 27,370	$ 28,215	$ 28,707	$ 29,814
Licenses and permits	712	688	555	681	1,468	886	685	682	550	762
Intergovernmental	3,210	3,606	3,431	2,296	1,178	1,751	2,455	2,448	4,579	3,451
Charges for services	3,042	3,558	3,647	3,971	4,287	5,073	6,382	4,468	5,226	5,010
Fines	518	761	1,056	1,415	968	800	880	1,122	1,107	914
Investment earnings	644	440	162	306	419	445	349	296	361	440
Miscellaneous	982	1,318	1,079	1,481	2,127	1,970	644	254	533	375
Total Revenues	23,313	25,422	29,952	32,079	34,797	36,897	38,765	37,486	41,064	40,766
Expenditures										
General government	13,231	16,536	8,287	6,985	14,218	12,943	6,034	6,220	6,609	14,398
Public safety	8,708	9,767	11,558	13,452	15,391	15,642	19,392	18,846	18,522	19,963
Highways and streets	942	1,287	2,076	5,351	2,542	2,121	4,443	2,499	4,012	4,404
Sanitation	2,226	2,235	3,059	-	3,021	3,483	4,306	2,318	2,423	2,555
Culture and recreation	601	752	3,168	3,323	977	3,422	5,661	3,472	3,664	6,010
Economic development	117	933	2,149	2,109	3,120	5,757	2,067	2,165	1,360	1,538
Debt service - Principal	1,080	1,768	1,690	1,554	1,912	3,904	3,371	3,335	1,781	1,635
Debt service - Interest	1,535	1,401	1,537	1,657	891	1,225	1,009	978	819	712
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	28,440	34,679	33,524	34,431	42,072	48,497	46,283	39,833	39,191	51,215
Excess of revenues over (under) expenditures	(5,127)	(9,257)	(3,572)	(2,352)	(7,275)	(11,600)	(7,518)	(2,347)	1,872	(10,449)
Other financing sources (uses)										
Transfers in	1,524	1,986	2,302	10,721	4,044	9,298	16,941	6,066	9,951	11,615
Transfers out	(9)	-	(662)	(4,359)	(1,756)	(669)	(14,415)	(2,882)	(8,110)	(4,393)
Proceeds of Long Term Debt	-	-	312	16,567	3,120	2,480	2,877	-	-	805
Other	-	-	-	(15,149)	979	3,479	1,819	3,587	245	2,372
Total other financing sources (uses)	1,515	1,986	1,952	7,780	6,387	14,588	7,222	6,771	2,086	10,399
Net change in fund balances	$ (3,612)	$ (7,271)	$ (1,620)	$ 5,428	$ (888)	$ 2,988	$ (297)	$ 4,424	$ 3,959	$ (50)
Debt service as a percentage of noncapital expenditures	10.1%	10.1%	10.7%	10.3%	7.1%	11.8%	10.5%	12.1%	7.1%	4.8%

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 Value[1] as a Percentage of Actual Value
2002	2001	787,288	226,387	10,117	47,909	125,419	1,196,755	227,000	969,755	0.690	969,755	123.41%
2003	2002	862,278	231,716	9,865	38,843	121,315	1,264,018	236,264	1,027,754	0.683	1,027,754	122.99%
2004	2003	1,029,748	283,257	10,850	41,693	130,142	1,495,690	292,485	1,203,205	0.683	1,203,205	124.31%
2005	2004	1,142,164	310,068	12,810	49,042	165,457	1,679,541	328,030	1,351,511	0.683	1,351,511	124.27%
2006	2005	1,217,836	327,593	13,845	52,742	162,458	1,774,474	332,328	1,442,146	0.683	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	0.683	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	0.683	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	0.680	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	0.680	2,161,766	124.42%
2011	2010	1,903,835	561,456	14,999	16,865	265,722	2,762,876	591,022	2,171,854	0.680	2,171,854	127.21%

Source: Hidalgo County Central Appraisal District

Note: Assessed values are determined as of July 20, 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.

[1]Includes tax-exempt property.

City of Pharr, Texas
Property Tax Rates[1] and Tax Levies
Direct and Overlapping[2] 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
2002	0.590	0.100	0.690	0.046	-	0.046	0.522	0.069	0.590	1.500	0.122	1.622
2003	0.596	0.087	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.122	1.622
2004	0.602	0.081	0.683	0.044	-	0.044	0.526	0.064	0.590	1.500	0.112	1.612
2005	0.593	0.090	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.114	1.614
2006	0.593	0.090	0.683	0.041	-	0.041	0.520	0.070	0.590	1.500	0.114	1.614
2007	0.596	0.087	0.683	0.040	0.009	0.049	0.516	0.075	0.591	1.040	0.171	1.211
2008	0.603	0.079	0.682	0.042	0.028	0.070	0.519	0.071	0.590	1.040	0.231	1.271
2009	0.602	0.078	0.680	0.045	0.028	0.073	`	0.077	0.077	1.040	0.261	1.301
2010	0.602	0.078	0.680	0.045	0.028	0.073	0.511	0.079	0.590	1.040	0.319	1.359
2011	$ 0.602	$ 0.078	$ 0.680	$ 0.045	$ 0.028	0.073	$ 0.511	$ 0.079	$ 0.590	$ 1.040	$ 0.319	$ 1.359

Fiscal Year Ending	Overlapping Tax Rates: South Texas ISD			South Texas College			Total Direct & Overlapping Rates
	Operating	Debt Service	Total	Operating	Debt Service	Total	
2002	0.039	-	0.039	0.110	0.068	0.178	3.164
2003	0.039	-	0.039	0.110	0.064	0.174	3.152
2004	0.039	-	0.039	0.110	0.055	0.165	3.132
2005	0.039	-	0.039	0.110	0.049	0.159	3.128
2006	0.039	-	0.039	0.110	0.045	0.155	3.122
2007	0.049	-	0.049	0.110	0.044	0.154	2.737
2008	0.049	-	0.049	0.110	0.040	0.150	2.812
2009	0.049	-	0.049	0.110	0.039	0.149	2.329
2010	0.049	-	0.049	0.110	0.040	0.150	2.901
2011	$ 0.049	$ -	$ 0.049	$ 0.110	$ 0.040	$ 0.150	$ 2.901

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

[1]Tax rate is per $100 of taxable assessed value

[2]Overlapping 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 2011 and 2001
(amounts expressed in thousands)

	2011			2001		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Capote Farms LTD	$ 13,815	1	0.64%	-		-
OXY USA Inc	13,579	2	0.63%	-		-
Wilder Corporation of Delaware	13,226	3	0.61%	11,470	2	1.30%
AEP Texas Central Co.	11,937	4	0.55%	-		-
Frank Smith Toyota-Isuzu	10,341	5	0.48%	-		-
McAllen LEVCAL, LLC	9,986	6	0.46%	-		-
Helmerich & Payne Int Drill	8,622	7	0.40%	-		-
Wayne Windle Enterprises Et Al	8,359	8	0.38%	-		-
FJRS Investments LTD	7,101	9	0.33%	-		-
Gold Star Warehousing LTD	6,755	10	0.31%	-	`	-
TotalFinaElf E&P USA INC	-		-	17,297	1	1.96%
Southwestern Bell Tele	-		-	11,282	3	1.28%
Central Power & Light	-		-	10,710	4	1.21%
Spigel, Stanley	-		-	8,805	5	1.00%
Home Depot, The	-		-	5,803	6	0.66%
City of Pharr	-		-	5,393	7	0.61%
H E Butt Grocery Company				4,994	8	0.57%
Matt's Cash & Carry				4,290	9	0.49%
Westbrae Enterprises, Inc	-		-	4,135	10	0.47%
Totals	**$ 103,722**		**4.8%**	**$ 84,178**		**9.5%**
Assessed Taxable Value	**$ 2,171,854**			**$ 882,981**		

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

Fiscal Year Ended	Tax Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Delinquent Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2001	6,423	5,762	89.7%	586	6,348	98.8%
2003	2002	7,092	6,323	89.2%	675	6,998	98.7%
2004	2003	8,220	7,423	90.3%	672	8,095	98.5%
2005	2004	9,233	8,335	90.3%	727	9,062	98.2%
2006	2005	9,831	8,980	91.3%	613	9,593	97.6%
2007	2006	11,014	10,094	91.6%	625	10,720	97.3%
2008	2007	12,275	11,231	91.5%	545 `	11,776	95.9%
2009	2008	14,567	13,391	91.9%	657	14,048	96.4%
2010	2009	14,824	13,673	92.2%	647	14,319	96.6%
2011	2010	$ 14,674	$ 13,559	92.4%	$ -	$ 13,559	92.4%

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)

	Governmental Activities				Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2002	-	25,500	1,960	242	32,327	389	-	60,418	0.06%	1,176
2003	-	24,170	1,785	632	36,882	289	-	63,758	0.06%	1,171
2004	-	23,330	5,278	471	31,707	305	2	61,093	0.06%	1,076
2005	16,110	7,085	4,683	698	21,444	86	-	50,106	0.08%	849
2006	16,025	6,070	5,746	1,544	20,042	246	-	49,673	0.08%	810
2007	15,935	5,000	4,962	1,550	61,711	815	5,995	95,968	0.04%	1,492
2008	15,840	3,885	2,801	3,550	66,975	337	4,590	97,978	0.04%	1,483
2009	15,130	3,330	731	2,503	64,510	1,016	3,125	90,345	0.04%	1,351
2010	14,395	2,745	270	1,621	61,345	713	1,595	82,684	0.03%	1,230
2011	$ 15,750	$ -	$ -	$ 2,738	$ 58,415	$ 952	$ -	$ 77,855	0.04%	$ 1,106

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

[1]See 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)

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2002	-	0.00%	-
2003	-	0.00%	-
2004	-	0.00%	-
2005	16,110	1.15%	273
2006	16,025	1.08%	261
2007	15,935	0.96%	248
2008	15,840	0.86%	240
2009	15,130	0.70%	226
2010	14,395	0.54%	214
2011	$ 15,750	0.57%	$ 224

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

[1]See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
[2] Population 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, 2011
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Hidalgo County	$ 205,943	8.2%	$ 16,874
Hidalgo Irrigation District #1	96,675	8.2%	7,925
South Texas College	57,821	37.0%	21,394
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	286,121	53.2%	152,318
Overlapping debt			198,511
City of Pharr direct debt	15,750	100.0%	15,750
Total direct and overlapping debt			$ 214,261

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 12/31/2010.

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.

[1]The 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									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Debt Limit	$ 100,367	$ 105,919	$ 123,907	$ 139,673	$ 148,988	$ 166,146	$ 184,767	$ 260,966	$ 268,973	$ 276,288
Total net debt applicable to limit	25,500	24,170	23,330	23,195	22,095	20,935	19,725	15,130	14,395	15,750
Legal debt margin	$ 74,867	$ 81,749	$ 100,577	$ 116,478	$ 126,893	$ 145,211	$ 165,042	$ 245,836	$ 254,578	$ 260,538
Total net debt applicable to the limit as a percentage of debt limit	25.4%	22.8%	18.8%	16.6%	14.8%	12.6%	10.7%	5.8%	5.4%	5.7%

`

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value	$ 2,171,854
Add Back: exempt property	591,022
Total Assessed Value	$ 2,762,876
Debt limit (10% of total assessed value)	276,288
Debt applicable to limit:	
General obligation bonds	15,750
Legal debt margin	$ 260,538

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					
				Debt Service		
Fiscal Year	Utility Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2002	6,038	3,612	2,426	2,168	780	0.82
2003	6,193	3,762	2,431	1,106	725	1.33
2004	6,605	4,311	2,294	1,231	646	1.22
2005	7,829	4,881	2,948	1,291	604	1.56
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	$ 14,122	$ 6,946	$ 7,176	$ 2,465	$ 1,670	1.74

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	Population[1]	Median Household Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling[2]	School Enrollment [3]	Unemployment Rate [4]
2002	51,362	38,967	9,462	27.4	47.3%	23,826	8.6%
2003	54,452	38,967	9,462	27.4	47.3%	25,210	8.6%
2004	56,752	38,967	9,462	27.4	47.3%	26,493	7.2%
2005	59,029	38,967	9,462	27.4	47.3%	27,338	5.8%
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%	14,724	10.5%
2011	70,400	28,000	11,420	27.1	58.1%	17,588	10.7%

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

[1]Population data from 2001 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.

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

[3]School Enrollment data for 2001 to 2007 includes enrollment for Pharr San Juan and Alamo School Disctrict. Enrollment data for 2010 and 2011 includes student enrollment in Pharr schools only, excluding San Juan and Alamo enrollment.

[4]Unemployment rate as of November 2011. (Source: Texas Workforce Commission)

City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2011 and 2001

	2011		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment[1]**
Pharr-San Juan - Alamo ISD	3,000	1	13.38%
Convergy's	1,000	2	4.46%
Valley View ISD	700	3	3.12%
Ticketmaster	600	4	2.68%
VDP Healthcare	500	5	2.23%
City of Pharr	400	6	1.78%
Lack's Valley Stores Ltd	360	7	1.61%
Royal Freight	350	8	1.56%
HEB	300	9	1.34%
Atento Contact US Teleservices	245	10	1.09%
Total	**7,455**		**33.24%**

	2001		
	Employees	**Rank**	**Percentage of Total City Employment**
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	**-**		**0.00%**

Source: Pharr Economic Development Corporation

* 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,									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
GENERAL FUND										
City Manager	16.0	16.7	9.0	9.0	9.0	9.0	9.0	9.0	8.0	7.5
Finance	7.0	8.0	10.0	12.0	12.5	13.5	14.0	5.5	9.0	9.0
Police Department	121.5	124.5	130.0	134.0	146.0	155.0	167.0	161.0	160.0	172.0
Traffic Safety	13.0	13.0	13.0	16.0	13.0	16.0	17.0	16.0	16.0	16.0
Municipal Court	4.0	4.0	6.0	6.0	6.0	6.0	6.0	5.0	6.5	7.5
Fire Protection	52.0	53.0	54.0	57.0	57.0	65.0	68.0	66.0	65.0	74.0
Administrative Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	7.5	7.0
Street Maintenance	24.0	24.0	24.0	25.0	28.0	30.0	29.0	29.0	31.0	33.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Municipal Library	16.0	18.0	23.0	23.0	25.0	26.0	26.0	26.0	22.5	22.5
Parks & Recreation	47.0	51.0	53.0	70.0	71.0	73.0	73.0	102.0	102.0	64.3
Planning & Community Dev	17.0	17.3	19.0	22.0	20.0	23.0	23.0	22.0	18.5	18.5
Total General Fund	317.5	329.5	341.0	374.0	387.5	416.5	432.0	448.5	446.0	433.8
UTILITY FUND										
Administrative	8.0	8.0	8.0	9.0	9.5	10.5	11.0	12.5	9.5	9.0
Water Production	11.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	10.0	10.0
Water Distribution	19.5	21.5	21.0	23.0	25.0	26.0	26.0	23.0	23.5	24.0
Water Treatment Plant	12.0	11.0	11.0	11.0	11.0	13.0	13.0	13.0	13.0	13.0
Lift Station	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	1.0	1.0
Total Utility Fund	54.5	53.5	53.0	56.0	58.5	63.5	64.0	61.5	57.0	57.0
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	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0	3.0
Total Internal Svc Fund	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0
INTERNATIONAL BRIDGE FUND										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	22.0	19.0	25.0	25.0	26.0	26.0	28.0	24.0	24.5	24.0
Total Int'l Bridge	23.0	20.0	26.0	26.0	27.0	27.0	29.0	25.0	25.5	25.0
OTHER										
CDBG	5.3	5.7	6.0	6.0	6.0	6.0	5.0	4.0	5.5	5.5
Golf Course	21.0	8.0	18.0	18.0	15.0	15.0	17.0	15.5	15.0	15.5
Total Other	26.3	13.7	24.0	24.0	21.0	21.0	22.0	19.5	20.5	21.0
GRAND TOTAL	**425.3**	**420.7**	**448.0**	**484.0**	**499.0**	**533.0**	**552.0**	**559.5**	**553.0**	**540.8**

Source: City of Pharr Budget Reports

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	3,841	4,848	2,897	3,857	2,858	2,808	2,944	4,839	15,660	3,395
Parking & Traffic Violations	6,587	10,101	10,897	15,983	13,742	12,742	15,194	25,689	12,556	10,742
Fire										
Number of calls answered	2,216	2,189	1,737	1,624	1,701	1,794	2,238	2,148	2,144	2,018
Inspections	573	725	1,235	877	809	1,108	1,344	1,325	1,160	1,842
Highways and streets										
Street resurfacing (miles)	unknown	unknown	unknown	unknown	2	7	2	7	9	9
Potholes repaired	unknown	unknown	unknown	unknown	unknown	unknown	137	825	775	4000
International Bridge										
Car Crossings	1,879,256	1,749,112	1,785,564	1,780,599	1,716,751	1,683,048	1,649,983	1,444,912	1,264,573	1,038,430
Truck Crossings	276,840	312,300	`	384,572	404,103	433,880	461,559	409,336	447,122	440,705
Culture and recreation										
Pharr Events Center	unknown	75	72	95	86	95	216	84	50	20
Other Community Center Events	unknown	306	269	231	206	268	597	414	378	329
Water										
New connections	717	614	867	832	1,204	638	324	220	278	428
Water mains breaks	unknown	unknown	unknown	unknown	3,948	4,156	578	445	711	768
Average daily consumption (millions of gallons)	5.1 MGD	5.0 MGD	4.7 MGD	6.1 MGD	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD	6.3 MGD	6.6 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	4.94 MGD	4.8 MGD	4.76MGD	4.9 MGD

Sources: Various City Departments.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	unknown	64	69	76	82	84	90	93	128	125
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	unknown	unknown	180	213	213	213	214	214	214
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	unknown	unknown	unknown	47	51	51	51	55	56	58
Culture and recreation										
Parks Acreage (Developed)	41	41	41	41	57	57	57	57	57	57
Swimming pools	2	2	2	2	2	2	2	2	-	-
Tennis courts	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)	unknown	unknown	~170	~182	~190	191.6	~313.4	315	313	325
Fire hydrants	1,712	1,730	1,750	1,820	1,918	2,010	2,030	1,896	1,946	1,946
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	8.28 MGD	12.01 MGD	9.9 MGD	10 MGD
Sewer										
Sanitary sewers (miles)	~169	~186	~204	~224	~246	~262	~265	265	266	269
Storm sewers (miles)	unknown	unknown	unknown	unknown	unknown	unknown	57	82	94.43	97.2
Maximum daily treatment capacity (thousands of gallons)	3.63 MGD	3.82 MGD	4.15 MGD	4.19 MGD	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD	5.3 MGD	8 MGD

Sources: Various city departments.

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Single Audit Section

Oscar R. González, CPA
&
Associates, P.L.L.C.
Certified Public Accountants
208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: orgl10n@aol.com

Oscar R. González
Melissa González

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 the City Commissioners

City of Pharr, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Pharr, Texas's basic financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Pharr, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Pharr, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pharr, Texas's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2011-1, 2011-2, 2011-3. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pharr, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 2011-4 through 2011-6.

We noted certain matters that we reported to management of City of Pharr, Texas, in a separate letter dated March 16, 2012.

City of Pharr, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Pharr, State Texas's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oscar R. Gonzalez, CPA & Associates, PLLC
Pharr, Texas
March 16, 2012

Oscar R. González, CPA
&
Associates, P.L.L.C.
Certified Public Accountants
208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: orgl10n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the City Commissioners
City of Pharr
Pharr, Texas

Members of the City Commission:

Compliance

We have audited the City of Pharr's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the City of Pharr's major federal programs for the year ended September 30, 2011. The City of Pharr's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Pharr's management. Our responsibility is to express an opinion on the City of Pharr's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and the State of Texas Single Audit Circular. 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Pharr's compliance with those requirements.

In our opinion, the City of Pharr complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-4, 2011-5, and 2011-6.

Internal Control Over Compliance

Management of the City of Pharr is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Pharr's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-4, 2011-5, and 2011-6. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Pharr's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Pharr's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, city commissioners, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oscar R. Gonzalez, CPA & Associates, PLLC
Pharr, Texas
March 16, 2012

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Governor's Division of Emergency Management:			
Assistance to Firefighters Grant Program	97.044	EMW-2009-FO-11178	40,708
Homeland Security Grant Program	97.073	2009-SS-T9-0064	19,302
Homeland Security Grant Program	97.073	2010-SS-T0-0008	23,643
Operation Stonegarden	97.067	2008-SG-TB-0009	40,218
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2008-FF-00717	257,272
Total Passed Through Governor's Division of Emergency Management			381,143
Total U.S. DEPARTMENT OF HOMELAND SECURITY			381,143
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-06-MC-48-0507	23,845
Community Development Block Grant	14.218	B-07-MC-48-0507	-
Community Development Block Grant	14.218	B-08-MC-48-0507	18,580
Community Development Block Grant	14.218	B-09-MC-48-0507	457,410
Community Development Block Grant	14.218	B-10-MC-48-0507	484,706
Community Development Block Grant-R	14.225	B-09-MY-48-0507	96,734
Total Passed Through Direct Programs			1,081,275
Passed Through Texas Department of Rural Affairs:			
CDBG Disaster Recovery Entitlement Grant Program	14.225	DRS010140	100,803
Total Passed Through Texas Department of Rural Affairs:			100,803
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,182,078
U.S. DEPARTMENT OF JUSTICE			
Passed Through Direct Programs:			
Bulletproof Vest Partnership Program	16.607	2010-BU-BX-100-53696	6,498
Bulletproof Vest Partnership Program	16.607	2011--BU-BX-110-59079	4,680
Domestic Violence Coordinator Project	16.588	WF-11-V30-22994-02	1,665
COPS Hiring Grant Program	16.710	2010-UM-WX-0306	161,250
Technology Program Grant	16.710	2009-CK-WX-0183	909
Pharr Border Gang Reduction Project	16.738	DJ-09-J20-22850-01	89,673
Pharr Border Gang Reduction Project	16.738	DJ-10-A10-22850-02	4,046
Human Trafficking Liaison Grant	16.575	VA-10-V30-24305-01	60,000
Total Passed Through Direct Programs			328,721
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)			
Passed Through Direct Programs:			
ARRA - FY 2010 Justice Assistance Grant Program	16.804	2010-DJ-BX-1368	3,043
ARRA - FY 2009 Violence Against Woman Formula Grant	16.588	EF-09-V30-22994-01	15,065
ARRA - Pharr Multidisciplinary Intelligence-Based Team Project	16.809	2009-SS-B9-0074	133,937
Total ARRA Passed Through Direct Programs			152,045
Passed Through Governor's Division of Criminal Justice:			
ARRA - Border Security Enhancement Project-Recovery Act	16.803	SU-09-A10-2328501	42,278
Total ARRA Passed Through Governor's Division of Criminal Justice			42,278
Total AMERICAN RECOVERY AND REINVESTMENT ACT			194,323
Total U.S. DEPARTMENT OF JUSTICE			523,044

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011 - continued

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Energy Efficiency And Conservation Grant Project	81.128	DE-SC0003187	226,318
Total UNITED STATE ENVIRONMENTAL PROTECTION AGENCY			226,318
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Direct Programs:			
Operation Task Force	21.00	111SA1599	32,154
Total U.S. DEPARTMENT OF TREASURY			32,154
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
Passed Through Direct Programs:			
EPA SAAP GRANT	66.418	XP-97665501	31,275
Total Passed Through Direct Programs			31,275
Total UNITED STATE ENVIRONMENTAL PROTECTION AGENCY			31,275
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,376,012

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Grantor/ Program Title	Grant Number	Expenditures
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		
Lone Star Library Grant	'442-11985	14,704
Total TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		14,704
OFFICE OF THE ATTORNEY GENERAL		
Victim Coordinator Liaison Grant	1226711	2,482
Total TEXAS INFRASTRUCTURE FUNDS BOARD		2,482
TEXAS DEPARTMENT OF MOTOR VEHICLES		
South Texas Auto Theft Enforcement Task Force	SA-T01-10041-11	37,218
South Texas Auto Theft Enforcement Task Force	SA-T01-10041-12	3,706
Total TEXAS DEPARTMENT OF TRANSPORTATION		40,924
TEXAS DEPARTMENT OF PUBLIC SAFETY		
Local Border Security Program	LBSP-11-0032	274,033
Total TEXAS DEPARTMENT OF PUBLIC SAFETY		274,033
TEXAS WATER DEVELOPMENT BOARD		
Regional Water and Wastewater Facilities Planning	1004831080	87,634
Total TEXAS WATER DEVELOPMENT BOARD		87,634
TEXAS FOREST SERVICE		
TIFMAS Grant Assistance Program	1121	129,324
Total TEXAS FOREST SERVICE		129,324
LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		
Regional Solid Waste Grant Program	11-21-G14	4,332
Regional Solid Waste Grant Program	11-21-G12	23,361
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		27,693
TOTAL EXPENDITURES OF STATE AWARDS		576,794
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		$ 2,952,806

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, 2011. 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 exits 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 (excluding Federal CFDA # 66.202 which is based on the 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, 2011

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: UNQUALIFIED

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 notes? ____ 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? X YES ____ NO

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
16.809	Pharr Multidisciplinary Intelligence-Based Team Project
16.710	Public Safety Partnership and Community Policing Grant

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

Auditee qualified as low-risk auditee? ____ YES X NO

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: UNQUALIFIED

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:

Grant Number	Name of State Program or Cluster
LBSP-11-0032	Local Border Security Program
SA-T01-10041-11	South Texas Auto Theft Enforcement Task Force

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

Auditee qualified as low-risk auditee? _____ YES ___X___ NO

B. Financial Statement Findings

Schedule Reference: (2011-1): Fixed Assets

Criteria: Fixed assets are required by Generally Accepted Accounting Principles to be depreciated using the straight line method over their estimated useful lives.

Condition: Accumulated depreciation was found to be incorrectly calculated by the Incode accounting software. In some instances, depreciation was never taken from the date of purchase on various assets.

Cause: Over the years, amounts were overridden in the fixed asset module of Incode that caused the software to miscalculate accumulated depreciation and depreciation expense.

Effect of Condition: Accumulated depreciation and depreciation expense were adjusted to reflect the correct amounts.

Recommendation: We recommend the city review fixed asset depreciation expense and accumulated depreciation and correct the errors for each individual asset so depreciation can be correctly calculated in future years.

Auditee’s Response: We concur. Fixed asset depreciation and accumulated depreciation errors for each individual asset will be reviewed in the upcoming fiscal year.

B. Financial Statement Findings - Continued

Schedule Reference: (2011-2): Bridge Revenues

Criteria: All revenue should be deposited and pesos should not be exchanged for dollars before depositing revenues into the bank.

Condition: During the audit we found that pesos collected were being exchanged for dollars by employees for personal use with management approval and for city administrative uses. In addition, we also found that the amount of dollars and pesos collected and deposited ties to the TOD reports generated by the cashiers overall but not at the currency level. Part of the reason for this were the exchanges made and a second reason is that toll collectors classify pesos collected as dollars because the transaction is easier to perform.

Cause: This was a long standing policy that was in effect since the bridge opened.

Effect of Condition: Since the city has a flat exchange rate of 16 pesos to one dollar and exchange rates are usually lower than this, the city lost on potential profits from the exchanges.

Recommendation: We recommend that all money collected be deposited as collected and that no exchanges take place even if they are for administrative purposes. We recommend that a peso petty cash fund be implemented for administrative expenses to ensure that all revenues collected are properly deposited. We also recommend that TOD reports be compared to the actual daily deposits and that any discrepancies of amounts collected between currencies be reconciled. In addition, we recommend that toll collectors enter pesos as pesos and dollars as dollars in their system to avoid discrepancies between currencies collected and deposited.

Auditee's Response: We concur. The policy of allowing employees to exchange small amounts of dollars to peso's will no longer be allowed. If needed, a small peso petty cash account will be created.

Schedule Reference: (2011-3): Municipal Court Fines

Criteria: The municipal court should be able to account for all traffic citations even if they have been voided.

Condition: During the audit we found that not all citations can be accounted for.

Cause: Procedures are not in place to ensure all citations are accounted for.

Effect of Condition: As a result, there is no way of knowing whether all valid citations were delivered to the court or whether missing citations were voided, lost or misused.

Recommendation: We recommend a policy be implemented so that all citations can be turned in to the court including voided ones. We also recommend the court reconcile citations to ensure all of them are being returned to the court.

Auditee's Response: We concur. All court personnel have been informed to begin a reconciling citations and identify any discrepancies on a monthly basis.

C. Federal Award Findings and Questioned Costs

Major Program: 14.218 Community Development Block Grant

Schedule Reference: (2011-4): Time and Effort

Criteria: *OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments* requires there be proper support for salaries and wages paid to employees working under the grant. For employees working solely on the grant it requires there be semi-annual certifications signed by the employee and the supervisor. It also requires personnel activity reports (timesheets) for employees who work under multiple activities.

Statement of Condition: During the audit we found semi-annual certifications were not prepared for employees working solely under the grant. We also found an employee whose salary was based on an estimated percentage for which there were no personnel activity reports.

Cause of Condition: City staff did not have knowledge of this single audit requirement.

Effect of Condition: Through various other methods we were able to determine that employees did work under the grant during the year and we believe these costs are allowable.

Recommendation: We recommend the employees administering this grant become familiar with requirements under *OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments* .

Questioned Costs: None

Auditee's Response: We concur. Semi-annual certifications will be prepared for employees working solely under the grant.

Schedule Reference: (2011-5): Environmental Review

Criteria: The Community Development Block Grant requires that environmental reviews be conducted for projects paid with grant funds.

Statement of Condition: During the audit we found an environmental review was not conducted for the Sioux Road project.

Cause of Condition: The project funded through this grant was changed at the last minute and as a result an environmental review was not conducted.

Effect of Condition: The grant is not in compliance with this requirement.

Recommendation: We recommend that employees administering this grant carefully review all requirements and ensure they are met.

Questioned Costs: None

Auditee's Response: We concur. Employees administering this grant will carefully review all requirements and ensure they are met.

C. Federal Award Findings and Questioned Costs - Continued

Schedule Reference: (2011-6): Earmarking

Criteria: The Community Development Block Grant states that "the amount of CDBG funds obligated during the program year for public services must not exceed 15% of the grant amount received for that year".

Statement of Condition: During the audit we found that about 18% of the grant amount received for the year was obligated for public services. The overage was estimated at $36,764.

Cause of Condition: Grant funds were reallocated during the year and this requirement was not properly reviewed.

Effect of Condition: The grant is not in compliance with this requirement.

Recommendation: We recommend that employees administering this grant carefully review all requirements and ensure they are met.

Questioned Costs: None

Auditee's Response: We concur. Employees administering this grant will carefully review all requirements and ensure they are met.

D. State Award Findings and Questioned Costs

None.

SECTION II - SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR

Major Program: 16.809 Combating Criminal Narcotics-Recovery Act and 16.803 Edward Byrne Memorial Justice Assistance Grant-Recovery Act

Schedule Reference: (2010-1): Cash Management

Criteria: Cash management compliances require that entities who are funded on reimbursement basis, must incur their expenses before reimbursement is requested.

Statement of Condition: The City of Pharr Police Department is the direct sub recipient of this federal grant and although it is meeting with the condition of incurring expenses before reimbursement request, the Department is failing to request the reimbursement on a chronological and proper manner. Reports submitted to Grant Agency are being returned back to the Department because they do not include the proper information or documentation. Other reports are submitted late. From total expenditures of $566,812 for FY 2009-2010, only $112,687 have been reimbursed as of September 30. Also, the Police Department is failing to submit proper grant documentation to the Finance Department on time.

Cause of Condition: The City of Pharr Police Department personnel are trained to meet with their police administration duties and they do not have the sufficient time nor training to keep good cash management controls over compliance requirements.

Effect of Condition: The City of Pharr's general fund is paying for grant police department expenditures and is not being reimbursed. The fact that grant requests are not being submitted properly, delays the process of reimbursements. Also, because documentation is not being submitted on time to Finance, the reconciliation process slows down.

Recommendation: The City should centralize its grant accounting at the Finance Department and assign an accountant to handle and oversee all grant related expenditures and revenues. Finance should consider handling the request for reimbursement process for all grants and reconcile back to each department.

Auditee's Response: We concur. Plans are in place for an accountant fully dedicated to operating grants city-wide.

Questioned Costs: $-0-

Status: Corrected.