



COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2013

RECIPIENTS OF:



City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2013

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

CHIEF FINANCIAL OFFICER

Juan G. Guerra, CPA

INDEPENDENT AUDITORS

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

Prepared by:



CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2013

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INTRODUCTORY SECTION



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

February 4, 2014

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, 2013, 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, 2013, 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 was approved by citizen vote and ratified by the City Commission to receive ½ percent (the City receives 1 ½ percent) of sales tax. City management has included PEDC in its financial reports as a blended component unit since the City appoints all board members, can remove board members at will, and must approve PEDC's budget and plan of work. The City is also a guarantor for debt that is collateralized by PEDC 4B funds. City management has also included PFC # 1 and TIRZ in its financial statements as a blended component unit under same criteria followed for PEDC.

PROFILE OF THE GOVERNMENT

Located on lands originally known in the 1600's as the Seno Mejicano, the City of Pharr was founded in 1909. During a period of great social and economic transition in the Rio Grande Valley. In 1909, John C. Kelly, Henry N. Pharr, W.E. Cage, and R.E. Briggs formed the Pharr Townsite Company, platting and registering the new town. Kelly donated lots in the original plat for early churches, including the Methodist, Baptist, Catholic, Episcopal, and Presbyterian denominations. Pharr schools began in 1911, and the community later joined with San Juan and Alamo to create the Pharr-San Juan-and Alamo School District. The City founders were also involved with the Louisiana - Rio Grande Canal Co., organized in 1910 to furnish irrigation and domestic water to 40,000 acres in the Pharr area by means of a Rio Grande Pumping Plant. The water system led the economy to shift from ranching to crop production, and the Railroad, which came through the area in 1905 made it possible to ship the produce around the country. Amidst the explosive growth caused by the introduction of irrigation, the coming of the railroad, and the Mexican Revolution, the City incorporated in 1916, and became a hub for the confluence of Tejano, Anglo and Mejicano influences in the region. Centrally located, Pharr played a key role as the agricultural frontier pushed into the brush and cattle country in the early 1900's to form a new fertile land dubbed the "Magic Valley". As water from the Rio Grande was being diverted for irrigation, Pharr served as headquarters for the Louisiana-Rio Grande Canal Company owned and operated by the Pharr co founders John C. Kelly and Henry N. Pharr. The company built the historic Hidalgo Pumphouse that initially irrigated 40,000 acres of land known as Pharr-Kelly tract.

Pharr, served by two state highways and the St. Louis, Brownsville and Mexico Railway Company, became a hub and a natural shipping center for the transportation and produce industries. By the early 1950's, Pharr was home to 22 processing and shipping businesses including the Valley Fruit and Vegetable Company, the largest packing facility in the world. Pharr is situated along a 43-mile corridor, U.S Business 83, once known as the longest Main Street in America. The City's image as the Hub City was firmly established when the Texas Highway Department chose Pharr as its District 21 Headquarters in 1932. The 13,869 Sq mile district is composed of Ten counties and is larger than the District of Columbia, Delaware, Connecticut and Massachusetts combined. Since the early days, Pharr sat at the cross-roads of the two most important highways in the Valley: Highways 4 and 66, known today as Memorial Highway U.S 281 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 position. 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 2013, which will be in effect during next fiscal year, is expected to see a minor increase 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 2011 and 2012 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 4% increase from the estimated actual of last fiscal year's sales tax collections. The City is expecting positive future trends coming.

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, 2013. 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, 2013.

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 \$17.3 million. Texas Water Development Board’s new issuance bond of \$8.7 million along with a \$3.6 forgiveness loan will be used to cover most of these projects. For this fiscal year, there are five utility capital projects; Water treatment plant, Public Utilities Building, LBJ water tower rehab, Reservoir Cleaning and Water Transmission Lines.

International Bridge Infrastructure: The bridge capital projects expenditures for the upcoming fiscal year are budgeted at \$34.4 million. Expenditures are expected to be funded through a loan in the upcoming fiscal years of \$27 million and the rest through grants and excess bridge funds. At the moment the projects are on hold due to logistics decisions being made.

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 trucks. 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 is reflected in the table below.

	Fiscal Year (expressed in millions)		
	2012/2013	2011/2012	2010/2011
Unreserved, Undesignated, Committed, Assigned, Unassigned General Fund, Fund Balance	\$ 12.3	\$ 9.8	\$ 13.9
Days Expenditure	104	89	133
Unassigned General Fund, Fund Balance	\$ 3.6	\$ 0.7	\$ 5.8
Days Expenditure	30	7	56

The total General Fund balance is \$14.6 million; the committed, assigned, and unassigned fund balance (comparable to prior year’s unreserved fund balance) is \$12.3 million and is equal to 104 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.

GENERAL FUND BALANCE POLICY: The City approved fiscal policies during every budget process. The fiscal policy as it relates to General 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 2012-2013 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 December 2012, 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, 2013, 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 and Associates, P.L.L.C., 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, 2013.

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, 2012. This was the City's fourth 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, 2012. This was the City's fourth budget award from GFOA. The budget for October 1, 2013 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 fifth 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,



Juan G. Guerra
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Pharr
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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

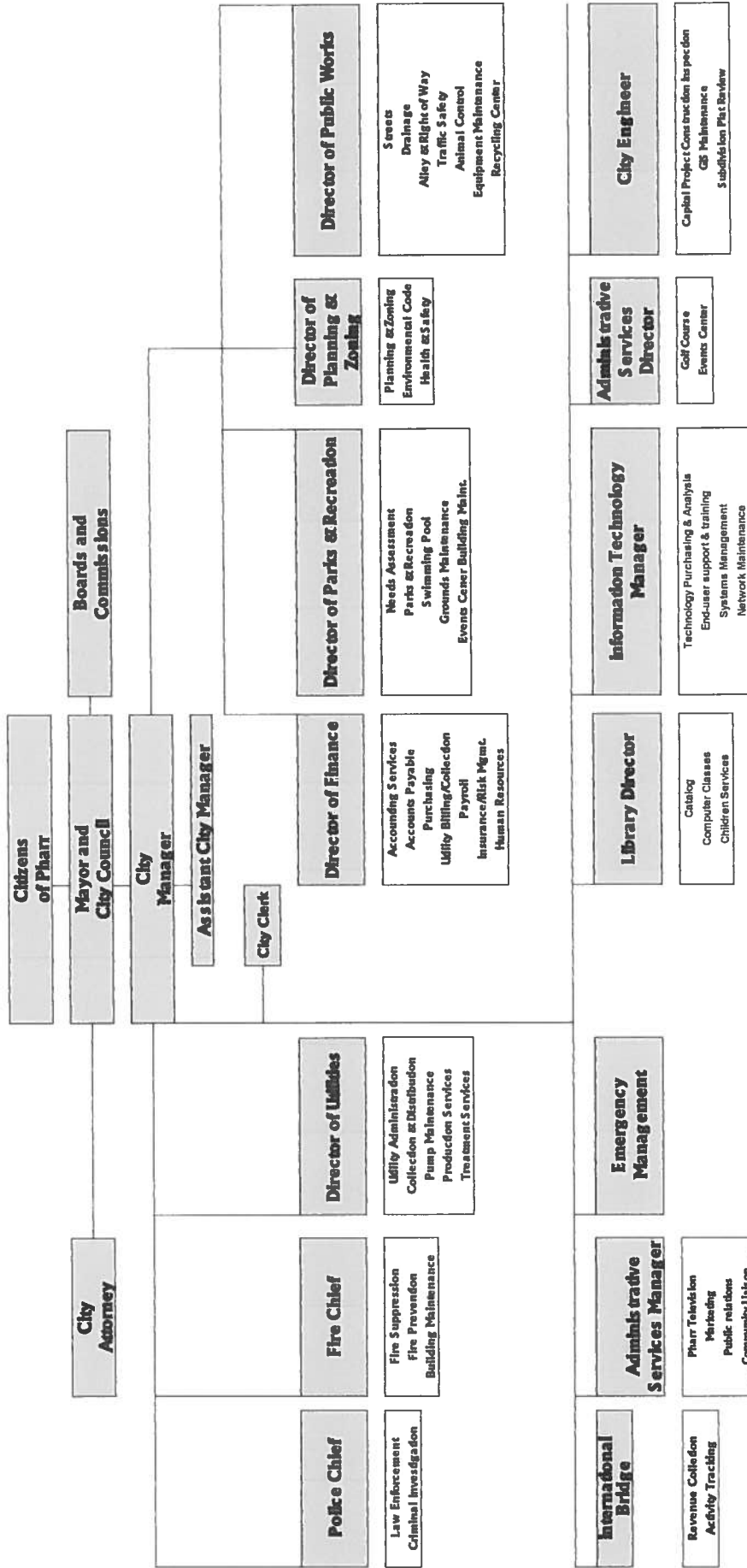
Appointed Officials

City Manager	Fred Sandoval
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Department Directors

City Clerk	Hilda Pedraza
Police Chief	Ruben Villescás
Fire Chief	Jaime Guzman
City Engineering	William Ueckert
Director of Utilities/Assistant City Manager	David Garza
Chief Financial Officer/Bridge Director	Juan G Guerra, CPA
Director of Parks & Recreation	Frank Marin
Library Director	Adolfo Garcia
Director of Planning & Zoning	Edward Wylie
Public Works Director	Roy Garcia
Director of Golf	Raul Garza

ORGANIZATION CHART - CITY OF 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: org110n@aol.com

*Oscar R. González
Melissa González*

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Pharr, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pharr, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 69 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the City of Pharr, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pharr, Texas's internal control over financial reporting and compliance.


Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas
January 31, 2014

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$83.19 million (net position). Of this amount, over \$8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of more than \$10 million in unrestricted net position, or -55.8%. The decrease is mainly due to City having major funding restricted for capital projects this year.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds increased by \$4 million; from (\$.87) to \$3.2 million.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$113.42 million (net position). Of this amount, over \$6 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors, which is a decrease of nearly \$9.9 million, or more than 63%. The decrease is due to the Utility Fund's restricted funds for capital projects. The Utility fund routinely has positive change in net position and will use the funds to reduce the amount of financing needed for capital projects.
- The General Fund assets exceeded its liabilities by over \$14.34 million (fund balance). Of this amount, \$3.59 million (unassigned fund balance) may be used to meet the General Fund's ongoing obligations. This is an increase of over \$2.84 million, or 79%. The increase is due to the repayment of PEDC II to General Fund for past advances and reduction in assigned fund balance for capital outlay.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include services provided to the citizens for the basic health, safety, welfare, and administration of the City. Examples would include police and fire protection, animal control, streets, and parks and recreation. The business-type activities of the City which include the services provided to the citizens, the cost of which is recouped by user fees charged for the services. This includes water and wastewater services, bridge toll, and golf course fees to all residents and businesses.

Management's Discussion and Analysis

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three major (General, PEDC II, and Capital projects) and nine 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, Capital Projects, PEDC II fund, which are considered to be major funds 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.

Management's Discussion and Analysis

Component Units

The City has four component units: PEDC II, PFC # 1, TIRZ and Police Athletic League (PAL), for which all of them except for Police Athletic League are blended component units, meaning their financial information gets merged with the City's on the Government-Wide Statements. PAL on the other hand, does not meet the definition for blended and is reported as a discretely presented component unit instead on a separate column of the Government-Wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$196.61 million at the close of the fiscal year.

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

Table 1 – Dollars in Millions	City of Pharr's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 61.92	\$ 65.39	\$ 46.65	\$ 32.93	\$ 108.56	\$ 98.32
Capital assets	83.16	70.80	135.35	134.43	218.51	205.23
Total assets	<u>145.08</u>	<u>136.19</u>	<u>182.00</u>	<u>167.36</u>	<u>327.08</u>	<u>303.55</u>
Deferred Outflow of Resources						
Deferred outflows	0.43	0.50	0.55	0.80	0.99	1.30
Total deferred outflow of resources	<u>0.43</u>	<u>0.50</u>	<u>0.55</u>	<u>0.80</u>	<u>0.99</u>	<u>1.30</u>
Total Assets and Deferred Outflow of Resources	<u>145.51</u>	<u>136.69</u>	<u>182.55</u>	<u>168.16</u>	<u>328.06</u>	<u>304.85</u>
Liabilities						
Long-term liabilities	50.80	47.74	58.36	53.60	109.17	101.34
Other liabilities	11.34	10.60	10.74	7.30	22.09	17.90
Total liabilities	<u>62.15</u>	<u>58.34</u>	<u>69.11</u>	<u>60.90</u>	<u>131.25</u>	<u>119.24</u>
Deferred Inflow of Resources						
Deferred inflows	0.16	0.21	0.03	0.03	0.24	0.24
Total deferred inflows of resources	<u>0.16</u>	<u>0.21</u>	<u>0.03</u>	<u>0.03</u>	<u>0.24</u>	<u>0.24</u>
Total Liabilities and Deferred Inflow of Resources	<u>62.31</u>	<u>58.55</u>	<u>69.14</u>	<u>60.93</u>	<u>131.49</u>	<u>119.48</u>
Net Position						
Net Invested in capital assets, net of related debt	39.36	36.17	86.01	82.83	125.37	119.00
Restricted	35.80	23.68	21.39	8.50	57.19	32.18
Unrestricted	8.03	18.28	6.01	15.90	14.04	34.18
Total net position	<u>\$ 83.19</u>	<u>\$ 78.13</u>	<u>\$ 113.42</u>	<u>\$ 107.23</u>	<u>\$ 196.61</u>	<u>\$ 185.36</u>

Management's Discussion and Analysis

By far the largest portion of the City's net position (\$125.37 million) 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 position, (\$57.19) million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$14.04 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 position for the government as a whole. The same situation held true for the prior fiscal year.

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

Table 2 – Dollars in Millions	City of Pharr's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for services	\$ 8.31	\$ 8.30	\$ 26.49	\$ 25.60	\$ 34.79	\$ 33.93
Operating grants and contributions	9.49	6.20	0.31	-	9.81	6.20
Capital grants and contributions	1.11	0.20	1.69	0.30	2.80	0.50
General Revenues:						
Property tax	15.19	15.20	-	-	15.19	15.20
Sales tax	13.08	12.80	-	-	13.08	12.80
Other taxes	3.13	2.10	-	-	3.13	2.10
Other	0.89	1.60	0.87	0.70	1.76	2.30
Total Revenues	51.20	46.40	29.36	26.60	80.56	73.03
Expenses:						
General governmental	9.97	13.50	-	-	9.97	13.50
Public safety	22.70	22.50	-	-	22.70	22.50
Streets	5.33	4.50	-	-	5.33	4.50
Health and welfare	1.88	2.70	-	-	1.88	2.70
Culture and recreation	4.31	4.10	-	-	4.31	4.10
Economic Development	7.36	2.80	-	-	7.36	2.80
Interest of debt service	1.97	1.30	-	-	1.97	1.30
Utility	-	-	12.24	11.80	12.24	11.80
Toll bridge	-	-	3.41	3.10	3.41	3.10
Tierra Del Sol Golf Course	-	-	1.28	1.20	1.28	1.20
Total Expenses	53.52	51.40	16.93	16.10	70.45	67.50
Excess of revenues over expenditures	(2.32)	(5.00)	12.42	10.60	10.11	5.53
Transfers	6.32	6.70	(6.47)	(6.70)	(0.15)	-
Net change in net position	4.00	1.70	5.96	3.90	9.96	5.53
Net position - beginning	78.13	80.00	107.23	104.93	185.36	184.96
Prior period adjustment	1.06	(3.57)	0.23	(1.60)	1.29	(5.14)
Net position - ending	\$ 83.19	\$ 78.13	\$ 113.42	\$ 107.23	\$ 196.61	\$ 185.36

Management's Discussion and Analysis

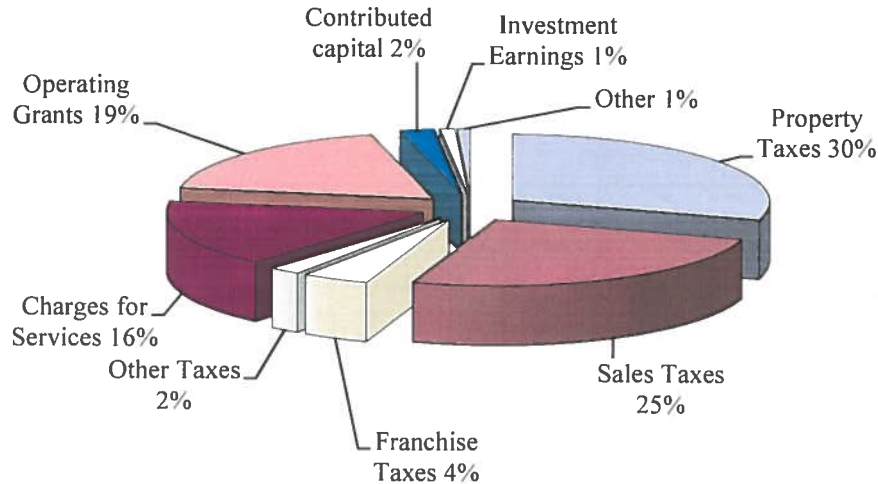
Governmental Activities

Governmental activities increased the City's net position by \$4.6 million. The key change this fiscal year along with element of this increase is described as follows:

- Net position increased by \$4.6 million mainly due to an increase in operating grants and revenues and capital contributions.

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

Revenues by Source – Governmental Activities



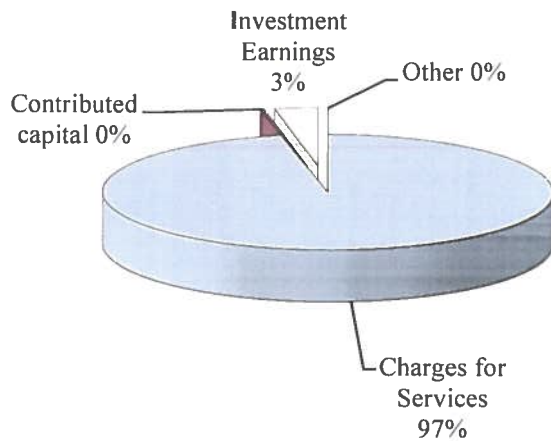
Business-Type Activities

Business-type activities increased the City's net position by nearly \$6 million. Key changes this fiscal year along with elements of this increase are described as follows:

- Business type overall charges for services increased by \$.9 million
- Capital contributions increased by \$1.3 million

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

Revenues by Source – Business-Type Activities



Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's net change in fund balance was roughly \$1.7 million more than budget. The operating revenues were \$.5 million more than budget. The main reason for this increase was due to sales tax collections greater by \$244,314, sanitation and brush charges greater by \$155,030, and other revenue greater by \$217,051. Expenditures were a little over \$1 million less than budget; this was mainly due to operational savings in the City's different departments.

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 \$218.51 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 \$13.20 million or 6%.

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

Table 3- Dollars in millions

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5.81	\$ 5.91	\$ 2.66	\$ 2.66	\$ 8.47	\$ 8.57
Building and system improvements	29.93	20.08	15.37	15.80	45.30	35.88
Other improvements	5.13	4.90	3.57	2.60	8.71	7.50
Machinery and equipment	8.64	7.46	4.23	4.72	12.87	12.18
Infrastructure	32.21	26.69	94.04	77.26	126.25	103.94
Construction in progress	1.44	5.73	15.48	31.52	16.91	37.25
	<u>\$ 83.16</u>	<u>\$ 70.76</u>	<u>\$ 135.35</u>	<u>\$ 134.55</u>	<u>\$ 218.51</u>	<u>\$ 205.31</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$107.96 million. The details of the change in debt from last fiscal year are as indicated:

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

	2013	2012	Change
Governmental			
Bonds	\$ 12.80	\$ 14.32	\$ (1.52)
Certificates of obligation	7.30	7.63	(0.33)
Capital leases	3.20	3.40	(0.20)
Notes	23.20	21.56	1.64
	<u>46.50</u>	<u>46.90</u>	<u>(0.40)</u>
Business-Type			
Bonds	61.00	55.39	5.62
Capital leases	0.46	0.54	(0.08)
	<u>61.46</u>	<u>55.93</u>	<u>5.54</u>
Total	<u>\$ 107.96</u>	<u>\$ 102.83</u>	<u>\$ 5.14</u>

Management's Discussion and Analysis

Long-term debt for the Governmental activities decreased by a net \$.40 million. This increase was mainly due to the standard retirement of debt and new capital leases.

Long-term debt for the Business-Type activities increased by a net \$5.54 million. This increase was due to the issuance of \$8.7 million from Texas Water Development Board for new Utility projects.

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

- The continue of improvement of bridge crossings which are currently trending upward for trucks.
- Weather conditions for potential droughts which affect the utility rates and operations as during times of droughts more water is used which strains utility infrastructure.
- The rate of property tax collection for current taxes which has allowed of continues year of positive collection growth.
- Owners of the retail shopping mall have shown interest in upgrading the area and allowing for an opportunity and development growth.
- The need for a new comprehensive plan has been identified and budgeted. This will allow for better management growth for the City.
- Industrial area located close to the international bridge continues to expand annually with a possibility of a new major development catering to the bridge crossings.

All of these factors were considered in preparing the City's budget for the 2013-14 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 POSITION
SEPTEMBER 30, 2013**

<u>ASSETS</u>	<u>Primary Government</u>			<u>Discrete Component Units</u>	<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
Current assets:					
Cash	\$ 18,036,648	\$ 20,380,329	\$ 38,416,977	\$ 6,747	\$ 38,423,724
Receivables (net of allowance for uncollectible)	11,796,017	2,669,653	14,465,670	45	14,465,715
Prepaid items	7,500	-	7,500	-	7,500
Internal balances	182,438	(182,438)	-	-	-
Inventories	308,769	138,311	447,080	-	447,080
Land available for sale	20,997,426	-	20,997,426	-	20,997,426
Restricted assets:					
Cash	7,605,430	23,503,033	31,108,463	-	31,108,463
Cash with Fiscal Agent	440,532	140,101	580,633	-	580,633
Intergovernmental receivable	2,540,339	-	2,540,339	-	2,540,339
Total current assets	<u>61,915,099</u>	<u>46,648,989</u>	<u>108,564,088</u>	<u>6,792</u>	<u>108,570,880</u>
Capital assets					
Land (non-depreciable)	5,812,699	2,656,024	8,468,723	-	8,468,723
Buildings (net of acc. depreciation)	29,932,113	15,368,675	45,300,788	-	45,300,788
Improvements other than buildings (net of acc. depreciation)	5,132,421	3,573,438	8,705,859	-	8,705,859
Machinery and equipment (net of acc. depreciation)	8,637,568	4,233,596	12,871,164	-	12,871,164
Infrastructure (net of acc. depreciation)	32,209,746	94,044,734	126,254,480	-	126,254,480
Construction in progress (non-depreciable)	1,436,340	15,475,191	16,911,531	-	16,911,531
Total capital assets	<u>83,160,887</u>	<u>135,351,658</u>	<u>218,512,545</u>	<u>-</u>	<u>218,512,545</u>
Total noncurrent assets	<u>83,160,887</u>	<u>135,351,658</u>	<u>218,512,545</u>	<u>-</u>	<u>218,512,545</u>
Total assets	<u>145,075,986</u>	<u>182,000,647</u>	<u>327,076,633</u>	<u>6,792</u>	<u>327,083,425</u>
DEFERRED OUTFLOW OF RESOURCES					
Unamortized loss on refunding of debt	434,069	553,258	987,327	-	987,327
Total deferred outflow of resources	<u>434,069</u>	<u>553,258</u>	<u>987,327</u>	<u>-</u>	<u>987,327</u>
LIABILITIES					
Current liabilities payable					
Accounts payable and other current liabilities	3,661,467	1,406,536	5,068,003	9,871	5,077,874
Unearned revenue	1,727,033	3,479,809	5,206,842	22,295	5,229,137
Current portion debt payable	5,967,704	3,656,749	9,624,453	-	9,624,453
Liabilities from restricted assets	-	2,199,489	2,199,489	-	2,199,489
Total current liabilities	<u>11,356,204</u>	<u>10,742,583</u>	<u>22,098,787</u>	<u>32,166</u>	<u>22,130,953</u>
Noncurrent liabilities:					
Other post employment benefit	600,473	-	600,473	-	600,473
Due in more than one year, net	50,201,810	58,364,183	108,565,993	-	108,565,993
Total noncurrent liabilities	<u>50,802,283</u>	<u>58,364,183</u>	<u>109,166,466</u>	<u>-</u>	<u>109,166,466</u>
Total liabilities	<u>62,158,487</u>	<u>69,106,766</u>	<u>131,265,253</u>	<u>32,166</u>	<u>131,297,419</u>
DEFERRED INFLOW OF RESOURCES					
Unamortized premium	161,241	28,679	189,920	-	189,920
Total deferred inflow of resources	<u>161,241</u>	<u>28,679</u>	<u>189,920</u>	<u>-</u>	<u>189,920</u>
NET POSITION					
Net Invested in capital assets	39,362,393	86,011,323	125,373,716	-	125,373,716
Restricted for:					
Debt service	-	5,876,472	5,876,472	-	5,876,472
Capital projects	11,836,666	15,517,925	27,354,591	-	27,354,591
Economic development	20,818,117	-	20,818,117	-	20,818,117
Noncurrent advances	1,345,742	-	1,345,742	-	1,345,742
Encumbrances	368,574	-	368,574	-	368,574
Public safety	587,370	-	587,370	-	587,370
Other	839,965	-	839,965	-	839,965
Unrestricted	8,031,500	6,012,740	14,044,240	(25,374)	14,018,866
Total net position	<u>\$ 83,190,327</u>	<u>\$ 113,418,460</u>	<u>\$ 196,608,787</u>	<u>\$ (25,374)</u>	<u>\$ 196,583,413</u>

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, 2013**

Functions/Programs Primary government:	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Discrete Component Unit
Governmental activities:							
General government	\$ 9,969,673	\$ 762,830	\$ -	\$ (7,226,891)	\$ -	\$ (7,226,891)	-
Public safety	22,699,980	2,024,538	-	(19,465,262)	-	(19,465,262)	-
Highways and streets	5,329,933	2,222,285	-	(2,230,004)	-	(2,230,004)	-
Health and welfare	1,879,553	-	1,111,094	2,889,878	-	2,889,878	-
Culture and recreation	4,305,821	4,483,711	-	757,019	-	757,019	-
Economic development	989,251	-	-	(989,251)	-	(989,251)	-
Interest on long-term debt	1,970,139	-	-	(1,970,139)	-	(1,970,139)	-
Total governmental activities	47,144,350	9,493,364	1,111,094	(28,234,650)	-	(28,234,650)	-
Business-type activities:							
Utility	12,241,490	314,196	1,686,062	3,735,969	3,735,969	3,735,969	-
Toll Bridge	3,412,510	-	-	8,501,998	8,501,998	8,501,998	-
Tierra Del Sol Golf Course	1,278,609	-	-	(682,051)	(682,051)	(682,051)	-
Total business-type activities	16,932,609	314,196	1,686,062	11,555,916	11,555,916	11,555,916	-
Total primary government	\$ 64,076,959	\$ 9,807,560	\$ 2,797,156	\$ (28,234,650)	\$ 11,555,916	\$ (16,678,734)	\$ -
Component unit:							
Police Athletic League	\$ 338,521	\$ 9,205	-	-	-	-	\$ (245,864)
Total	\$ 64,415,480	\$ 9,816,765	\$ 2,797,156	\$ (28,234,650)	\$ 11,555,916	\$ (16,678,734)	\$ (245,864)
General revenues:							
Property taxes				15,186,302	-	15,186,302	-
Sales taxes				13,079,019	-	13,079,019	-
Franchise taxes				2,143,885	-	2,143,885	-
Other taxes				985,596	-	985,596	-
Investment earnings				472,838	847,707	1,320,545	-
Gain on sale of assets				420,751	-	420,751	-
Other				-	20,754	20,754	71,576
Loss on land available for sale valuation				(6,370,699)	-	(6,370,699)	-
Transfers				6,317,067	(6,465,981)	(148,914)	-
Total general revenues and transfers				32,234,759	(6,597,520)	26,637,239	220,490
Change in net position				4,000,109	5,958,396	9,958,505	(25,374)
Net position - beginning				78,131,058	107,225,720	185,356,778	-
Prior period adjustment				1,059,160	234,344	1,293,504	-
Net position - ending				\$ 83,190,327	\$ 113,418,460	\$ 196,608,787	\$ (25,374)
							\$ 196,583,413

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



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**CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Pharr Economic Development Corporation, Inc.</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
Cash	\$ 13,817,503	\$ 10,090,239	\$ 370,164	\$ 1,090,747	\$ 25,368,653
Receivables (net of allowance for uncollectible):					
Property taxes	1,526,344	-	-	197,797	1,724,141
Warrants	6,166,843	-	-	-	6,166,843
Sales tax	1,619,918	-	539,973	-	2,159,891
Notes	-	-	128,381	55,013	183,394
Accounts	643,347	-	-	110,762	754,109
Intergovernmental	-	-	-	-	-
Other	464,141	-	6,942	336,556	807,639
Prepaid Items	-	-	7,500	-	7,500
Inventories	283,885	-	-	-	283,885
Land Available for Sale	-	-	-	-	-
Due from other funds	1,984,575	1,016,486	20,997,426	-	20,997,426
Restricted assets:					
Cash	-	-	248,055	-	248,055
Cash with Fiscal Agent	440,532	-	-	-	440,532
Intergovernmental receivable	-	973,675	1,016,486	550,178	2,540,339
Total assets	<u>\$ 26,947,088</u>	<u>\$ 12,080,400</u>	<u>\$ 23,314,927</u>	<u>\$ 2,341,053</u>	<u>\$ 64,683,468</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities:					
Accounts payable	\$ 2,559,295	\$ 243,734	\$ 202,256	\$ 260,988	\$ 3,266,273
Accrued payroll	-	-	-	-	-
Accrued liabilities	-	-	10,911	-	10,911
Due to other funds	-	-	2,350,414	460,099	2,810,513
Escrow accounts	1,662,995	-	-	-	1,662,995
Unearned revenue	-	-	1,350	62,688	64,038
Total liabilities	<u>4,222,290</u>	<u>243,734</u>	<u>2,564,931</u>	<u>783,775</u>	<u>7,814,730</u>
Deferred Inflows of Resources:					
Deferred property tax	1,526,344	-	-	197,797	1,724,141
Deferred accounts	685,737	-	-	110,762	796,499
Deferred warrants	6,166,843	-	-	-	6,166,843
Deferred notes	-	-	128,381	-	128,381
Total deferred inflow of resources	<u>8,378,924</u>	<u>-</u>	<u>128,381</u>	<u>308,559</u>	<u>8,815,864</u>

	General	Capital Projects Fund	Economic Development Corporation 4B	Non-Major Governmental	Total Governmental
Fund balances:					
Nonspendable:					
Inventory	283,885	-	20,997,426	-	21,281,311
Noncurrent advances	1,345,742	-	-	-	1,345,742
Restricted:					
General government	42,506	-	-	-	42,506
Debt service	-	-	-	37,147	37,147
Street paving and drainage	-	-	-	281,189	281,189
Tourism	-	-	-	241,587	241,587
Public safety	-	-	-	587,370	587,370
Parkland	126,068	-	-	1,881	127,949
Community development	-	-	-	31,423	31,423
Economic development	-	-	-	68,122	68,122
Culture and recreation	200,000	-	-	-	200,000
Committed:					
Contingency	8,313,646	-	-	-	8,313,646
Assigned:					
Capital outlay	440,532	11,836,666	-	-	12,277,198
Encumbrances	-	-	-	-	-
Unassigned:					
Total fund balances	3,593,495	-	(375,811)	-	3,217,684
	14,345,874	11,836,666	20,621,615	1,248,719	48,052,874
Total liabilities, deferred inflows of resources	\$ 26,947,088	\$ 12,080,400	\$ 23,314,927	\$ 2,341,053	\$ 64,683,468

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Total fund balances - governmental funds balance sheet	\$	48,052,874																
(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	<table border="0" style="margin-left: 20px;"> <tr> <td>Cost of capital assets</td> <td style="text-align: right;">149,406,247</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;"><u>(66,769,869)</u></td> </tr> </table>	Cost of capital assets	149,406,247	Accumulated depreciation	<u>(66,769,869)</u>	82,636,378												
Cost of capital assets	149,406,247																	
Accumulated depreciation	<u>(66,769,869)</u>																	
(2) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% of the assets is allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position	<table border="0" style="margin-left: 20px;"> <tr> <td>Garage</td> <td style="text-align: right;"><u>534,336</u></td> </tr> </table>	Garage	<u>534,336</u>	534,336														
Garage	<u>534,336</u>																	
(3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position	<table border="0" style="margin-left: 20px;"> <tr> <td colspan="2">Bonds/Certificates/Notes</td> </tr> <tr> <td> Current</td> <td style="text-align: right;">(3,640,026)</td> </tr> <tr> <td> Long-term</td> <td style="text-align: right;">(45,046,057)</td> </tr> <tr> <td colspan="2">Capital leases</td> </tr> <tr> <td> Current</td> <td style="text-align: right;">(1,252,606)</td> </tr> <tr> <td> Long-term</td> <td style="text-align: right;">(1,930,539)</td> </tr> <tr> <td>Unamortized loss -Deferred outflow</td> <td style="text-align: right;">434,069</td> </tr> <tr> <td>Unamortized debt activity</td> <td style="text-align: right;"><u>(161,241)</u></td> </tr> </table>	Bonds/Certificates/Notes		Current	(3,640,026)	Long-term	(45,046,057)	Capital leases		Current	(1,252,606)	Long-term	(1,930,539)	Unamortized loss -Deferred outflow	434,069	Unamortized debt activity	<u>(161,241)</u>	(51,596,400)
Bonds/Certificates/Notes																		
Current	(3,640,026)																	
Long-term	(45,046,057)																	
Capital leases																		
Current	(1,252,606)																	
Long-term	(1,930,539)																	
Unamortized loss -Deferred outflow	434,069																	
Unamortized debt activity	<u>(161,241)</u>																	
(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	<table border="0" style="margin-left: 20px;"> <tr> <td>Tax receivable</td> <td style="text-align: right;">2,505,398</td> </tr> <tr> <td>Allowance</td> <td style="text-align: right;"><u>(781,257)</u></td> </tr> </table>	Tax receivable	2,505,398	Allowance	<u>(781,257)</u>	1,724,141												
Tax receivable	2,505,398																	
Allowance	<u>(781,257)</u>																	
(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	<table border="0" style="margin-left: 20px;"> <tr> <td>Sanitation</td> <td style="text-align: right;">461,923</td> </tr> <tr> <td>Brush & Debris</td> <td style="text-align: right;">181,424</td> </tr> <tr> <td>Paving</td> <td style="text-align: right;">110,762</td> </tr> <tr> <td>Library</td> <td style="text-align: right;">13,446</td> </tr> <tr> <td>Alarm permits</td> <td style="text-align: right;"><u>28,943</u></td> </tr> </table>	Sanitation	461,923	Brush & Debris	181,424	Paving	110,762	Library	13,446	Alarm permits	<u>28,943</u>	796,498						
Sanitation	461,923																	
Brush & Debris	181,424																	
Paving	110,762																	
Library	13,446																	
Alarm permits	<u>28,943</u>																	
(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	<table border="0" style="margin-left: 20px;"> <tr> <td>Bonds</td> <td style="text-align: right;">(74,372)</td> </tr> <tr> <td>Certificates</td> <td style="text-align: right;">(35,186)</td> </tr> <tr> <td>Notes</td> <td style="text-align: right;"><u>(258,944)</u></td> </tr> </table>	Bonds	(74,372)	Certificates	(35,186)	Notes	<u>(258,944)</u>	(368,502)										
Bonds	(74,372)																	
Certificates	(35,186)																	
Notes	<u>(258,944)</u>																	

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013-Continued

<p>(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</p>	<p>Current Long-term</p>	<p>(1,070,938) <u>(3,212,812)</u></p>	<p>(4,283,750)</p>
<p>(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</p>	<p>Warrants receivable Allowance</p>	<p>10,056,246 <u>(3,889,403)</u></p>	<p>6,166,843</p>
<p>(9) Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions</p>	<p>OPEB Liability - Prior Years This fiscal year contribution This fiscal year trust fund cont.</p>	<p>(578,716) (391,757) <u>370,000</u></p>	<p>(600,473)</p>
<p>(10) Because some EDC loan receivables will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds.</p>		<p><u>128,382</u></p>	<p>128,382</p>
<p>Net position of governmental activities - statement of net position</p>		<p><u>\$</u></p>	<p><u>83,190,327</u></p>

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, 2013

	General	Capital Projects Fund	Pharr Economic Development Corporation, Inc.	Non-Major Governmental	Total Governmental
REVENUES					
Taxes:					
Property	\$ 13,550,260	\$ -	\$ -	\$ 1,746,491	\$ 15,296,751
Sales	9,809,264	-	3,269,755		13,079,019
Franchise	2,143,885	-	-		2,143,885
Other	145,005	-	18,602	820,417	984,024
Licenses and permits	818,118	-	-		818,118
Intergovernmental	371,736	5,172,147	1,016,486	2,932,995	9,493,364
Fees and charges:					
Sanitation	2,533,100	-	-		2,533,100
Brush	1,069,730	-	-		1,069,730
Other	1,310,091	-	36,079	829,463	2,175,633
Fines	935,671	-	-		935,671
Interest income	387,631	-	26,734	60,044	474,409
Other	631,971	-	-	11,761	643,732
Total revenues	33,706,462	5,172,147	4,367,656	6,401,171	49,647,436
EXPENDITURES					
Current:					
General government	9,127,124	-	-	1,209,756	10,336,880
Public safety	19,894,925	-	-	2,357,933	22,252,858
Highways and streets	2,132,006	4,318,515	-	605,219	7,055,740
Health and welfare	2,371,340	-	-	-	2,371,340
Culture and recreation	4,377,163	8,527,238	-	95,000	12,999,401
Economic development	-	-	1,163,261	-	1,163,261
Debt service:					
Principal	5,374,681	-	-	3,964,298	9,338,979
Interest	126,023	-	84,145	1,540,244	1,750,412
Total expenditures	43,403,262	12,845,753	1,247,406	9,772,450	67,268,871
Excess (deficiency) of revenues over (under) expenditures	(9,696,800)	(7,673,606)	3,120,250	(3,371,279)	(17,621,435)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,468,715	3,166,940	17,656,253	3,251,401	34,543,309
Transfers (out)	(21,237,103)	(804,324)	(5,813,265)	(371,550)	(28,226,242)
Proceeds from sale of assets	-	-	551,091	-	551,091
Issuance of debt	9,663,870	-	4,642,500	-	14,306,370
Total other financing sources and uses	(1,104,518)	2,362,616	17,036,579	2,879,851	21,174,528
SPECIAL ITEMS					
Loss on land available for sale valuation	-	-	(6,370,699)	-	(6,370,699)
Total special items	-	-	(6,370,699)	-	(6,370,699)
Net change in fund balance	(10,801,318)	(5,310,990)	13,786,130	(491,428)	(2,817,606)
Fund balance - beginning	30,600,838	17,156,544	1,494,515	1,573,475	50,825,372
Prior period adjustment	(5,453,646)	(8,888)	5,340,970	166,672	45,108
Fund balance - ending	\$ 14,345,874	\$ 11,836,666	\$ 20,621,615	\$ 1,248,719	\$ 48,052,874

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, 2013

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

	Net change in fund balances - total governmental funds	\$	(2,817,606)
(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	16,299,524	
	Depreciation expense	<u>(4,879,780)</u>	11,419,744
(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	330,338	
	Contributed capital - streets	<u>780,756</u>	1,111,094
(3)	Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% is allocated to governmental activities. This is the net revenue of certain activities of internal service funds		
	Garage	<u>(1,614)</u>	(1,614)
(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	(1,163,870)	
	Lease/Notes	(13,142,500)	
	Net refunding cash outflow	1,780,000	
	Tax Supported Debt, net of refunding	7,558,979	
	Unamortized debt activity	<u>(34,055)</u>	(5,001,446)
(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	133	
	Delinquent tax	<u>(110,583)</u>	(110,450)
(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	11,467	
	Brush	4,504	
	Paving	1,557	
	Library	(23,271)	
	Alarm Fees	<u>4,398</u>	(1,345)

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, 2013

(7)	Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Current year accrual Prior year accrual	(368,501) 182,830	(185,671)
<hr/>				
(8)	Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. Compensated absences is recorded in the statement of assets	Current year Prior year	(4,283,750) 3,892,647	(391,103)
<hr/>				
(9)	Because some warrant fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Prior Year Warrant A/R Current Year Warrant A/R	(6,017,758) 6,166,843	149,085
<hr/>				
(10)	The proceeds from the sale of equipment are reported as revenue in the governmental funds. However, the cost 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	Sale proceeds Gain on Sale	(551,091) 420,751	(130,340)
<hr/>				
(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 This fiscal year contribution Trust fund contributions	(578,716) 186,959 370,000	(21,757)
<hr/>				
(12)	Loans issued to outside entities for Economic development are considered expenses governmental funds but not in the statement of activities.		(18,482)	(18,482)
<hr/>				
	Rounding difference			-
<hr/>				
	Change in net position of governmental activities		\$ 4,000,109	



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CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
ASSETS					
Current assets:					
Cash	\$ 10,695,871	\$ 9,677,692	\$ 6,766	\$ 20,380,329	\$ 25,371
Receivables (net of allowance for uncollectible):					
Accounts	2,518,030	143,992	6,253	2,668,275	-
Other	1,379	-	-	1,379	-
Inventories	122,503	-	15,807	138,310	24,885
Restricted assets:					
Cash	22,455,375	1,047,658	-	23,503,033	-
Cash with Fiscal Agent	-	-	140,101	140,101	-
Total current assets	<u>35,793,158</u>	<u>10,869,342</u>	<u>168,927</u>	<u>46,831,427</u>	<u>50,256</u>
Capital assets					
Land (non-depreciable)	837,036	819,645	999,343	2,656,024	-
Buildings (net of acc. depreciation)	13,374,454	1,665,572	328,649	15,368,675	437,350
Improvements other than buildings (net of acc. depreciation)	523,062	241,711	2,808,665	3,573,438	57,780
Machinery and equipment (net of acc. depreciation)	2,078,924	1,888,536	266,136	4,233,596	29,378
Infrastructure (net of acc. depreciation)	79,797,920	14,184,113	62,701	94,044,734	-
Construction in progress (non-depreciable)	15,171,631	303,560	-	15,475,191	-
Total capital assets	<u>111,783,027</u>	<u>19,103,137</u>	<u>4,465,494</u>	<u>135,351,658</u>	<u>524,508</u>
Total noncurrent assets	<u>111,783,027</u>	<u>19,103,137</u>	<u>4,465,494</u>	<u>135,351,658</u>	<u>524,508</u>
Total assets	<u>147,576,185</u>	<u>29,972,479</u>	<u>4,634,421</u>	<u>182,183,085</u>	<u>574,764</u>
DEFERRED OUTFLOW OF RESOURCES					
Unamortized loss on refunding of debt	154,886	398,372	-	553,258	-
Total deferred outflow of resources	<u>154,886</u>	<u>398,372</u>	<u>-</u>	<u>553,258</u>	<u>-</u>

	Business-type Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course		
LIABILITIES					
Current liabilities payable:					
Accounts payable	965,699	203,349	57,966	1,227,014	15,783
Accrued liabilities	140,217	39,305	-	179,522	-
Due to other funds	122,207	33,611	26,620	182,438	8,110
Unearned revenue	3,438,588	-	41,221	3,479,809	-
	<u>4,666,711</u>	<u>276,265</u>	<u>125,807</u>	<u>5,068,783</u>	<u>23,893</u>
Total current liabilities payable					
Current liabilities payable from restricted assets:					
Customer deposits payable	2,108,635	-	-	2,108,635	-
Escrow payable	90,854	-	-	90,854	4,134
Matured accrued compensation	74,431	19,844	30,169	124,444	-
Matured capital lease	47,785	-	84,520	132,305	-
Matured bonds/notes, net	2,870,000	530,000	-	3,400,000	-
Total current liabilities payable from restricted assets	<u>5,191,705</u>	<u>549,844</u>	<u>114,689</u>	<u>5,856,238</u>	<u>4,134</u>
Total current liabilities	<u>9,858,416</u>	<u>826,109</u>	<u>240,496</u>	<u>10,925,021</u>	<u>28,027</u>
Noncurrent liabilities:					
Accrued compensation	223,294	59,533	90,507	373,334	12,401
Capital lease payable	103,286	-	227,563	330,849	-
Bonds/notes principal payable	52,525,000	5,135,000	-	57,660,000	-
Total noncurrent liabilities	<u>52,851,580</u>	<u>5,194,533</u>	<u>318,070</u>	<u>58,364,183</u>	<u>12,401</u>
Total liabilities	<u>62,709,996</u>	<u>6,020,642</u>	<u>558,566</u>	<u>69,289,204</u>	<u>40,428</u>
DEFERRED INFLOW OF RESOURCES					
Unamortized premium	-	28,679	-	28,679	-
Total deferred inflow of resources		<u>28,679</u>		<u>28,679</u>	
NET POSITION					
Invested in capital assets, net of related debt	67,817,833	13,807,830	4,385,660	86,011,323	524,508
Restricted for:					
Debt service	4,828,814	1,047,658	-	5,876,472	-
Capital projects	15,517,925	-	-	15,517,925	-
Unrestricted	(3,143,497)	9,466,042	(309,805)	6,012,740	9,828
Total net position	<u>85,021,075</u>	<u>24,321,530</u>	<u>4,075,855</u>	<u>113,418,460</u>	<u>534,336</u>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course			
Operating revenues:						
Charges for sales and services:						
Water sales	\$ 7,743,869	\$ -	\$ -	\$ -	7,743,869	\$ -
Sewer service	5,671,878	-	-	-	5,671,878	-
Tap fees	382,169	-	-	-	382,169	-
Toll fees	-	11,658,382	-	-	11,658,382	-
Golf services	-	-	520,023	-	520,023	-
Other	179,285	256,126	76,535	-	511,946	604,079
Total operating revenues	13,977,201	11,914,508	596,558	-	26,488,267	604,079
Operating expenses:						
Personnel services	2,438,810	806,428	648,498	-	3,893,736	174,518
Supplies and Materials	1,312,187	105,569	168,378	-	1,586,134	-
Contractual Services	3,292,141	1,186,995	205,908	-	4,685,044	399,157
Depreciation	3,351,917	851,782	249,648	-	4,453,347	32,017
Total operating expenses	10,395,055	2,950,774	1,272,432	-	14,618,261	605,692
Operating income (loss)	3,582,146	8,963,734	(675,874)	-	11,870,006	(1,614)
Nonoperating revenues (expenses):						
Investment earnings	620,378	220,275	7,054	-	847,707	-
Interest expense	(1,623,166)	(265,736)	(6,176)	-	(1,895,078)	-
Amortization expense	(30,977)	(196,000)	-	-	(226,977)	-
Intergovernmental	314,196	-	-	-	314,196	-
Other	(28,472)	28,854	20,372	-	20,754	-
Issuance cost	(192,293)	-	-	-	(192,293)	-
Total nonoperating revenues (expenses)	(940,334)	(212,607)	21,250	-	(1,131,691)	-
Income (loss) before contributions and transfers	2,641,812	8,751,127	(654,624)	-	10,738,315	(1,614)
Transfers in	-	176,350	1,410,619	-	1,586,969	-
Transfers (out)	(420,410)	(7,632,540)	-	-	(8,052,950)	-
Capital contributions	1,686,062	-	-	-	1,686,062	-
Total net position - beginning	3,907,464	1,294,937	755,995	-	5,958,396	(1,614)
Prior period adjustment	80,949,714	22,982,006	3,294,000	-	107,225,720	528,967
Total net position - ending	163,897	44,587	25,860	-	234,344	6,982
	\$ 85,021,075	\$ 24,321,530	\$ 4,075,855	\$ -	\$ 113,418,460	\$ 534,336

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, 2013

	Business-type Enterprise Funds					Governmental Activities - Internal Service Fund
	Tierra Del Sol					
	Utility	Toll Bridge	Golf Course	Total	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 17,602,128	\$ 11,921,404	\$ 602,192	\$ 30,125,724	\$ 604,079	
Payments to suppliers	(1,292,714)	(105,569)	(165,074)	(1,563,357)	(13,657)	
Payments to employees	(2,709,875)	(881,801)	(617,590)	(4,209,266)	(182,216)	
Payments for contractual services	(3,932,329)	(1,122,480)	(163,999)	(5,218,808)	(391,758)	
Payments (to)/from others	72,154	-	-	72,154	-	
Net cash flow (to)/provided by operating activities	<u>9,739,364</u>	<u>9,811,554</u>	<u>(344,471)</u>	<u>19,206,447</u>	<u>16,448</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipts from grants	314,196	-	-	314,196	-	
Advances (to)/from other funds	14,669	(1,851)	8,131	20,949	1,785	
Transfers in from other funds	-	176,350	1,410,619	1,586,969	-	
Transfers out to other funds	(420,410)	(7,632,540)	-	(8,052,950)	-	
Payments (to)/from others	(28,472)	28,854	20,372	20,754	-	
Net cash provided/(used) by noncapital and related financing activities	<u>(120,017)</u>	<u>(7,429,187)</u>	<u>1,439,122</u>	<u>(6,130,836)</u>	<u>1,785</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond/Lease Proceeds	8,725,000	-	108,000	8,833,000	-	
Acquisition and construction of capital assets	(3,862,059)	(287,011)	(1,107,748)	(5,256,818)	(27,558)	
Principal paid on long-term debt	(2,620,622)	(510,000)	(100,790)	(3,231,412)	-	
Interest paid on long-term debt	(1,616,085)	(258,778)	(6,176)	(1,881,039)	-	
Other	(192,296)	-	-	(192,296)	-	
Net cash provided/(used) by capital and related financing activities	<u>433,938</u>	<u>(1,055,789)</u>	<u>(1,106,714)</u>	<u>(1,728,565)</u>	<u>(27,558)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	620,378	220,275	7,054	847,707	-	
Net cash provided/(used) by investing activities	<u>620,378</u>	<u>220,275</u>	<u>7,054</u>	<u>847,707</u>	<u>-</u>	
NON CASH INVESTING/FINANCING ACTIVITIES						
Capital Contributions	1,686,062	-	-	1,686,062	-	
Noncash provided/(used) by investing/financing	<u>1,686,062</u>	<u>-</u>	<u>-</u>	<u>1,686,062</u>	<u>-</u>	
Net increase/(decrease) in cash	12,359,725	1,546,853	(5,009)	13,901,569	(9,325)	
Cash beginning of fiscal year	20,791,521	9,178,497	151,876	30,121,894	34,696	
Cash end of fiscal year	<u>\$ 33,151,246</u>	<u>\$ 10,725,350</u>	<u>\$ 146,867</u>	<u>\$ 44,023,463</u>	<u>\$ 25,371</u>	

	Business-type Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course		
Operating income (loss)	\$ 3,582,146	\$ 8,963,734	\$ (675,874)	\$ 11,870,006	\$ (1,614)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,351,917	851,782	249,648	4,453,347	32,017
(Increase) Decrease in Accounts and Other Receivables, net	105,629	6,898	3,601	116,128	-
(Increase) Decrease in Inventories	19,473	-	3,305	22,778	-
Increase (Decrease) in Accounts Payable	(640,189)	64,513	41,909	(533,767)	(13,657)
Increase (Decrease) in Accrued Compensation	(271,064)	(75,373)	30,908	(315,529)	7,400
Increase (Decrease) in Unearned/Escrow Revenue	3,510,741	-	2,032	3,512,773	-
Increase (Decrease) in Customer Deposits	80,711	-	-	80,711	-
Total adjustments	6,157,218	847,820	331,403	7,336,441	18,062
Net cash provided (used) by operating activities	\$ 9,739,364	\$ 9,811,554	\$ (344,471)	\$ 19,206,447	\$ 16,448

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



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**DISCRETE COMPONENT UNIT
BASIC FINANCIAL STATEMENTS**

Police Athletic League

**CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

		Police Athletic League
<u>ASSETS</u>		
Current assets:		
Cash		\$ 6,747
Receivables (net of allowance for uncollectible)		45
Total current assets		6,792
<u>LIABILITIES</u>		
Current liabilities payable:		
Accounts payable and other current liabilities		\$ 9,871
Unearned revenue		22,295
Total current liabilities payable		32,166
<u>NET POSITION</u>		
Unrestricted		(25,374)
Total net position		\$ (25,374)

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, 2013

Functions/Programs Component Unit	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Service	Operating Grants and Contributions	
Police Athletic League	\$ 338,521	\$ 83,452	\$ 9,205	\$ (245,864)
Culture and recreation	338,521	83,452	9,205	(245,864)
Total component unit	\$ 338,521	\$ 83,452	\$ 9,205	\$ (245,864)
General revenues:				
Other				71,576
Transfers				148,914
Total general revenues and transfers				220,490
Change in net position				(25,374)
Net position - beginning				-
Net position - ending				\$ (25,374)

NOTES TO THE FINANCIAL STATEMENTS

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 or substantially the same as the City Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

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

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

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

Discretely Presented Component Unit

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

Police Athletic League- On October 2012, the City of Pharr Police Athletic League (PAL) was created as a nonprofit organization for the purpose of youth crime prevention that relies on providing civic, athletic, recreational, and educational opportunities and resources to cement a bond and create trust and understanding between police officers and youth. The City's Chief Financial Officer acts as Treasurer of PAL and City's Chief of Police acts as Board President. Separate financial statements issued by PAL can be obtained at the following address: *PAL- 413 East Clark, Pharr, Texas 78577.*

C. Government-Wide and Fund Financial Statements

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The 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 which are accrued. Expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

- *General Fund* – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.
- *Pharr Economic Development Corporation II*– is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.
- *Capital Projects*-reports the construction activity of the City. This fund is used to account for all construction projects not accounted in enterprise funds.

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.

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

1. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund’s pooled cash are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Property Taxes

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

7. Compensated Absences

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

8. Long-Term Obligations

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

9. Restricted Assets

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

10. Net Position / Fund Equity

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

11. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management.

12. General Fund's Fund Balance Policy

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

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

The City shall strive to maintain the General Fund (not the combined reporting General Fund which consists of the Payroll, Contingency, and the General funds) committed fund balance at 90 days (25%) of the current year's original budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchase 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 over funded since the requirement to be funded was \$7,033,304 and the City's General fund balance was \$8,313,646 at September 30, 2013.

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

A. Budgetary Data-(continued)

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 contributed to Pharr Economic Development Corporation 4B for land, to allocate transfers to the General Capital Projects fund from issuance of debt, and to allocate funds contributed to Hotel/Motel Fund. In the General fund, net budget amendments totaled roughly \$12,475,169 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 transfers by \$43,340. The reason for this excess was due higher than budgeted sanitation and brush expenses.

D. Finance-Related Legal and Contractual Provisions

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

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

E. Deficit Fund Equity/Net Position

No funds had deficit in their total fund balances/net position except for the City's Discrete Component Unit PAL; in addition, the Golf Course fund had a deficit in its unrestricted net position due to less golf service revenue and the green renovations done this year. The PEDC II had also a deficit in its unassigned fund balance for economic development mainly because most of its purchase of inventory (land) was categorized as nonspendable.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

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
<u>General Fund:</u>	
To adjust prior year grant receivables	\$ (143,154)
To adjust prior year land available for sale	(5,340,970)
To adjust prior year payroll liabilities	30,478
<u>Hotel Fund:</u>	
To adjust prior year hotel tax receivable	\$ 151,244
<u>CDBG Fund:</u>	
To adjust prior year due/to's	15,428
<u>Capital Projects Fund:</u>	
To adjust prior year grant receivable	(8,888)
<u>PEDC II:</u>	
To adjust prior year land available for sale	5,340,970
Total Governmental Fund Adjustment	<u>\$ 45,108</u>
<hr/>	
<u>Enterprise Fund: Utility Fund:</u>	
To adjust prior year compensated absences	\$ 163,897
<u>Enterprise Fund: Bridge Fund:</u>	
To adjust prior year compensated absences	44,587
<u>Enterprise Fund: Golf Fund:</u>	
To adjust prior year compensated absences	25,860
<u>Internal Service Fund: Garage Fund:</u>	
To adjust prior year compensated absences	6,982
Total Proprietary Fund Adjustment	<u>\$ 241,326</u>
<hr/>	
Government-Wide Reports	
Purpose of Prior Period Adjustment	
To adjust prior year cost of land	\$ (78,126)
To adjust prior year OPEB Liability	(36,444)
To adjust prior year compensated absences	1,128,622
Total Governmental Activities Adjustment	<u>1,014,052</u>
Total Governmental Fund Adjustment	<u>45,108</u>
Total Government-Wide Adjustment	<u>\$ 1,059,160</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013, the carrying amount of all of the City's deposits was \$71,256,117. The City has two depository accounts: LoneStar National Bank (LSNB) and Frost Bank.

<u>LSNB Depository Account</u>	<u>Balance September 30, 2013</u>
Insured	\$ 250,000
Security collateral issued by pledging bank's trust department in the City's name	76,720,356
(Over-insured)/over-collateralized	(5,714,239)
Total Deposits	\$ 71,256,117

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, 2013, 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 and Frost Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$82,367,237.
- c. The highest combined balances of cash accounts amounted to \$80,780,947 and occurred during July 2013.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Cash with fiscal agents of \$580,633 on September 30, 2013, was covered by collateral held in the fiscal agents' trust departments, but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds. U.S. Bancorp is the fiscal agent for the City.

2. Investments

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

A. Deposits and Investments - (continued)

2. Investments – (continued)

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, 2013. 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.

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

B. Receivables

Receivables for the City at September 30, 2013, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Non-Major & Other	Total	Utility	Bridge & Golf	Total
Property taxes	\$ 2,197,899	\$ 307,499	\$ 2,505,398	\$ -	\$ -	\$ -
Warrants	10,056,246	-	10,056,246	-	-	-
Sales Tax	1,619,918	539,973	2,159,891	-	-	-
Notes	-	183,395	183,395	-	-	-
Accounts	657,802	110,762	768,564	2,569,601	150,244	2,719,845
Intergovernmental	-	2,540,339	2,540,339	-	-	-
Franchise taxes	302,231	-	302,231	-	-	-
Other	303,099	423,832	726,931	1,379	-	1,379
Gross receivables	15,137,195	4,105,800	19,242,995	2,570,980	150,244	2,721,224
Less; allowance for uncollectible	(4,716,602)	(190,037)	(4,906,639)	(51,571)	-	(51,571)
Net total receivable	<u>\$ 10,420,593</u>	<u>\$ 3,915,763</u>	<u>\$ 14,336,356</u>	<u>\$ 2,519,409</u>	<u>\$ 150,244</u>	<u>\$ 2,669,653</u>

C. Payables

Payables for the City at September 30, 2013, were as follows:

	Governmental Activities	Business-Type Activities				
	Governmental	Utility	Bridge	Golf	Business- Type Total	Total
Vendors	\$ 1,591,261	\$ 347,091	\$203,349	\$ 57,790	\$ 608,230	\$2,199,491
Salaries & benefits	1,322,581	-	-	-	-	1,322,581
Retainage fees	213,928	618,608	-	-	618,608	832,536
Accrued interest	368,501	140,217	39,305	-	179,522	548,023
Due to state	165,196	-	-	176	176	165,372
Total payables	<u>\$ 3,661,467</u>	<u>\$ 1,105,916</u>	<u>\$242,654</u>	<u>\$ 57,966</u>	<u>\$ 1,406,536</u>	<u>\$ 5,068,003</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

D. Unearned Revenue

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

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

	Governmental Activities	Business-Type	Discrete Component Unit	Total
Unearned golf revenue	\$ -	\$ 41,221	\$ -	\$ 41,221.00
TWDB Forgiveness Loan Grant	-	3,438,588	-	3,438,588
Restricted revenues (Escrows)-other	1,662,995	-	-	1,662,995
CDBG Sewer and Home services	55,013	-	-	55,013
PEDC Rent	1,350	-	-	1,350
Event Center Revenue	7,610	-	-	7,610
Grants	65	-	-	65
PAL Sports Fee	-	-	22,295	22,295
	<u>\$ 1,727,033</u>	<u>\$ 3,479,809</u>	<u>\$ 22,295</u>	<u>\$ 5,229,137</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013 consisted of the following:

GENERAL FUND		PURPOSE
DUE FROM:		
<u>Governmental</u>		
PEDC	\$ 1,333,928	Economic Development
Community Development	2,509	Salaries
Grant Fund	441,546	Salaries
Hotel/Motel	16,044	Salaries
	1,794,027	
 <u>Enterprise Funds:</u>		
Utility	122,207	Salaries
Bridge	33,611	Salaries
Golf	26,620	Salaries
	182,438	
 <u>Internal Service Funds:</u>		
Garage	8,110	Salaries
	8,110	
 <u>CAPITAL PROJECTS FUND</u>		
DUE FROM:		
<u>Governmental</u>		
PEDC	1,016,486	EDA Grant reimbursement
 Total	 \$ 3,001,061	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Primary Government					
Governmental Activities:					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	\$ 5,224,818	\$ 107,819	\$ -	\$ -	\$ 5,332,637
Construction in Progress	5,728,826	12,927,063	17,219,549	-	1,436,340
Total capital assets, not being depreciated	<u>10,953,644</u>	<u>13,034,882</u>	<u>17,219,549</u>	<u>-</u>	<u>6,768,977</u>
<i>Capital assets, being depreciated:</i>					
Buildings	28,950,118	10,593,168	-	-	39,543,286
Machinery and equipment	15,956,314	2,890,532	-	-	18,846,846
Improvements other than buildings	7,083,122	330,321	-	-	7,413,443
Infrastructure	68,695,951	7,593,081	-	-	76,289,032
Total capital assets, being depreciated	<u>120,685,505</u>	<u>21,407,102</u>	<u>-</u>	<u>-</u>	<u>142,092,607</u>
Less accumulated depreciation for:					
Buildings	9,812,988	657,727	-	-	10,470,715
Machinery and equipment	8,440,121	1,840,260	-	-	10,280,381
Improvements other than buildings	2,314,530	283,692	-	-	2,598,222
Infrastructure	42,009,677	2,069,607	-	-	44,079,284
Total accumulated depreciation	<u>62,577,316</u>	<u>4,851,286</u>	<u>-</u>	<u>-</u>	<u>67,428,602</u>
Total capital assets, being depreciated, net	<u>58,108,189</u>	<u>16,555,816</u>	<u>-</u>	<u>-</u>	<u>74,664,005</u>
Governmental activities capital assets, net	<u>\$ 69,061,833</u>	<u>\$ 29,590,698</u>	<u>\$ 17,219,549</u>	<u>\$ -</u>	<u>\$ 81,432,982</u>
Business-Type Activities:					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	\$ 2,656,024	\$ -	\$ -	\$ -	\$ 2,656,024
Construction in Progress	31,520,096	2,087,678	18,132,583	-	15,475,191
Total capital assets, not being depreciated	<u>34,176,120</u>	<u>2,087,678</u>	<u>18,132,583</u>	<u>-</u>	<u>18,131,215</u>
<i>Capital assets, being depreciated:</i>					
Buildings	28,124,175	197,501	-	-	28,321,676
Machinery and equipment	14,422,710	278,378	-	-	14,701,088
Improvements other than buildings	4,079,406	1,204,698	-	-	5,284,104
Infrastructure	97,577,612	19,621,145	-	-	117,198,757
Total capital assets, being depreciated	<u>144,203,903</u>	<u>21,301,722</u>	<u>-</u>	<u>-</u>	<u>165,505,625</u>
Less accumulated depreciation for:					
Buildings	12,325,841	627,158	-	-	12,952,999
Machinery and equipment	9,700,728	766,762	-	-	10,467,490
Improvements other than buildings	1,483,621	227,047	-	-	1,710,668
Infrastructure	20,321,646	2,832,379	-	-	23,154,025
Total accumulated depreciation	<u>43,831,836</u>	<u>4,453,346</u>	<u>-</u>	<u>-</u>	<u>48,285,182</u>
Total capital assets, being depreciated, net	<u>100,372,067</u>	<u>16,848,376</u>	<u>-</u>	<u>-</u>	<u>117,220,443</u>
Business-Type activities capital assets, net	<u>134,548,187</u>	<u>18,936,054</u>	<u>18,132,583</u>	<u>-</u>	<u>135,351,658</u>
Total Primary Government	<u>\$ 203,610,020</u>	<u>\$ 48,526,752</u>	<u>\$ 35,352,132</u>	<u>\$ -</u>	<u>\$ 216,784,640</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

F. Capital Assets-(continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Component Unit-Blended					
<i>Capital assets, not being depreciated:</i>					
Land and right of way	\$ 688,528	\$ -	\$ 130,340	\$ (78,126)	\$ 480,062
Total capital assets, not being depreciated	688,528	-	130,340	(78,126)	480,062
<i>Capital assets, being depreciated:</i>					
Buildings	1,328,356	-	-	-	1,328,356
Improvement other than buildings	175,231	168,721	-	-	343,952
Machinery and equipment	97,318	47,022	-	-	144,340
Total capital assets, being depreciated	1,600,905	215,743	-	-	1,816,648
Less Accumulated Depreciation					
Buildings	421,355	47,462	-	-	468,817
Improvement other than buildings	17,714	9,036	-	-	26,750
Machinery and equipment	69,226	4,013	-	-	73,239
Total Accumulated Depreciation	508,295	60,511	-	-	568,806
Total Capital assets, being depreciated, net	1,092,610	155,232	-	-	1,247,842
Component Unit-Blended capital assets, net	1,781,138	155,232	130,340	(78,126)	1,727,904
City-Wide capital assets, net	\$ 205,391,158	\$ 48,681,984	\$ 35,482,472	\$ (78,126)	\$ 218,512,544

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

Governmental Activities

General Government	\$ 521,432
Public Safety	1,446,030
Highway & Streets	1,793,476
Sanitation	596,549
Culture & Recreation	493,799
Economic Development	60,511
Total Governmental Activities	<u>\$ 4,911,797</u>

Business-Type Activities

Utility	\$ 3,351,917
Bridge	851,782
Golf	249,647
Total Business-Type Activities	<u>\$ 4,453,346</u>

This walk-forward capital asset table has an "Adjustment" column this fiscal year. A prior period adjustment was made to correct the cost of PEDC land for last fiscal year; cost was recorded twice by mistake.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Refunding Bonds Payable	\$14,315,000	\$ -	1,485,000	\$ -	\$ 12,830,000	\$ 1,535,000
Certificates of Obligation	7,625,000	-	295,000	-	7,330,000	305,000
Capital Leases	3,404,541	1,163,870	1,385,266	-	3,183,145	1,252,606
CDBG Section 108 Note Payable	5,600,000	-	294,000	-	5,306,000	294,000
LSNB Note Payable-City	957,295	4,250,000	129,713	-	5,077,582	664,459
LSNB Note Payable-PEDC	-	4,642,500	-	-	4,642,500	341,567
Note Payable-Whitney Elementary	-	4,250,000	4,250,000	-	-	-
Note Payable-PFC	15,000,000	-	1,500,000	-	13,500,000	500,000
Other Post Employment Benefits	542,272	21,757	-	36,444 B	600,473	-
Accrued Compensated Absences-PEDC	48,472	11,056	29,927	(10,844) A	18,757	4,689
Accrued Compensated Absences	4,997,029	1,798,373	1,396,092	(1,117,780) A	4,281,530	1,070,383
Total	<u>\$ 52,489,609</u>	<u>\$ 16,137,556</u>	<u>\$ 10,764,998</u>	<u>\$ (1,092,180)</u>	<u>\$ 56,769,987</u>	<u>\$ 5,967,704</u>
Deferred Outflow/Inflow of resources						
Unamortized Premium/(Discount)	\$ 207,384	\$ -	\$ 46,143	\$ -	\$ 161,241	\$ 46,143
Unamortized Gain/(loss) on Refunding	(514,265)	-	(80,196)	-	(434,069)	(80,196)
Total	<u>\$ (306,881)</u>	<u>\$ -</u>	<u>\$ (34,053)</u>	<u>\$ -</u>	<u>\$ (272,828)</u>	<u>\$ (34,053)</u>
Business-Type						
Revenue Bonds Payable	\$45,630,000	8,725,000	1,810,000	-	\$52,545,000	2,110,000
Refunding Revenue Bonds Payable	9,755,000	-	1,240,000	-	8,515,000	1,290,000
Capital Leases	536,566	108,000	181,412	-	463,154	132,304
Accrued Compensated Absences	1,047,658	226,724	542,255	(234,349) A	497,778	124,445
Total	<u>\$56,969,224</u>	<u>\$9,059,724</u>	<u>\$3,773,667</u>	<u>(234,349)</u>	<u>62,020,932</u>	<u>\$3,656,749</u>
Deferred Outflow/Inflow of resources						
Unamortized Premium/(Discount)	\$ 31,865	\$ -	\$ 3,186	\$ -	\$ 28,679	\$ 3,186
Unamortized Gain/(loss) on Refunding	(783,422)	-	(230,164)	-	(553,258)	(230,164)
Total	<u>\$ (751,557)</u>	<u>\$ -</u>	<u>\$ (226,978)</u>	<u>\$ -</u>	<u>\$ (524,579)</u>	<u>\$ (226,978)</u>

A Prior Period Adjustment for Accrued Compensated Absences

B Prior Period Adjustment for OPEB Liability per Actuarial Report @ 9/30/2013

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

G. Long-Term Obligations – (continued)

Original Issuance	Series	Type	Name	Payment Installments	Installments		Interest Rates		Payment Through	Current Balance
					Lowest	Highest	Lowest	Highest		
\$ 16,110,000	2005B	Refunding Bonds	GO	Annual	\$ 905,000	\$ 1,535,000	3.75%	5.00%	8/15/2021	\$ 11,685,000
2,220,000	2011	Refunding Bonds	GO	Annual	\$ 530,000	\$ 580,000	2.00%	4.00%	8/15/2015	\$ 1,145,000
										\$ 12,830,000
\$ 7,625,000	2012	Certificate of Obligation	GO	Annual	\$ 295,000	\$ 535,000	0.60%	4.98%	8/15/2032	\$ 7,330,000
										\$ 7,330,000
										\$ 20,160,000
\$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW & SS	Annual	\$ 185,000	\$ 190,000	0.00%	0.00%	9/1/2013	\$ -
\$ 29,000,000	2007	Revenue Bonds-CWSRF	WW & SS	Annual	\$ 790,000	\$ 2,480,000	2.90%	3.50%	9/1/2027	\$ 24,445,000
\$ 13,310,000	2007A	Revenue Bonds-DWSFR	WW & SS	Annual	\$ 380,000	\$ 1,075,000	2.35%	3.50%	9/1/2027	\$ 11,720,000
\$ 10,000,000	2007B	Revenue Bonds-NADBANK	WW & SS	Annual	\$ 385,000	\$ 685,000	3.75%	3.75%	9/1/2027	\$ 7,655,000
\$ 8,725,000	2013	Revenue Bonds-DWSFR	WW & SS	Annual	\$ 255,000	\$ 400,000	0.00%	2.71%	9/1/2042	\$ 8,725,000
										\$ 52,545,000
\$ 9,755,000	2005A	Refunding Bonds	CT & IBR	Annual	\$ 510,000	\$ 740,000	3.63%	4.50%	8/15/2022	\$ 5,665,000
\$ 6,430,000	2008	Refunding Bonds	WW & SS	Annual	\$ 75,000	\$ 815,000	3.60%	3.60%	9/1/2018	\$ 2,850,000
										\$ 8,515,000
										\$ 61,060,000

Long-term bonded and revenue supported obligations outstanding at September 30, 2013 is comprised of the following:

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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, 2013 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,535,000	\$ 543,373	\$ 2,078,373	\$ 3,400,000	\$ 1,918,437	\$ 5,318,437
2015	1,585,000	490,318	2,075,318	3,505,000	1,810,892	5,315,892
2016	1,675,000	427,928	2,102,928	3,615,000	1,699,672	5,314,672
2017	1,760,000	344,178	2,104,178	3,725,000	1,586,592	5,311,592
2018	1,850,000	256,178	2,106,178	3,840,000	1,472,945	5,312,945
2019-2023	4,425,000	369,659	4,794,659	20,655,000	5,448,573	26,103,573
2024-2028	-	-	-	17,245,000	2,072,805	19,317,805
2029-2033	-	-	-	1,495,000	534,429	2,029,429
2034-2039	-	-	-	1,680,000	342,203	2,022,203
2040-2045	-	-	-	1,900,000	105,160	2,005,160
	<u>\$ 12,830,000</u>	<u>\$ 2,431,631</u>	<u>\$ 15,261,631</u>	<u>\$ 61,060,000</u>	<u>\$ 16,991,707</u>	<u>\$ 78,051,707</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2013 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 305,000	\$ 259,832	\$ 564,832
2015	305,000	255,774	560,774
2016	305,000	252,541	557,541
2017	315,000	248,363	563,363
2018	320,000	242,598	562,598
2019-2023	1,725,000	1,084,425	2,809,425
2024-2028	2,060,000	749,706	2,809,706
2029-2033	1,995,000	248,331	2,243,331
	<u>\$ 7,330,000</u>	<u>\$ 3,341,570</u>	<u>\$ 10,671,570</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

Long-Term Obligations – (continued)

3. Capital Leases Payable

Capital leases payable at September 30, 2013 is comprised of the following:

G.

Capital Leases	Governmental	Business-Type	Total
\$2,322,000 lease payable; due in monthly installments of \$31,600, including interest, through November 14, 2014; interest at 3.87%. All funds used to purchase Machinery & Equipment.	\$ 424,248	\$ 7,636	\$ 431,884
\$2,9221,720 lease payable, due in quarterly installments starting with \$167,702, including interest, through May 20, 2014; interest at 2.42%. All funds used to purchase Machinery & Equipment.	978,320	240,191	1,218,511
\$405,000 lease payable, due in monthly installments of \$11,537, including interest, through February 28, 2015; interest at 1.64%. Police equipment purchased.	193,732	-	193,732
\$1,100,150 lease payable, due in monthly installments of \$19,099 including interest, through February 28, 2017; interest at 1.61%. All funds used to purchased equipment.	638,144	123,180	761,324
\$832,120 lease payable, due in monthly installments of \$14,229.07 including interest, through December 31, 2017; interest at 1.01%. General and Golf Fund equipment purchased.	617,828	92,147	709,975
\$439,750 lease payable, due in monthtly installments of \$12,377.91 including interest, through December 31, 2015; interest at .86% Police equipment purchased.	330,873	-	330,873
	<u>\$ 3,183,145</u>	<u>\$ 463,154</u>	<u>\$3,646,299</u>

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense. Debt service requirements of capital leases obligations at September 30, 2013 are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
September 30,						
2014	\$ 1,252,606	\$ 50,193	\$ 1,302,799	\$ 132,304	\$ 7,944	\$ 140,248
2015	805,719	27,261	832,980	109,745	5,607	115,352
2016	585,840	15,973	601,813	110,739	3,496	114,235
2017	446,248	6,373	452,621	91,172	1,433	92,605
2018	92,732	413	93,145	19,194	95	19,289
2019-2020	-	-	-	-	-	-
	<u>\$ 3,183,145</u>	<u>\$ 100,213</u>	<u>\$ 3,283,358</u>	<u>\$ 463,154</u>	<u>\$ 18,575</u>	<u>\$ 563,558</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

G. Long-Term Obligations -- (continued)

4. Notes Payable

Long-term notes payable outstanding at September 30, 2013 is comprised of the following:

Original Issuance	Issuer	Name	Payment Installments	Installments		Interest Rates		Payment Through	Current Balance
				Lowest	Highest	Lowest	Highest		
\$ 5,600,000	Housing and Urban Development	CDBG HUD Section 108	Annual	\$ 2,994,000	\$ 295,000	0.49%	1.73%	8/1/2031	\$ 5,306,000
\$ 1,020,000	Lone Star National Bank	Paving and Drainage	Monthly	\$ 14,178	\$ 14,178	4.50%	4.50%	3/15/2015	\$ 827,583
\$ 4,250,000	Lone Star National Bank	Whitney Elementary Building	Semi-Annual	\$ 358,107	\$ 358,107	4.50%	4.50%	4/15/2020	\$ 4,250,000
						Subtotal-City of Pharr Governmental			\$ 10,383,583
\$ 4,642,500	Lone Star National Bank	Industrial Park	Annual	\$ 446,604	\$ 446,604	4.50%	4.50%	11/15/2019	\$ 4,642,500
						Subtotal-PEDC			\$ 4,642,500
\$ 15,000,000	Frost National Bank	PPFC # 1 Promissory Note	Annual	\$ 500,000	\$ 700,000	3.25%	3.25%	9/30/2016	\$ 13,500,000
						Subtotal-PPFC # 1			\$ 13,500,000
						Governmental Total			\$ 28,526,083

Debt service requirements of notes payable at September 30, 2013 are as follows:

Year Ended September 30,	Governmental Activities		Total
	Principal	Interest	
2014	\$ 1,400,026	\$ 564,201	\$ 1,964,227
2015	1,693,393	508,691	2,202,084
2016	2,357,175	889,494	3,246,669
2017	14,625,429	786,335	15,411,764
2018	1,897,065	295,171	2,192,236
2019-2023	4,192,995	631,571	4,824,566
2024-2029	1,475,000	286,445	1,761,445
2030-2035	885,000	60,062	945,062
	<u>\$ 28,526,083</u>	<u>\$ 4,021,970</u>	<u>\$ 32,548,053</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

G. Long-Term Obligations – (continued)

5. Debt Disclosure and Currently Defeased Debt

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Commission. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005, 2008 and 2011 the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2013, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	5.00% - 5.53%	
Series	2003	\$ 11,565,000
Interest rates:	4.65% - 5.00%	
Series	2011	1,180,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.15% - 6.74%	
Series	1996 through 1998a	4,419,000
Bridge Revenue Bonds		
Interest rates:	3.625% - 4.25%	
Series	1998 through 2001	<u>2,545,000</u>
	Bonds legally defeased	<u><u>\$ 19,709,000</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

G. Long-Term Obligations – (continued)

6. Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. As of September 30, 2013, the owning fund of the liability is as follows:

<u>Owning Fund of Liability</u>	<u>Amount</u>
General	\$ 4,218,169
PEDC 4B	18,756
Community Development	46,825
Garage	16,537
Utility	297,726
Bridge	79,377
Golf	120,675
	<u>\$ 4,798,065</u>

7. Arbitrage

The City has issued long-term debt for capital construction projects. These bonds are subject to the arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At September 30, 2013, there was no liability of arbitrage that would have been owed to the federal government.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

H. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2013, consisted of the following:

	TRANSFER FROM Governmental Funds							Total Governmental
	General	PEDC II	Assets Sharing	Hotel/ Motel	Parkland Dedication	CIP	Debt Service	
General	\$ -	\$4,750,005	\$ -	\$150,000	\$ 5,200	\$ -	\$ -	\$ 4,905,205
Capital Projects	677,500	-	-	-	-	-	-	677,500
PFC No. I	1,986,462	-	-	-	-	-	-	1,986,462
Debt Service	-	1,063,261	-	-	-	-	-	1,063,261
Community Development	277	-	-	-	-	-	-	277
TIRZ	17,956	-	-	-	-	-	-	17,956
PEDC	16,851,929	-	-	-	804,324	-	-	17,656,253
Hotel/Motel	108,445	-	-	-	-	-	-	108,445
Seized Assets	75,000	-	-	-	-	-	-	75,000
Total governmental	<u>19,717,569</u>	<u>5,813,266</u>	<u>-</u>	<u>150,000</u>	<u>5,200</u>	<u>804,324</u>	<u>-</u>	<u>26,490,359</u>
Bridge	-	-	-	-	-	-	176,350	176,350
Golf	1,410,619	-	-	-	-	-	-	1,410,619
Total enterprise	<u>1,410,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,350</u>	<u>1,586,969</u>
PAL	108,914	-	40,000	-	-	-	-	148,914
Total discrete component units	<u>108,914</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,914</u>
Total	<u>\$ 21,237,102</u>	<u>\$5,813,266</u>	<u>\$ 40,000</u>	<u>\$150,000</u>	<u>\$ 5,200</u>	<u>\$ 804,324</u>	<u>\$176,350</u>	<u>\$ 28,226,242</u>

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, PAL and Hotel/Motel was for routine operational expenditures.
- The General Fund transfer to PEDC II was for land purchased by the General Fund that was contributed to PEDC II for the City's Economic Development.
- The General Fund Transfer to Seized Assets was to reimburse for the purchase of police radios.
- The General Fund transfer to Golf was to cover for operational expenses and to cover for the Green renovation project totaling a little over \$1,000,000.
- The PEDC transfer to General Fund was to reimburse the City for land purchase. The PEDC transfer to Debt Service was to transfer funds for the debt service payments of Series 2012 and for a bond issue the General Fund undertook a portion of which is to be paid through PEDC's sales tax collection.
- The Assets Sharing transfer to PAL is to assist in operational expenses.
- The Hotel/Motel transfer to General Fund is for Lease proceeds used by Parks and Recreations.
- The CIP transfer to PEDC is for contributed projects accounted under the City.
- The Bridge transfer to Debt Service 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

H. Interfund Transfers-- (continued)

The following transfers are related to proprietary transactions

- The Utility transfers to general are for reimbursements in the use of General assets and for payroll related charges, the reimbursement transfer is expected to continue in future years.
- 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.
- Transfers from bridge to CIP fund were to fund capital projects with excess funds.

		TRANSFER FROM Enterprise Funds			
		Utility	Bridge	Total Enterprise	Grand Total
TRANSFER TO	General	\$420,410	\$5,143,100	\$5,563,510	\$10,468,715
	Capital Projects	-	2,489,440	2,489,440	3,166,940
	PFC No. 1	-	-	-	1,986,462
	Debt Service	-	-	-	1,063,261
	Community Development	-	-	-	277
	TIRZ	-	-	-	17,956
	PEDC	-	-	-	17,656,253
	Hotel/Motel	-	-	-	108,445
	Debt Service	-	-	-	75,000
	Total governmental	420,410	7,632,540	8,052,950	34,543,309
Bridge	-	-	-	176,350	
Golf	-	-	-	1,410,619	
Total enterprise	-	-	-	1,586,969	
PAL	-	-	-	148,914	
	-	-	-	148,914	
Total	\$420,410	\$7,632,540	\$8,052,950	\$36,279,192	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

I. Restricted Assets

The balances of restricted asset as of September 30, 2013 are as follows:

<u>Governmental Funds</u>	
Capital financing-General Fund	\$ 7,357,375
Grant restrictions-Grant	1,523,853
Grant restrictions-PEDC II	1,264,541
Capital outlay reserves-General	440,532
Total restricted assets-governmental funds	10,586,301
<u>Business-Type Funds</u>	
Capital financing-Utility	\$ 12,234,985
Customer deposits-Utility	2,108,636
Debt reserves-Utility	8,111,754
Debt reserves-Bridge	1,047,658
Capital outlay reserves-Golf	140,101
Total restricted assets-business-type funds	\$ 23,643,134
Total restricted assets	\$ 34,229,435

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION

A. Risk Management- (continued)

1. Health Care Coverage

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

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

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

2. Post-Retirement Health Care Benefits

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

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

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

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

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.

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, 2013.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2013, they are as follows:

	<u>Project Amount</u>	<u>Expensed To Date</u>	<u>Remaining Cost</u>
Sam Houston	\$ 787,269	\$ 534,619	\$ 252,650
Owassa Road-East	505,640	398,107	107,533
Owassa Road-West	470,525	235,989	234,536
Pharr Commercial Park	<u>404,993</u>	<u>267,625</u>	<u>137,368</u>
 Total Governmental	 \$ 2,168,427	 \$ 1,436,340	 \$ 732,087
 Water treatment plant	 14,331,584	 13,506,626	 824,958
LBJ water tower rehab	1,500,000	256,905	1,243,095
Southside waste water	14,720,000	1,165,000	13,555,000
Water Transmission	11,685,590	243,100	11,442,490
Port of entry modernization	1,465,144	273,328	1,191,816
Bridge Lane Improvements	<u>2,381,723</u>	<u>30,232</u>	<u>2,351,491</u>
 Total Business-Type	 <u>\$ 46,084,041</u>	 <u>\$ 15,475,191</u>	 <u>\$ 30,608,850</u>
 Total	 <u><u>\$ 48,252,468</u></u>	 <u><u>\$ 16,911,531</u></u>	 <u><u>\$ 31,340,937</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

C. Commitments-(continued)

4. Economic Development Commitments

The PEDC II has the following outstanding commitments as of September 30, 2013:

Program Commitment To	Amount Pending
Universal Metal Products	\$ 15,726
Costco	3,000,000
Total	\$ 3,015,726

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 2012	Plan Year 2013
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 (express as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

D. Pension Plan-(continued)

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:

	2012	2011	2010
Net pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	2,985,232	3,236,159	3,059,283
Contributions Made	2,985,232	3,236,159	3,059,283
Net Pension Obligation	\$ -	\$ -	\$ -

The required contribution rates for this fiscal year 2013 were determined as part of the December 31, 2012 and 2011 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2012, also follows:

General System-wide Actuarial Assumptions

Valuation Date	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method				
GASB 25 Equivalent Single	28 Years-Closed Period	27 Years-Closed Period	26.1 Years	24.9 Years
Gain/Losses				
Amortization Period for new				
Gain/Losses	30 Years	30 years	26.1 Years	24.9 years
Asset Valuation Method	10-Year Smoothed	10-Year Smoothed	10-Year Smoothed	10-Year Smoothed
	Market	Market	Market	Market
Actuarial Assumptions:				
Investment rate of return*	7.5%	7.0%	6.8%	7.1%
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%

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

D. Pension Plan-(continued)

2. Contributions-(continued)

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$ 28,465,143	\$ 37,276,917	76.4%	\$ 8,811,774	\$ 17,729,336	49.70%
12/31/2010	\$ 31,719,659	\$ 40,488,486	78.3%	\$ 8,768,827	\$ 17,770,636	49.30%
12/31/2010	\$ 41,686,353	\$ 46,768,782	89.1%	\$ 5,082,429	\$ 17,770,636	28.6%
12/31/2011	\$ 45,864,221	\$ 49,965,141	91.8%	\$ 4,100,920	\$ 19,519,197	21.0%
12/31/2012	\$ 49,962,459	\$ 53,717,387	93.0%	\$ 3,754,928	\$ 20,588,476	18.2%

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.

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) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

IV. OTHER INFORMATION - (continued)

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

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 2013, 2012, and 2011 were \$28,335, \$27,954, and \$29,662 respectively, which equaled the required contributions each year.

Plan/Calendar Year	Annual Required Contribution Rate (ARC) (Rate)	Actual Contribution Made (Rate)	Percentage of ARC
2010	0.03%	0.03%	100.0%
2011	0.02%	0.02%	100.0%
2012	0.01%	0.01%	100.0%
2013	0.01%	0.01%	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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

V. OTHER INFORMATION - (continued)

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

4. Retiree Health Insurance Benefit Plan Funding Policy

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

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

The annual required contribution (ARC) is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuations were made as of January 1, 2012.

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, 2012	
Valuation Results	Total Benefits	
1 Present Value of Future Benefits	\$	6,764,604
2 Actuarial Accrued Liability		4,624,841
3 Unfunded Actuarial Liability		4,145,135
4 Normal Cost Beginning of Year		140,461
5 Net OPEB Obligation (NOO)	\$	578,716
Amortization Cost		
6 Actuarial Accrued Liability		4,145,135
7 Amortization Factor (30 years)		16.29
8 Amortization cost (5/6)		254,459
Annual Required Contribution		
Using 30-Year Amortization		
9 Normal cost with 4.5% Inventory to EOY		146,782
10 Amortization Cost at end of year		254,459
11 Total	\$	401,241
Assumptions		
Discount Rate		4.50%
Healthcare cost trend rate		
*2012-2013		8.00%
*Ultimate (2015)		4.50%
Future participation rate		100.00%
Future retirees covering an spouse		0.00%

Annual OPEB Cost, Contribution, and Change in OPEB-FYE 09/30/13

Annual required contribution prior to adjustments	\$	401,241
Interest on net OPEB obligation at 4.5%		26,042
Adjustment to annual required contribution		(35,526)
Annual OPEB cost		391,757
Contributions made		(370,000)
Increase in net OPEB obligation		21,757
Net OPEB obligation beginning of year		578,716
Net OPEB obligation end of year	\$	600,473

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 of Annual OPEB Cost Contribution
2011	\$ 412,886	\$ 234,347	56.8%
2012	\$ 412,886	\$ 195,115	47.3%
2013	\$ 391,757	\$ 370,000	94.4%

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

Actuarial valuation Date	1/1/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Period	Level dollar, open
Remaining Amortization Period	30 years

Asset Valuation Method	Market Value
------------------------	--------------

Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	N/A
Healthcare Inflation Rate	8% initial. 4.5% ultimate

6. OPEB Irrevocable Trust Fund

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

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

The balance of the trust at September 30, 2013 was \$741,621.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

F. New Accounting Principles

The GASB has issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Agreements." This Statement establishes guidance for accounting and financial reporting for service concession agreements. These arrangements are often referred to as public-private partnerships or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34". This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs, discrete) presentation, and certain disclosures requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The GASB has issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private sector. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB has issued Statement No. 63 "Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position" and Statement No. 65 "Items previously Reported as Assets and Liabilities" . These statements establish new categories for reporting certain assets and liabilities and revise the definition for governmental fund types and for government-wide statements. The requirements of Statement No. 63 and 65 are effective for financial statements for periods beginning after December 15, 2011 and December 15, 2012 respectively.

The GASB has issued Statement No. 66, "Technical Corrections-2012; an amendment of GASB No. 10 and No. 62." The requirements of this Statement are effective for financial statement for periods beginning after December 15, 2012.

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27". This Statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

G. Other

On October 1, 2012 the Police Pharr Athletic League was created as a nonprofit organization for the purpose of youth crime prevention that relies on providing civic, athletic, recreational, and educational opportunities and resources to cement a bond and create trust and understanding between police officers and youth. PAL is considered a Discrete Component Unit based on the criteria established by GASB Statement No. 61.

H. Land Available For Sale

During FY 2011-2012, the City and PEDC II entered into an agreement to buy land for economic development purposes. As of September 30, 2013, the City has purchased a total of \$20,997,426(NRV) in properties. Since the purpose of this land is to develop business in the City of Pharr area, it is available for sale to any potential buyer. On February 2012, the City approved the motion to contribute all purchased land to PEDCII and transfer of title was completed as of September 30, 2013.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

IV. OTHER INFORMATION - (continued)

I. Related Party

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

During the year, a commissioner's family owned stock in a bank that holds the City's deposits and loans.

J. Special Events

Land available for sale is land that was purchased with the intention of selling it in the future for private sector redevelopment projects. The cost plus improvements on land purchased for this purpose totaled \$27,368,124. Per GASB standards, land available for sale should be recorded at the lower of cost or net realizable value (NRV). The City obtained appraisals for the land during this fiscal year which indicated that land was worth \$6,370,699 less than the original purchase price. A loss of this amount has been reported on the financial statements as a special item. The majority of the loss occurred because a portion of this land was purchased at a price higher than its fair market value in order to attract a major retailer to the area.

K. Subsequent Events

Management has evaluated subsequent events through January 31, 2014, the date the financial statements were available to be issued.

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%
12/31/11 ⁽²⁾	\$ 45,864,221	\$ 49,965,141	91.8%	\$ (4,100,920)	\$ 19,519,197	21.0%
12/31/12 ²⁾	\$ 49,962,459	\$ 53,717,387	93.0%	\$ (3,754,928)	\$ 20,588,476	18.2%

(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%
1/1/11	\$ -	\$ 4,698,844	0.0%	\$ (4,698,844)	\$ 19,519,197	24.1%
1/1/12	\$ 479,706	\$ 4,624,841	10.4%	\$ (4,145,135)	\$ 20,362,119	20.4%

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 13,577,000	\$ 13,877,000	\$ 13,550,260	\$ (326,740)
Sales	9,899,950	9,564,950	9,809,264	244,314
Franchise	2,168,000	2,168,000	2,143,885	(24,115)
Other	140,000	140,000	145,005	5,005
Licenses and permits	580,000	780,000	818,118	38,118
Intergovernmental	413,550	423,550	371,736	(51,814)
Fees and charges:				
Sanitation	2,420,000	2,420,000	2,533,100	113,100
Brush	1,027,800	1,027,800	1,069,730	41,930
Other	1,264,720	1,164,720	1,310,091	145,371
Fines	950,500	950,500	935,671	(14,829)
Interest income	269,000	269,000	387,631	118,631
Other	164,920	414,920	631,971	217,051
Total revenues	<u>32,875,440</u>	<u>33,200,440</u>	<u>33,706,462</u>	<u>506,022</u>
EXPENDITURES				
Current:				
General government	7,835,410	9,623,932	9,127,124	496,808
Public safety	19,006,150	20,125,534	19,894,925	230,609
Highways and streets	2,322,670	2,346,870	2,132,006	214,864
Health and welfare	2,328,000	2,328,000	2,371,340	(43,340)
Culture and recreation	3,541,490	4,479,054	4,377,163	101,891
Debt service:				
Principal	1,984,710	5,393,610	5,374,681	18,929
Interest	257,940	135,740	126,023	9,717
Total expenditures	<u>37,276,370</u>	<u>44,432,740</u>	<u>43,403,262</u>	<u>1,029,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,400,930)</u>	<u>(11,232,300)</u>	<u>(9,696,800)</u>	<u>1,535,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,600,990	10,468,720	10,468,715	(5)
Transfers (out)	(1,983,930)	(21,375,459)	(21,237,103)	138,356
Issuance of debt	1,163,870	9,663,870	9,663,870	-
Total other financing sources and uses	<u>2,780,930</u>	<u>(1,242,869)</u>	<u>(1,104,518)</u>	<u>138,351</u>
Net change in fund balance	<u>(1,620,000)</u>	<u>(12,475,169)</u>	<u>(10,801,318)</u>	<u>1,673,851</u>
Fund balance - beginning	30,600,838	30,600,838	30,600,838	-
Prior period adjustment	-	-	(5,453,647)	(5,453,647)
Fund balance - ending	<u>\$ 28,980,838</u>	<u>\$ 18,125,669</u>	<u>\$ 14,345,873</u>	<u>\$ (3,779,796)</u>

CITY OF PHARR, TEXAS
PHARR ECONOMIC DEVELOPMENT CORPORATION, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 3,299,980	\$ 3,249,980	\$ 3,269,755	\$ 19,775
Other	-	-	18,602	18,602
Intergovernmental	-	-	1,016,486	1,016,486
Interest income	20,000	20,000	26,734	6,734
Other	30,000	30,000	36,079	6,079
Total revenues	<u>3,349,980</u>	<u>3,299,980</u>	<u>4,367,656</u>	<u>1,067,676</u>
EXPENDITURES				
Current:				
Economic development	1,535,800	1,583,340	1,163,261	420,079
Debt service:				
Principal	600,000	-	-	-
Interest	393,250	104,500	84,145	20,355
Total expenditures	<u>2,529,050</u>	<u>1,687,840</u>	<u>1,247,406</u>	<u>440,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>820,930</u>	<u>1,612,140</u>	<u>3,120,250</u>	<u>1,508,110</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	16,851,929	17,656,253	804,324
Transfers (out)	(647,600)	(5,813,270)	(5,813,265)	5
Proceeds from sale of assets	-	552,000	551,091	(909)
Issuance of debt	-	4,642,500	4,642,500	-
Total other financing sources and uses	<u>(647,600)</u>	<u>16,233,159</u>	<u>17,036,579</u>	<u>803,420</u>
SPECIAL ITEMS				
Loss on land available for sale valuation	-	-	(6,370,699)	(6,370,699)
Total special items	<u>-</u>	<u>-</u>	<u>(6,370,699)</u>	<u>(6,370,699)</u>
Net change in fund balance	173,330	17,845,299	13,786,130	(4,059,169)
Fund balance - beginning	1,494,515	1,494,515	1,494,515	-
Prior period adjustment	-	-	5,340,970	5,340,970
Fund balance - ending	<u>\$ 1,667,845</u>	<u>\$ 19,339,814</u>	<u>\$ 20,621,615</u>	<u>\$ 1,281,801</u>

CITY OF PHARR, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	\$ 13,389,000	\$ 13,389,000	\$ 6,215,816	\$ (7,173,184)
Total revenues	<u>13,389,000</u>	<u>13,389,000</u>	<u>6,215,816</u>	<u>(7,173,184)</u>
EXPENDITURES				
Current:				
Highways and streets	13,225,440	12,758,440	4,318,515	8,439,925
Culture and recreation	10,500,000	10,500,000	8,527,238	1,972,762
Total expenditures	<u>23,725,440</u>	<u>23,258,440</u>	<u>12,845,753</u>	<u>10,412,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,336,440)</u>	<u>(9,869,440)</u>	<u>(6,629,937)</u>	<u>3,239,503</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,956,440	2,489,440	3,166,940	677,500
Transfers out	-	-	(1,938,042)	(1,938,042)
Total other financing sources and uses	<u>2,956,440</u>	<u>2,489,440</u>	<u>1,228,898</u>	<u>(1,260,542)</u>
Net change in fund balance	(7,380,000)	(7,380,000)	(5,401,039)	1,978,961
Fund balance - beginning	17,156,544	17,156,544	17,156,544	-
Prior period adjustment	-	-	(8,888)	(8,888)
Fund balance - ending	<u>\$ 9,776,544</u>	<u>\$ 9,776,544</u>	<u>\$ 11,746,617</u>	<u>\$ 1,970,073</u>



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**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.

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

PFC No.1 – This fund accounts for the funding of purchase of land for economic development.

TIRZ No. 1 – This fund accounts for the tax increment revenue used to facilitate the development in the Pharr area.

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
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Special Revenue Funds				
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication	Paving & Drainage
<u>ASSETS AND DEFERRED OUTFLOWS</u>					
Cash	\$ 608,322	\$ 35,421	\$ 44,954	\$ 1,881	\$ 294,835
Receivables (net of allowance for uncollectible):					
Property taxes	-	-	-	-	-
Notes	-	55,013	-	-	-
Accounts	-	-	-	-	110,762
Other	-	-	336,556	-	-
Restricted assets:					
Intergovernmental receivable	-	36,278	-	-	-
Total assets	<u>\$ 608,322</u>	<u>\$ 126,712</u>	<u>\$ 381,510</u>	<u>\$ 1,881</u>	<u>\$ 405,597</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 20,952	\$ 37,767	\$ 116,270	\$ -	\$ 13,646
Due to other funds	-	2,509	16,044	-	-
Unearned revenue	-	55,013	7,609	-	-
Total liabilities	<u>20,952</u>	<u>95,289</u>	<u>139,923</u>	<u>-</u>	<u>13,646</u>
Deferred property tax	-	-	-	-	-
Deferred accounts	-	-	-	-	110,762
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,762</u>
Fund balances:					
Restricted:					
Debt service	-	-	-	-	-
Street paving and drainage	-	-	-	-	281,189
Tourism	-	-	241,587	-	-
Public safety	587,370	-	-	-	-
Parkland	-	-	-	1,881	-
Community development	-	31,423	-	-	-
Economic development	-	-	-	-	-
Total fund balances	<u>587,370</u>	<u>31,423</u>	<u>241,587</u>	<u>1,881</u>	<u>281,189</u>
Total liabilities and fund balances	<u>\$ 608,322</u>	<u>\$ 126,712</u>	<u>\$ 381,510</u>	<u>\$ 1,881</u>	<u>\$ 405,597</u>

				Debt Service Fund Debt Service	Total Nonmajor Governmental Funds
Grants	PFC # 1	TIRZ	Total		
\$ 65	\$ 49,999	\$ 18,123	\$ 1,053,600	\$ 37,147	\$ 1,090,747
-	-	-	-	197,797	197,797
-	-	-	55,013	-	55,013
-	-	-	110,762	-	110,762
-	-	-	336,556	-	336,556
-	-	-	-	-	-
513,900	-	-	550,178	-	550,178
<u>\$ 513,965</u>	<u>\$ 49,999</u>	<u>\$ 18,123</u>	<u>\$ 2,106,109</u>	<u>\$ 234,944</u>	<u>\$ 2,341,053</u>
\$ 72,354	\$ -	\$ -	\$ 260,989	\$ -	\$ 260,989
441,546	-	-	460,099	-	460,099
65	-	-	62,687	-	62,687
<u>513,965</u>	<u>-</u>	<u>-</u>	<u>783,775</u>	<u>-</u>	<u>783,775</u>
-	-	-	-	197,797	197,797
-	-	-	110,762	-	110,762
-	-	-	110,762	197,797	308,559
-	-	-	-	37,147	37,147
-	-	-	281,189	-	281,189
-	-	-	241,587	-	241,587
-	-	-	587,370	-	587,370
-	-	-	1,881	-	1,881
-	-	-	31,423	-	31,423
-	49,999	18,123	68,122	-	68,122
-	49,999	18,123	1,211,572	37,147	1,248,719
<u>\$ 513,965</u>	<u>\$ 49,999</u>	<u>\$ 18,123</u>	<u>\$ 2,106,109</u>	<u>\$ 234,944</u>	<u>\$ 2,341,053</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Special			
		Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
REVENUES					
Taxes:					
	Property	\$ -	\$ -	\$ -	\$ -
	Other	-	-	820,417	-
	Intergovernmental	329,527	1,259,068	-	-
Fees and charges:					
	Other	-	-	11,479	-
	Interest income	15,369	639	1,275	23
	Other	-	4,704	-	7,058
	Total revenues	<u>344,896</u>	<u>1,264,411</u>	<u>833,171</u>	<u>7,081</u>
EXPENDITURES					
Current:					
	General government	-	338,599	865,865	-
	Public safety	1,034,659	-	-	-
	Highways and streets	-	401,239	-	-
	Culture and recreation	-	95,000	-	-
Debt service:					
	Principal	-	294,000	-	-
	Interest	-	131,778	-	-
	Total expenditures	<u>1,034,659</u>	<u>1,260,616</u>	<u>865,865</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(689,763)</u>	<u>3,795</u>	<u>(32,694)</u>	<u>7,081</u>
OTHER FINANCING SOURCES (USES)					
	Transfers in	75,000	277	108,445	-
	Transfers (out)	(40,000)	-	(150,000)	(5,200)
	Total other financing sources and uses	<u>35,000</u>	<u>277</u>	<u>(41,555)</u>	<u>(5,200)</u>
	Net change in fund balances	(654,763)	4,072	(74,249)	1,881
	Fund balance - beginning	1,242,133	11,923	164,592	-
	Prior period adjustment	-	15,428	151,244	-
	Fund balance - ending	<u>\$ 587,370</u>	<u>\$ 31,423</u>	<u>\$ 241,587</u>	<u>\$ 1,881</u>

Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Paving & Drainage	Grants	PFC # 1	TIRZ	Total	Debt Service	
-	-	-	-	-	1,746,491	1,746,491
-	-	-	-	820,417	-	820,417
-	1,344,400	-	-	2,932,995	-	2,932,995
817,984	-	-	-	829,463	-	829,463
8,321	-	19	167	25,813	34,230	60,043
-	-	-	-	11,762	-	11,762
<u>826,305</u>	<u>1,344,400</u>	<u>19</u>	<u>167</u>	<u>4,620,450</u>	<u>1,780,721</u>	<u>6,401,171</u>
-	-	24	-	1,204,488	5,268	1,209,756
-	1,323,275	-	-	2,357,934	-	2,357,934
182,856	21,125	-	-	605,220	-	605,220
-	-	-	-	95,000	-	95,000
390,298	-	1,500,000	-	2,184,298	1,780,000	3,964,298
57,096	-	486,462	-	675,336	864,908	1,540,244
<u>630,250</u>	<u>1,344,400</u>	<u>1,986,486</u>	<u>-</u>	<u>7,122,276</u>	<u>2,650,176</u>	<u>9,772,452</u>
196,055	-	(1,986,467)	167	(2,501,826)	(869,455)	(3,371,281)
-	-	1,986,462	17,956	2,188,140	1,063,260	3,251,400
-	-	-	-	(195,200)	(176,350)	(371,550)
-	-	1,986,462	17,956	1,992,940	886,910	2,879,850
196,055	-	(5)	18,123	(508,886)	17,455	(491,431)
85,134	-	50,004	-	1,553,786	19,692	1,573,478
-	-	-	-	166,672	-	166,672
<u>281,189</u>	<u>-</u>	<u>49,999</u>	<u>18,123</u>	<u>1,211,572</u>	<u>37,147</u>	<u>1,248,719</u>



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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.

PFC No.1 – This fund accounts for the funding of purchase of land for economic development.

TIRZ No. 1 – This fund accounts for the tax increment revenue used to facilitate the development in the Pharr area.

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, 2013**

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Taxes:				
Property				
Current	\$ 12,177,000	\$ 12,477,000	\$ 12,450,372	\$ (26,628)
Delinquent	850,000	850,000	646,104	(203,896)
Penalty & interest	550,000	550,000	453,784	(96,216)
Other	-	-	-	-
Total property taxes	<u>13,577,000</u>	<u>13,877,000</u>	<u>13,550,260</u>	<u>(326,740)</u>
Sales	9,899,950	9,564,950	9,809,264	244,314
Franchise				
Telephone	245,000	245,000	254,298	9,298
Electric	1,545,000	1,545,000	1,502,822	(42,178)
Cable	288,000	288,000	291,528	3,528
Gas	90,000	90,000	95,237	5,237
Total franchise taxes	<u>2,168,000</u>	<u>2,168,000</u>	<u>2,143,885</u>	<u>(24,115)</u>
Other	140,000	140,000	145,005	5,005
Total taxes	<u>25,784,950</u>	<u>25,749,950</u>	<u>25,648,414</u>	<u>(101,536)</u>
Licenses and permits				
Building	350,000	550,000	555,421	5,421
Vocational	125,000	125,000	144,694	19,694
Other	105,000	105,000	118,002	13,002
Total licenses & permits	<u>580,000</u>	<u>780,000</u>	<u>818,117</u>	<u>38,117</u>
Intergovernmental				
Local school districts	260,540	260,540	220,747	(39,793)
County	20,000	20,000	9,750	(10,250)
Other	133,010	143,010	141,240	(1,770)
Total intergovernmental	<u>413,550</u>	<u>423,550</u>	<u>371,737</u>	<u>(51,813)</u>
Fees and charges:				
Sanitation	2,420,000	2,420,000	2,533,100	113,100
Brush	1,027,800	1,027,800	1,069,730	41,930
Other	1,264,720	1,164,720	1,310,091	145,371
Total fees & charges	<u>4,712,520</u>	<u>4,612,520</u>	<u>4,912,921</u>	<u>300,401</u>
Fines				
Court	915,500	915,500	925,264	9,764
Other	35,000	35,000	10,407	(24,593)
Total fines	<u>950,500</u>	<u>950,500</u>	<u>935,671</u>	<u>(14,829)</u>
Interest income	269,000	269,000	387,631	118,631
Other	164,920	414,920	631,971	217,051
Total revenues	<u>\$ 32,875,440</u>	<u>\$ 33,200,440</u>	<u>\$ 33,706,462</u>	<u>\$ 506,022</u>

**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, 2013**

EXPENDITURES				
Current:				
General government				
City manager	1,041,480	1,052,579	910,330	142,249
Finance	960,820	1,078,190	1,020,488	57,702
PAL	251,450	447,870	445,472	2,398
IT	959,510	1,661,920	1,673,794	(11,874)
Planning	1,156,900	1,035,565	975,819	59,746
Engineering	461,070	420,048	365,318	54,730
Non-departmental	3,255,630	4,375,630	4,181,375	194,255
Total general government	<u>8,086,860</u>	<u>10,071,802</u>	<u>9,572,596</u>	<u>499,206</u>
Public safety				
Police	11,623,170	12,598,932	12,525,324	73,608
Traffic safety	1,053,250	1,085,502	1,064,552	20,950
Court	399,140	402,660	372,745	29,915
Fire	5,622,590	5,637,940	5,532,144	105,796
Total public safety	<u>18,698,150</u>	<u>19,725,034</u>	<u>19,494,765</u>	<u>230,269</u>
Highways and streets				
	2,322,670	2,346,870	2,132,006	214,864
Health and welfare				
Garbage	576,000	576,000	586,031	(10,031)
Brush	1,752,000	1,752,000	1,785,309	(33,309)
Animal control	308,000	400,500	400,160	340
Total health and welfare	<u>2,636,000</u>	<u>2,728,500</u>	<u>2,771,500</u>	<u>(43,000)</u>
Culture and recreation				
Library	1,227,910	1,241,944	1,268,354	(26,410)
Parks	2,062,130	2,789,240	2,663,338	125,902
Total culture and recreation	<u>3,290,040</u>	<u>4,031,184</u>	<u>3,931,692</u>	<u>99,492</u>
Debt service:				
Principal	1,984,710	5,393,610	5,374,681	18,929
Interest	257,940	135,740	126,023	9,717
	<u>2,242,650</u>	<u>5,529,350</u>	<u>5,500,704</u>	<u>28,646</u>
Total expenditures	<u>37,276,370</u>	<u>44,432,740</u>	<u>43,403,263</u>	<u>1,029,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,400,930)</u>	<u>(11,232,300)</u>	<u>(9,696,801)</u>	<u>1,535,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Bridge	3,026,100	5,143,100	5,143,100	-
Utility	420,410	420,410	420,410	-
PEDC	149,280	4,750,010	4,750,005	(5)
Hotel/Motel	-	150,000	150,000	-
Parkland	5,200	5,200	5,200	-
Total transfers in	<u>3,600,990</u>	<u>10,468,720</u>	<u>10,468,715</u>	<u>(5)</u>
Transfers (out)				
Golf	(697,040)	(1,410,640)	(1,410,619)	21
Community Development	-	-	(277)	(277)
Assets Sharing	-	(75,000)	(75,000)	-
Capital Projects	-	(677,500)	(677,500)	-
Hotel/Motel	-	(103,500)	(108,445)	(4,945)
TIRZ	-	(18,000)	(17,956)	44
PAL	(314,290)	(252,290)	(108,914)	143,376
PEDC	-	(16,851,929)	(16,851,929)	-
PFC No. 1	(972,600)	(1,986,600)	(1,986,462)	138
Total transfers (out)	<u>(1,983,930)</u>	<u>(21,375,459)</u>	<u>(21,237,102)</u>	<u>138,357</u>
Sales of capital assets				
	-	-	-	-
Bond/loan proceeds				
	1,163,870	9,663,870	9,663,870	-
Total	<u>1,163,870</u>	<u>9,663,870</u>	<u>9,663,870</u>	<u>-</u>
Total other financing sources and uses	<u>2,780,930</u>	<u>(1,242,869)</u>	<u>(1,104,517)</u>	<u>138,352</u>
Net change in fund balance	(1,620,000)	(12,475,169)	(10,801,318)	1,673,851
Fund balance - beginning	30,600,838	30,600,838	30,600,838	-
Prior period adjustment	-	-	(5,453,647)	(5,453,647)
Fund balance - ending	<u>\$ 28,980,838</u>	<u>\$ 18,125,669</u>	<u>\$ 14,345,873</u>	<u>\$ (3,779,796)</u>

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 329,527	\$ 29,527
Interest income	8,000	8,000	15,369	7,369
Total revenues	<u>308,000</u>	<u>308,000</u>	<u>344,896</u>	<u>36,896</u>
EXPENDITURES				
Current:				
Public safety	1,460,000	1,460,000	1,034,659	425,341
Total expenditures	<u>1,460,000</u>	<u>1,460,000</u>	<u>1,034,659</u>	<u>425,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,152,000)</u>	<u>(1,152,000)</u>	<u>(689,763)</u>	<u>462,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	-	75,000	75,000
Transfers out	<u>(40,000)</u>	<u>(100,000)</u>	<u>(40,000)</u>	<u>60,000</u>
Total other financing sources and uses	<u>-</u>	<u>(100,000)</u>	<u>35,000</u>	<u>135,000</u>
Net change in fund balance	<u>(1,152,000)</u>	<u>(1,252,000)</u>	<u>(654,763)</u>	<u>597,237</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,242,133</u>	<u>1,242,133</u>
Fund balance - ending	<u>\$ (1,152,000)</u>	<u>\$ (1,252,000)</u>	<u>\$ 587,370</u>	<u>\$ 1,839,370</u>

**CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,021,560	\$ 2,021,560	\$ 1,259,068	\$ (762,492)
Interest income	-	-	639	639
Other	-	-	4,704	4,704
Total revenues	<u>2,021,560</u>	<u>2,021,560</u>	<u>1,264,411</u>	<u>(757,149)</u>
EXPENDITURES				
Current:				
General government	863,570	866,450	338,599	527,851
Highways and streets	637,230	637,230	401,239	235,991
Culture and recreation	95,000	95,000	95,000	-
Debt service:				
Principal	294,000	294,000	294,000	-
Interest	131,760	131,760	131,778	(18)
Total expenditures	<u>2,021,560</u>	<u>2,024,440</u>	<u>1,260,616</u>	<u>763,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,880)</u>	<u>3,795</u>	<u>6,675</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	277	277
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>277</u>	<u>277</u>
Net change in fund balance	<u>-</u>	<u>(2,880)</u>	<u>4,072</u>	<u>6,952</u>
Fund balance - beginning	11,921	11,921	11,921	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>15,429</u>	<u>15,429</u>
Fund balance - ending	<u>\$ 11,921</u>	<u>\$ 9,041</u>	<u>\$ 31,422</u>	<u>\$ 22,381</u>

CITY OF PHARR, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Other	\$ 776,520	\$ 821,020	\$ 820,417	\$ (603)
Fees and charges:				
Other	-	-	11,479	11,479
Interest income	2,000	2,000	1,275	(725)
Total revenues	<u>778,520</u>	<u>823,020</u>	<u>833,171</u>	<u>10,151</u>
EXPENDITURES				
Current:				
General government	778,520	1,030,060	865,865	164,195
Total expenditures	<u>778,520</u>	<u>1,030,060</u>	<u>865,865</u>	<u>164,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(207,040)</u>	<u>(32,694)</u>	<u>174,346</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	103,500	108,445	4,945
Transfers (out)	-	(150,000)	(150,000)	-
Total other financing sources and uses	<u>-</u>	<u>(46,500)</u>	<u>(41,555)</u>	<u>4,945</u>
Net change in fund balance	-	(253,540)	(74,249)	179,291
Fund balance - beginning	164,591	164,591	164,591	-
Prior period adjustment	-	-	151,244	(151,244)
Fund balance - ending	<u>\$ 164,591</u>	<u>\$ (88,949)</u>	<u>\$ 241,586</u>	<u>\$ 28,047</u>

**CITY OF PHARR, TEXAS
 PARKLAND DEDICATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees and charges:				
Other	\$ 5,000	\$ 5,000	\$ 7,058	\$ 2,058
Interest Income	200	200	23	(177)
Total revenues	<u>5,200</u>	<u>5,200</u>	<u>7,081</u>	<u>1,881</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>5,200</u>	<u>5,200</u>	<u>7,081</u>	<u>1,881</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(5,200)	(5,200)	(5,200)	-
Total other financing sources and uses	(5,200)	(5,200)	(5,200)	-
Net change in fund balance	-	-	1,881	1,881
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,881</u>	<u>\$ 1,881</u>

CITY OF PHARR, TEXAS
PAVING & DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees and charges:				
Other	\$ 780,000	\$ 780,000	\$ 817,984	\$ 37,984
Interest income	2,000	2,000	8,321	6,321
Total revenues	<u>782,000</u>	<u>782,000</u>	<u>826,305</u>	<u>44,305</u>
EXPENDITURES				
Current:				
Highways and streets	334,600	334,600	185,856	148,744
Debt service:				
Principal	390,300	390,300	390,298	2
Interest	57,100	57,100	57,096	4
Total expenditures	<u>782,000</u>	<u>782,000</u>	<u>633,250</u>	<u>148,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>193,055</u>	<u>193,055</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>193,055</u>	<u>193,055</u>
Fund balance - beginning	<u>85,134</u>	<u>85,134</u>	<u>85,134</u>	<u>-</u>
Fund balance - ending	<u>\$ 85,134</u>	<u>\$ 85,134</u>	<u>\$ 278,189</u>	<u>\$ 193,055</u>

CITY OF PHARR, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	1,751,680	1,751,680	1,344,400	(407,280)
Total revenues	\$ 1,751,680	\$ 1,751,680	\$ 1,344,400	\$ (407,280)
EXPENDITURES				
Current:				
Public safety	1,110,840	1,110,840	1,323,275	(212,435)
Highways and streets	40,840	40,840	21,125	19,715
Culture and recreation	600,000	600,000	-	600,000
Total expenditures	1,751,680	1,751,680	1,344,400	407,280
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	-	-	-	-
Prior period adjustment	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,744,000	\$ 1,744,000	\$ 1,746,491	\$ 2,491
Interest income	20,000	20,000	34,230	14,230
Total revenues	<u>1,764,000</u>	<u>1,764,000</u>	<u>1,780,722</u>	<u>16,722</u>
EXPENDITURES				
Current:				
General government	6,000	6,000	5,268	732
Debt service:				
Principal	1,485,000	1,780,000	1,780,000	-
Interest	594,970	864,910	864,910	-
Total expenditures	<u>2,085,970</u>	<u>2,650,910</u>	<u>2,650,178</u>	<u>732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(321,970)</u>	<u>(886,910)</u>	<u>(869,456)</u>	<u>17,454</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	498,320	1,063,260	1,063,260	-
Transfers (out)	<u>(176,350)</u>	<u>(176,350)</u>	<u>(176,350)</u>	<u>-</u>
Total other financing sources and uses	<u>321,970</u>	<u>886,910</u>	<u>886,910</u>	<u>-</u>
Net change in fund balance	-	-	17,454	17,454
Fund balance - beginning	<u>19,692</u>	<u>19,692</u>	<u>19,692</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,692</u>	<u>\$ 19,692</u>	<u>\$ 37,146</u>	<u>\$ 17,454</u>



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Proprietary Funds

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

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

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

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

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

CITY OF PHARR, TEXAS
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget Basis</u>
OPERATING REVENUES				
Charges for sales and services:				
Water sales	\$ 6,840,000	\$ 7,380,000	\$ 7,743,869	\$ 363,869
Sewer service	5,100,000	5,350,000	5,671,878	321,878
Tap fees	180,000	180,000	382,169	202,169
Other	95,000	95,000	179,285	84,285
Total operating revenues	<u>12,215,000</u>	<u>13,005,000</u>	<u>13,977,201</u>	<u>972,201</u>
OPERATING EXPENSES				
Personnel services	2,749,600	2,803,956	2,438,810	365,146
Supplies and Materials	1,420,980	1,442,916	1,312,187	130,729
Contractual Services	3,315,970	3,452,479	3,292,141	160,338
Depreciation	-	-	3,351,917	(3,351,917)
Total operating expenses	<u>7,486,550</u>	<u>7,699,351</u>	<u>10,395,055</u>	<u>(2,695,704)</u>
Operating income (loss)	<u>4,728,450</u>	<u>5,305,649</u>	<u>3,582,146</u>	<u>(1,723,503)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	302,670	602,670	620,378	17,708
Interest expense	(1,602,690)	(1,602,690)	(1,623,166)	(20,476)
Amortization expense	-	-	(30,977)	(30,977)
Intergovernmental	-	-	314,196	314,196
Other	(17,000)	(17,000)	(28,472)	(11,472)
Issuance cost	-	-	(192,293)	(192,293)
Total nonoperating revenues/ (expenses)	<u>(1,317,020)</u>	<u>(1,017,020)</u>	<u>(940,334)</u>	<u>76,686</u>
Income before contributions and transfers	<u>3,411,430</u>	<u>4,288,629</u>	<u>2,641,812</u>	<u>(1,646,817)</u>
Transfers (out)	(420,410)	(420,410)	(420,410)	-
Capital contributions	-	-	1,686,062	1,686,062
Changes in net position	<u>2,991,020</u>	<u>3,868,219</u>	<u>3,907,464</u>	<u>39,245</u>
Total net position - beginning	<u>80,949,714</u>	<u>80,949,714</u>	<u>80,949,714</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>163,897</u>	<u>163,897</u>
Total net position - ending	<u>\$ 83,940,734</u>	<u>\$ 84,817,933</u>	<u>\$ 85,021,075</u>	<u>\$ 203,142</u>

CITY OF PHARR, TEXAS
BRIDGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for sales and services:				
Toll fees	\$ 10,390,000	\$ 11,662,000	\$ 11,658,382	\$ (3,618)
Other	182,000	236,900	256,123	19,223
Total operating revenues	<u>10,572,000</u>	<u>11,898,900</u>	<u>11,914,505</u>	<u>15,605</u>
OPERATING EXPENSES				
Personnel services	877,810	916,010	806,428	109,582
Supplies and Materials	86,500	119,750	105,569	14,181
Contractual Services	3,073,720	1,427,180	1,186,995	240,185
Depreciation	-	-	851,782	(851,782)
Total operating expenses	<u>4,038,030</u>	<u>2,462,940</u>	<u>2,950,774</u>	<u>(487,834)</u>
Operating income (loss)	<u>6,533,970</u>	<u>9,435,960</u>	<u>8,963,731</u>	<u>(472,229)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	201,000	201,000	220,275	19,275
Interest expense	(258,780)	(258,780)	(265,736)	(6,956)
Amortization expense	-	-	(196,000)	(196,000)
Other	-	-	28,854	28,854
Total nonoperating revenues/ (expenses)	<u>(57,780)</u>	<u>(57,780)</u>	<u>(212,607)</u>	<u>(154,827)</u>
Income before contributions and transfers	<u>6,476,190</u>	<u>9,378,180</u>	<u>8,751,124</u>	<u>(627,056)</u>
Transfers in	176,350	176,350	176,350	-
Transfers (out)	<u>(5,982,540)</u>	<u>(7,632,540)</u>	<u>(7,632,540)</u>	<u>-</u>
Changes in net position	670,000	1,921,990	1,294,934	(627,056)
Total net position - beginning	22,982,006	22,982,006	22,982,006	-
Prior period adjustment	-	-	44,589	44,589
Total net position - ending	<u>\$ 23,652,006</u>	<u>\$ 24,903,996</u>	<u>\$ 24,321,529</u>	<u>\$ (582,467)</u>

CITY OF PHARR, TEXAS
GOLF FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for sales and services:				
Golf services	\$ 800,000	\$ 608,865	\$ 520,023	\$ (88,842)
Other	115,000	58,535	76,531	17,996
Total operating revenues	<u>915,000</u>	<u>667,400</u>	<u>596,554</u>	<u>(70,846)</u>
OPERATING EXPENSES				
Personnel services	641,620	655,200	648,498	6,702
Supplies and Materials	201,530	183,170	168,378	14,792
Contractual Services	174,700	219,789	205,908	13,881
Depreciation	-	-	249,648	(249,648)
Total operating expenses	<u>1,017,850</u>	<u>1,058,159</u>	<u>1,272,432</u>	<u>(214,273)</u>
Operating income (loss)	<u>(102,850)</u>	<u>(390,759)</u>	<u>(675,878)</u>	<u>(285,119)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	4,000	4,000	7,054	3,054
Interest expense	(8,700)	(8,700)	(6,176)	2,524
Other	70,000	70,000	20,372	(49,628)
Total nonoperating revenues/ (expenses)	<u>65,300</u>	<u>65,300</u>	<u>21,250</u>	<u>(44,050)</u>
Income before contributions and transfers	<u>(37,550)</u>	<u>(325,459)</u>	<u>(654,628)</u>	<u>(329,169)</u>
Transfers in	697,040	1,410,640	1,410,619	(21)
Changes in net position	659,490	1,085,181	755,991	(329,190)
Total net position - beginning	3,294,000	3,294,000	3,294,000	-
Prior period adjustment	-	-	25,865	25,865
Total net position - ending	<u>\$ 3,953,490</u>	<u>\$ 4,379,181</u>	<u>\$ 4,075,856</u>	<u>\$ (303,325)</u>

**CITY OF PHARR, TEXAS
GARAGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for sales and services:				
Other	\$ 606,670	\$ 606,670	\$ 604,079	\$ (2,591)
Total operating revenues	<u>606,670</u>	<u>606,670</u>	<u>604,079</u>	<u>(2,591)</u>
OPERATING EXPENSES				
Personnel services	183,330	185,900	174,518	11,382
Contractual Services	419,920	439,920	399,157	40,763
Depreciation	-	-	32,017	(32,017)
Total operating expenses	<u>603,250</u>	<u>625,820</u>	<u>605,692</u>	<u>20,128</u>
Operating income (loss)	<u>3,420</u>	<u>(19,150)</u>	<u>(1,613)</u>	<u>17,537</u>
NON OPERATING REVENUES/(EXPENSES):				
Other	-	-	-	-
Total nonoperating revenues/ (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before contributions and transfers	<u>3,420</u>	<u>(19,150)</u>	<u>(1,613)</u>	<u>17,537</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Capital contributions	-	-	-	-
Changes in net position	<u>3,420</u>	<u>(19,150)</u>	<u>(1,613)</u>	<u>17,537</u>
Total net position - beginning	528,967	528,967	528,967	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>6,982</u>	<u>6,982</u>
Total net position - ending	<u>\$ 532,387</u>	<u>\$ 509,817</u>	<u>\$ 534,336</u>	<u>\$ 24,519</u>

Combining Financial Statements

INTERNAL SERVICE FUND

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

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

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

		<u>City Garage</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$	25,371
Inventories		24,885
Total current assets		50,256
Noncurrent assets:		
Capital assets (net of accumulated: depreciation):		
Buildings		437,350
Improvements other than buildings		57,780
Machinery and equipment		29,378
Total capital assets, net of accumulated depreciation		524,508
Total noncurrent assets		524,508
Total assets		574,764
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable		15,783
Due to other funds		8,110
Total current liabilities		23,893
Current liabilities payable from restricted assets:		
Matured accrued compensation		4,134
Total current liabilities payable from restricted assets		4,134
Noncurrent liabilities:		
Accrued compensation		12,401
Total noncurrent liabilities		12,401
Total liabilities		40,428
<u>NET POSITION</u>		
Net assets:		
Invested in capital assets, net of related debt		524,508
Unrestricted		9,828
Total net position	\$	534,336

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

		<u>City Garage</u>
Operating revenues:		
Charges for sales and services:		
Other	\$	604,079
Total operating revenues		<u>604,079</u>
Operating expenses:		
Personnel services		174,518
Contractual Services		399,157
Depreciation		32,017
Total operating expenses		<u>605,692</u>
Operating income (loss)		<u>(1,614)</u>
Nonoperating revenues (expenses):		
Total nonoperating revenues (expenses)		-
Income before contributions and transfers		<u>(1,614)</u>
Transfers in		-
Transfers out		-
Changes in net position		<u>(1,614)</u>
Total net position- beginning		528,967
Prior period adjustment		6,982
Total net position - ending	\$	<u><u>534,336</u></u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

		<u>City Garage</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	604,079
Payments to suppliers		(13,657)
Payments to employees		(182,216)
Payments for contractual services		(391,758)
Net cash flow provided by operating activities		<u>16,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advance from other funds		<u>1,785</u>
Net cash provided (used) by noncapital and related financing activities		<u>1,785</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(27,558)
Net cash provided (used) by capital and related financing activities		<u>(27,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided (used) by investing activities		<u>-</u>
Net increase/(decrease) in cash		(9,325)
Cash beginning of fiscal year		<u>34,696</u>
Cash end of fiscal year	\$	<u><u>25,371</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$	<u>(1,614)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		32,017
(Increase) in Inventories		(13,657)
Increase in Accounts Payable		7,400
(Decrease) in Accrued Compensation		(7,698)
Total adjustments		<u>18,062</u>
Net cash provided by operating activities	\$	<u><u>16,448</u></u>



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STATISTICAL SECTION

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

	<u>Page</u>
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.	-97-
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	-102-
Debt Capacity	
These schedules present information to help the reader assess the afford-ability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	-106-
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	-111-
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.	-113-

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

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities									
Net Invested in capital assets	\$ 28,230	\$ 28,849	\$ 40,172	\$ 50,941	\$ 50,764	\$ 53,417	\$ 36,205	\$ 36,205	\$ 39,362
Restricted	6,490	6,763	14,781	8,115	7,904	5,234	7,159	23,652	35,099
Unrestricted	5,147	8,067	2,620	4,822	13,275	18,999	16,463	18,274	8,076
Total governmental activities net position	<u>\$ 39,867</u>	<u>\$ 43,679</u>	<u>\$ 57,573</u>	<u>\$ 63,878</u>	<u>\$ 71,943</u>	<u>\$ 77,650</u>	<u>\$ 59,827</u>	<u>\$ 78,131</u>	<u>\$ 82,537</u>
Business-type activities									
Net Invested in capital assets	\$ 39,635	\$ 38,336	\$ 46,566	\$ 59,224	\$ 78,359	\$ 82,609	\$ 82,300	\$ 82,757	\$ 86,011
Restricted	2,943	1,950	3,018	5,762	7,759	7,375	10,195	8,529	21,394
Unrestricted	3,390	11,401	4,593	2,568	2,572	9,691	12,435	15,940	5,770
Total business-type activities net position	<u>\$ 45,968</u>	<u>\$ 51,687</u>	<u>\$ 54,177</u>	<u>\$ 67,554</u>	<u>\$ 88,690</u>	<u>\$ 99,675</u>	<u>\$ 104,930</u>	<u>\$ 107,226</u>	<u>\$ 113,175</u>
Primary government									
Net Invested in capital assets	\$ 66,865	\$ 67,185	\$ 86,738	\$ 110,165	\$ 129,123	\$ 136,026	\$ 118,505	\$ 118,962	\$ 125,374
Restricted	9,433	8,713	17,799	13,877	15,663	12,609	17,354	32,181	56,493
Unrestricted	8,537	19,468	7,213	7,390	15,847	28,690	28,898	34,214	13,846
Total primary government net position	<u>\$ 84,835</u>	<u>\$ 95,366</u>	<u>\$ 111,750</u>	<u>\$ 131,432</u>	<u>\$ 160,633</u>	<u>\$ 177,325</u>	<u>\$ 164,757</u>	<u>\$ 185,357</u>	<u>\$ 195,712</u>

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

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

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses								
Governmental activities:								
General government	\$ 5,463	\$ 7,181	\$ 8,178	\$ 8,265	\$ 7,594	\$ 8,061	\$ 10,917	\$ 16,251
Public safety	14,069	15,000	16,504	18,495	19,177	19,775	21,546	22,427
Streets	2,276	2,361	2,442	2,114	2,268	3,102	3,757	4,490
Sanitation	3,519	3,227	3,518	4,537	2,312	2,008	2,749	2,699
Culture and recreation	3,248	3,253	3,340	3,831	3,563	3,890	3,239	4,133
Economic development	2,198	1,754	2,653	-	-	-	-	-
Debt service	1,478	1,365	1,433	1,122	1,041	885	736	1,293
Total governmental activities expenses	<u>32,251</u>	<u>34,141</u>	<u>38,068</u>	<u>38,364</u>	<u>35,955</u>	<u>37,721</u>	<u>42,944</u>	<u>51,293</u>
Business-type activities:								
Utility	6,885	7,576	7,879	9,291	9,125	9,140	10,382	11,829
Toll Bridge	3,830	3,156	3,454	3,300	2,975	3,428	3,082	3,137
Tierra Del Sol Golf Course	988	1,054	1,241	1,171	1,047	1,035	1,236	1,110
Total business-type activities expenses	<u>11,703</u>	<u>11,786</u>	<u>12,574</u>	<u>13,762</u>	<u>13,147</u>	<u>13,603</u>	<u>14,700</u>	<u>16,076</u>
Total primary government expenses	<u>\$ 43,954</u>	<u>\$ 45,927</u>	<u>\$ 50,642</u>	<u>\$ 52,126</u>	<u>\$ 49,102</u>	<u>\$ 51,324</u>	<u>\$ 57,644</u>	<u>\$ 67,369</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 2,051	\$ 208	\$ 1,790	\$ 2,375	\$ 1,970	\$ 1,734	\$ 1,962	\$ 2,014
Public Safety	63	571	1,908	1,662	3,841	999	1,184	1,180
Streets	-	85	472	67	3	1,093	782	807
Sanitation	3,464	3,006	3,274	4,969	3,256	3,347	3,560	3,585
Culture and recreation	489	131	911	372	131	128	257	665
Economic development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Operating grants and contributions	1,753	1,648	1,867	2,465	2,448	4,227	3,451	6,221
Capital grants and contributions	-	1,094	0	1,481	256	508	25	59
Total governmental activities program revenues	<u>7,820</u>	<u>6,743</u>	<u>10,222</u>	<u>13,391</u>	<u>11,905</u>	<u>12,036</u>	<u>11,221</u>	<u>14,531</u>
Business-type activities:								
Charges for services:								
Utility	7,645	11,200	10,851	12,483	12,461	11,892	13,553	13,814
Toll Bridge	7,611	7,714	8,058	8,281	9,301	10,660	10,415	11,002
Tierra Del Sol Golf Course	809	350	631	766	856	805	812	776
Operating grants and contributions	-	-	-	-	-	-	-	17
Capital grants and contributions	250	-	-	6,940	13,899	2,512	548	316
Total business-type activities program revenues	<u>16,315</u>	<u>19,264</u>	<u>19,540</u>	<u>28,470</u>	<u>36,517</u>	<u>25,869</u>	<u>25,328</u>	<u>25,926</u>
Total primary government program revenues	<u>\$ 24,135</u>	<u>\$ 26,007</u>	<u>\$ 29,762</u>	<u>\$ 41,861</u>	<u>\$ 48,422</u>	<u>\$ 37,905</u>	<u>\$ 36,549</u>	<u>\$ 40,456</u>

Net (expense)/revenue	\$ (24,431)	\$ (27,398)	\$ (27,846)	\$ (24,973)	\$ (24,050)	\$ (25,685)	\$ (31,723)	\$ (36,762)
Governmental activities	4,612	7,478	6,966	14,708	23,370	12,266	10,628	9,850
Business-type activities	<u>\$ (19,819)</u>	<u>\$ (19,920)</u>	<u>\$ (20,880)</u>	<u>\$ (10,265)</u>	<u>\$ (680)</u>	<u>\$ (13,419)</u>	<u>\$ (21,095)</u>	<u>\$ (26,913)</u>
Total primary government net expense								
General Revenues and Other Changes in								
Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 9,713	\$ 10,475	\$ 11,276	\$ 13,082	\$ 14,900	\$ 15,265	\$ 14,984	\$ 15,221
Sales taxes	10,043	11,346	11,160	11,305	10,558	10,289	11,838	12,801
Other Taxes	2,283	2,543	2,912	3,087	2,807	3,152	2,844	2,232
Investment earnings	306	419	445	357	296	361	440	415
Grants, Donations, and Miscellaneous	2,657	3,854	2,159	365	458	105	763	1,048
Transfers	6,362	2,288	8,655	2,190	3,182	1,841	7,214	6,702
Total governmental activities	<u>31,364</u>	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>	<u>32,201</u>	<u>31,013</u>	<u>38,083</u>	<u>38,420</u>
Business-type activities:								
Investment earnings	610	1,011	866	1,451	877	1,008	795	705
Grants, Donations, and Miscellaneous	10	-	495	218	107	131	135	22
Transfers	(6,362)	(2,288)	(8,655)	(2,190)	(3,182)	(1,841)	-	(6,702)
Total business-type activities	<u>(5,742)</u>	<u>(1,277)</u>	<u>(7,294)</u>	<u>(521)</u>	<u>(2,198)</u>	<u>(702)</u>	<u>930</u>	<u>(5,975)</u>
Total primary government	<u>\$ 25,622</u>	<u>\$ 29,648</u>	<u>\$ 29,313</u>	<u>\$ 29,865</u>	<u>\$ 30,003</u>	<u>\$ 30,311</u>	<u>\$ 39,013</u>	<u>\$ 32,445</u>
Change in Net Position								
Governmental activities	\$ 6,933	\$ 3,527	\$ 8,761	\$ 5,413	\$ 8,151	\$ 5,328	\$ 6,360	\$ 1,658
Business-type activities	<u>\$ (1,130)</u>	<u>6,201</u>	<u>(328)</u>	<u>14,187</u>	<u>21,172</u>	<u>11,564</u>	<u>4,344</u>	<u>3,875</u>
Total primary government	<u>\$ 5,803</u>	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,600</u>	<u>\$ 29,323</u>	<u>\$ 16,892</u>	<u>\$ 10,704</u>	<u>\$ 5,532</u>

(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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved, Nonspendable, Restricted	\$ 3,037	\$ 3,903	\$ 7,405	\$ 11,002	\$ 1,049	\$ 102	\$ 231	\$ 3,354	\$ 20,807	\$ 10,752
Unreserved, undesignated, unassigned	1,433	602	195	(6,402)	2,081	8,338	14,901	5,809	748	3,593
Designated, Committed, Assigned	-	1,327	-	-	756	-	-	8,054	9,046	-
Total general fund	\$ 4,470	\$ 5,832	\$ 7,600	\$ 4,600	\$ 3,886	\$ 8,440	\$ 15,132	\$ 17,217	\$ 30,601	\$ 14,346
All other governmental funds										
Reserved, Nonspendable, Restricted, reported in:	\$ 1,369	\$ 2,894	\$ 5,447	\$ 7,572	\$ 4,718	\$ 6,407	\$ 2,501	\$ -	\$ (1,611)	\$ 1,212
Special revenue funds	-	-	-	-	-	-	-	387	1,339	-
Debt service fund	-	-	-	-	-	-	-	63	20	-
Economic Development fund	-	-	-	-	-	-	-	3,197	3,085	20,014
Unreserved, unassigned, reported in:										
Special revenue funds	824	3,573	142	2,425	3,238	1,333	1,086	(2,929)	-	-
Capital projects funds	-	-	(2,590)	(1,508)	-	-	1,251	-	-	11,747
Debt service funds	-	-	1,044	-	-	-	-	-	-	37
Assigned	-	-	-	-	-	-	-	1,943	17,392	-
Total all other governmental funds	\$ 2,193	\$ 6,467	\$ 4,043	\$ 8,489	\$ 7,956	\$ 7,740	\$ 4,838	\$ 2,661	\$ 20,224	\$ 33,009
Total governmental fund balances	\$ 6,663	\$ 12,299	\$ 11,642	\$ 13,089	\$ 11,842	\$ 16,180	\$ 19,970	\$ 19,878	\$ 50,825	\$ 47,355

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 20,022	\$ 21,929	\$ 24,350	\$ 25,972	\$ 27,370	\$ 28,215	\$ 28,707	\$ 29,814	\$ 31,391	\$ 31,504
Licenses and permits	555	681	1,468	886	685	682	550	762	664	818
Intergovernmental	3,431	2,296	1,178	1,751	2,455	2,448	4,579	3,451	6,221	9,521
Charges for services	3,647	3,971	4,287	5,073	6,382	4,468	5,226	5,010	5,525	5,778
Fines	1,056	1,415	968	800	880	1,122	1,107	914	977	936
Investment earnings	162	306	419	445	349	296	361	440	415	474
Miscellaneous	1,079	1,481	2,127	1,970	644	254	533	375	692	644
Total Revenues	29,952	32,079	34,797	36,897	38,765	37,486	41,064	40,766	45,885	49,675
Expenditures										
General government	8,287	6,985	14,218	12,943	6,034	6,220	6,609	14,398	13,336	10,337
Public safety	11,558	13,452	15,391	15,642	19,392	18,846	18,522	19,963	22,058	22,253
Highways and streets	2,076	5,351	2,542	2,121	4,443	2,499	4,012	4,404	7,401	7,056
Sanitation	3,059	-	3,021	3,483	4,306	2,318	2,423	2,555	2,654	2,371
Culture and recreation	3,168	3,323	977	3,422	5,661	3,472	3,664	6,010	5,524	12,999
Economic development	2,149	2,109	3,120	5,757	2,067	2,165	1,360	1,538	2,677	8,259
Debt service - Principal	1,690	1,554	1,912	3,904	3,371	3,335	1,781	1,635	2,588	9,339
Debt service - Interest	1,537	1,657	891	1,225	1,009	978	819	712	1,156	1,750
Total expenditures	33,524	34,431	42,072	48,497	46,283	39,833	39,191	51,215	57,393	74,365
Excess of revenues over (under) expenditures	(3,572)	(2,352)	(7,275)	(11,600)	(7,518)	(2,347)	1,872	(10,449)	(11,508)	(24,690)
Other financing sources (uses)										
Transfers in	2,302	10,721	4,044	9,298	16,941	6,066	9,951	11,615	42,210	34,633
Transfers out	(662)	(4,359)	(1,756)	(669)	(14,415)	(2,882)	(8,110)	(4,393)	(35,508)	(28,316)
Proceeds from sale of assets	312	16,567	3,120	2,480	2,877	-	-	805	120	551
Issuance of debt	-	(15,149)	979	3,479	1,819	3,587	245	2,372	30,572	14,306
Total other financing sources (uses)	1,952	7,780	6,387	14,588	7,222	6,771	2,086	10,399	37,395	21,175
Net change in fund balances	\$ (1,620)	\$ 5,428	\$ (888)	\$ 2,988	\$ (297)	\$ 4,424	\$ 3,959	\$ (50)	\$ 25,887	\$ (3,515)
Debt service as a percentage of noncapital expenditures	10.7%	10.3%	7.1%	11.8%	10.5%	12.1%	7.1%	4.8%	7.0%	17.5%

City of Pharr, Texas
Assessed Value and Estimated Value of Taxable Property

Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Minerals</u>	<u>Other</u>	<u>Total Assessed</u>	<u>Less: Ag Loss & Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated</u>		<u>Assessed Value' as a Percentage of Actual Value</u>
											<u>Actual Taxable Value</u>	<u>Value</u>	
2004	2003	\$ 1,029,748	\$ 283,257	\$ 10,850	\$ 41,693	\$ 130,142	\$ 1,495,690	\$ 292,485	\$ 1,203,205	\$ 0.68	\$ 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	\$ 0.68	\$ 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	\$ 0.68	\$ 1,442,146	123.04%	
2007	2006	\$ 1,383,161	\$ 362,968	\$ 14,996	\$ 54,079	\$ 172,167	\$ 1,987,371	\$ 332,328	\$ 1,655,043	\$ 0.68	\$ 1,655,043	120.08%	
2008	2007	\$ 1,549,417	\$ 397,886	\$ 14,537	\$ 51,312	\$ 195,896	\$ 2,209,035	\$ 412,202	\$ 1,796,833	\$ 0.68	\$ 1,796,833	122.94%	
2009	2008	\$ 1,831,559	\$ 496,061	\$ 15,957	\$ 52,232	\$ 213,847	\$ 2,609,655	\$ 506,079	\$ 2,103,576	\$ 0.68	\$ 2,103,576	124.06%	
2010	2009	\$ 1,852,609	\$ 528,963	\$ 16,672	\$ 49,303	\$ 242,187	\$ 2,689,735	\$ 527,968	\$ 2,161,766	\$ 0.68	\$ 2,161,766	124.42%	
2011	2010	\$ 1,903,835	\$ 561,456	\$ 14,999	\$ 16,865	\$ 265,722	\$ 2,762,876	\$ 591,022	\$ 2,171,854	\$ 0.68	\$ 2,171,854	127.21%	
2012	2011	\$ 1,913,524	\$ 574,336	\$ 13,337	\$ 11,027	\$ 256,980	\$ 2,769,204	\$ 604,760	\$ 2,164,444	\$ 0.68	\$ 2,164,444	127.94%	
2013	2012	\$ 1,198,825	\$ 591,866	\$ 12,310	\$ 11,038	\$ 265,359	\$ 2,858,847	\$ 604,760	\$ 2,254,087	\$ 0.68	\$ 2,254,087	126.83%	

Source: Hidalgo County Central Appraisal District

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

'Includes tax-exempt property.

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

Fiscal Year Ending	City of Pharr Tax Rate			Overlapping Tax Rates						Total		
	Drainage District #1			Hidalgo County			P.S.J.A ISD					
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total			
2004	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.04	\$ -	\$ 0.04	\$ 0.53	\$ 0.06	\$ 0.59	\$ 1.50	\$ 0.11	\$ 1.61
2005	\$ 0.59	\$ 0.09	\$ 0.68	\$ 0.04	\$ -	\$ 0.04	\$ 0.53	\$ 0.06	\$ 0.59	\$ 1.50	\$ 0.11	\$ 1.61
2006	\$ 0.59	\$ 0.09	\$ 0.68	\$ 0.04	\$ -	\$ 0.04	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.50	\$ 0.11	\$ 1.61
2007	\$ 0.60	\$ 0.09	\$ 0.68	\$ 0.04	\$ 0.01	\$ 0.05	\$ 0.52	\$ 0.08	\$ 0.59	\$ 1.04	\$ 0.17	\$ 1.21
2008	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.04	\$ 0.23	\$ 1.27
2009	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.51	\$ 0.08	\$ 0.59	\$ 1.04	\$ 0.26	\$ 1.30
2010	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.51	\$ 0.08	\$ 0.59	\$ 1.04	\$ 0.17	\$ 1.21
2011	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.17	\$ 0.19	\$ 1.36
2012	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.05	\$ 0.03	\$ 0.08	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.17	\$ 0.19	\$ 1.36
2013	\$ 0.60	\$ 0.08	\$ 0.68	\$ 0.06	\$ 0.04	\$ 0.10	\$ 0.52	\$ 0.07	\$ 0.59	\$ 1.17	\$ 0.19	\$ 1.36

Fiscal Year Ending	Overlapping Tax Rates			Total
	South Texas ISD			
	Operating	Debt Service	Total	
2004	\$ 0.04	\$ -	\$ 0.04	\$ 0.16
2005	\$ 0.04	\$ -	\$ 0.04	\$ 0.16
2006	\$ 0.04	\$ -	\$ 0.04	\$ 0.15
2007	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2008	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2009	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2010	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2011	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2012	\$ 0.05	\$ -	\$ 0.05	\$ 0.15
2013	\$ 0.05	\$ -	\$ 0.05	\$ 0.15

Fiscal Year Ending	Overlapping Tax Rates			Total
	South Texas College			
	Operating	Debt Service	Total	
2004	\$ 0.11	\$ 0.05	\$ 0.16	\$ 3.13
2005	\$ 0.11	\$ 0.05	\$ 0.16	\$ 3.13
2006	\$ 0.11	\$ 0.04	\$ 0.15	\$ 3.12
2007	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.74
2008	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.81
2009	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.84
2010	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.76
2011	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.90
2012	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.90
2013	\$ 0.11	\$ 0.04	\$ 0.15	\$ 2.92

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

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

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

City of Pharr, Texas
Principal Property Taxpayers
Fiscal Year End 2013 and 2003
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2013</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
HEB Grocery Company LP	\$ 18,528	1	0.82%	\$ -		-
H E Butt Grocery Company	\$ -		-	\$ 4,979	8	0.48%
Capote Farms LTD	\$ 13,176	2	0.58%	\$ -		-
Wilder Corporation of Delaware	\$ 12,873	3	0.57%	\$ 13,538	1	1.32%
Costco Wholesale Corp	\$ 12,645	4	0.56%	\$ -		-
AEP Texas Central Company	\$ 11,779	5	0.52%	\$ 10,822	3	-
Frank Smith Toyota-Isuzu	\$ 11,590	6	0.51%	\$ -		-
FJRS Investments LTD	\$ 9,579	7	0.42%	\$ -		-
Capote Buildings E LLC	\$ 9,503	8	0.42%	\$ -		-
Costco Wholesale Corp	\$ 9,288	9	0.41%	\$ -		-
McAllen LEVCAL, LLC	\$ 9,121	10	0.40%	\$ -		-
Spigel Stanley	\$ -		-	\$ 10,359	2	1.01%
Southwestern Bell Telephone	\$ -		-	\$ 10,321	4	1.00%
Central Power & Light	\$ -		-	\$ 8,418	5	0.82%
Totalfinaelf E&P USA Inc	\$ -		-	\$ 7,389	6	0.72%
Home Depot, The	\$ -		-	\$ 6,386	7	0.62%
El Pueblo Dorado Apartments LP	\$ -		-	\$ 4,601	9	0.45%
Brownsville West Sea, LTD	\$ -		-	\$ 3,769	10	0.37%
						0.00%
Totals	<u>\$ 118,082</u>		5.2%	<u>\$ 80,582</u>		6.8%
Assessed Taxable Value	\$ 2,254,087			\$ 1,027,754		

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
2004	2003	\$ 8,220	\$ 7,423	90.3%	\$ 723	\$ 8,146	99.1%
2005	2004	\$ 9,233	\$ 8,335	90.3%	\$ 804	\$ 9,139	99.0%
2006	2005	\$ 9,831	\$ 8,980	91.3%	\$ 747	\$ 9,727	98.9%
2007	2006	\$ 11,014	\$ 10,094	91.6%	\$ 802	\$ 10,896	98.9%
2008	2007	\$ 12,275	\$ 11,231	91.5%	\$ 902	\$ 12,133	98.8%
2009	2008	\$ 14,567	\$ 13,391	91.9%	\$ 967	\$ 14,358	98.6%
2010	2009	\$ 14,824	\$ 13,673	92.2%	\$ 860	\$ 14,532	98.0%
2011	2010	\$ 14,674	\$ 13,559	92.4%	\$ 706	\$ 14,265	97.2%
2012	2011	\$ 14,576	\$ 13,771	94.5%	\$ (0.13)	\$ 13,771	94.5%
2013	2012	\$ 14,821	\$ 14,049	94.8%	\$ -	\$ 14,049	94.8%

*Tax Levy including modifications throughout the year

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

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes	Government		
2004	\$ -	\$ 23,330	\$ 5,278	\$ 471	\$ 31,707	\$ 305	\$ 2	\$ 61,093	0.06%	
2005	\$ 16,110	\$ 7,085	\$ 4,683	\$ 698	\$ 21,444	\$ 86	\$ -	\$ 50,106	0.08%	
2006	\$ 16,025	\$ 6,070	\$ 5,746	\$ 1,544	\$ 20,042	\$ 246	\$ -	\$ 49,673	0.08%	
2007	\$ 15,935	\$ 5,000	\$ 4,962	\$ 1,550	\$ 61,711	\$ 815	\$ 5,995	\$ 95,968	0.04%	
2008	\$ 15,840	\$ 3,885	\$ 2,801	\$ 3,550	\$ 66,975	\$ 337	\$ 4,590	\$ 97,978	0.04%	
2009	\$ 15,130	\$ 3,330	\$ 731	\$ 2,503	\$ 64,510	\$ 1,016	\$ 3,125	\$ 90,345	0.04%	
2010	\$ 14,395	\$ 2,745	\$ 270	\$ 1,621	\$ 61,345	\$ 713	\$ 1,595	\$ 82,684	0.03%	
2011	\$ 15,750	\$ -	\$ -	\$ 2,738	\$ 58,415	\$ 952	\$ -	\$ 77,855	0.04%	
2012	\$ 14,300	\$ 7,600	\$ 21,500	\$ 3,405	\$ 55,385	\$ 537	\$ -	\$ 102,726	0.03%	
2013	\$ 12,800	\$ 7,300	\$ 28,500	\$ 3,200	\$ 61,000	\$ 463	\$ -	\$ 113,263	0.03%	

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2004	\$ -	0.00%	\$ -
2005	\$ 16,110	1.15%	\$ 272.9
2006	\$ 16,025	1.08%	\$ 261.2
2007	\$ 15,935	0.96%	\$ 247.8
2008	\$ 15,840	0.86%	\$ 239.7
2009	\$ 15,130	0.70%	\$ 226.2
2010	\$ 14,395	0.54%	\$ 214.2
2011	\$ 15,750	0.57%	\$ 223.7
2012	\$ 14,300	0.52%	\$ 197.2
2013	\$ 12,800	0.46%	\$ 176.5

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

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

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, 2013
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 162,385	8.2%	\$ 13,305
Hidalgo Irrigation District #1	\$ -	8.2%	-
South Texas College	\$ 52,831	37.0%	\$ 19,547
South Texas ISD	\$ -	0.0%	\$ -
Pharr, San Juan, Alamo Independent School District	\$ 369,925	53.2%	<u>\$ 196,931</u>
Overlapping debt			\$ 229,784
City of Pharr direct debt	\$ 20,160	100.0%	<u>\$ 20,160</u>
Total direct and overlapping debt			<u><u>\$ 249,944</u></u>

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

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 123,907	\$ 139,673	\$ 148,988	\$ 166,146	\$ 184,767	\$ 260,966	\$ 268,973	\$ 276,288	\$ 276,920	\$ 285,885
Total net debt applicable to limit	<u>23,330</u>	<u>23,195</u>	<u>22,095</u>	<u>20,935</u>	<u>19,725</u>	<u>15,130</u>	<u>14,395</u>	<u>15,750</u>	<u>21,940</u>	<u>12,800</u>
Legal debt margin	<u>\$ 100,577</u>	<u>\$ 116,478</u>	<u>\$ 126,893</u>	<u>\$ 145,211</u>	<u>\$ 165,042</u>	<u>\$ 245,836</u>	<u>\$ 254,578</u>	<u>\$ 260,538</u>	<u>\$ 254,980</u>	<u>\$ 273,085</u>
Total net debt applicable to the limit as a percentage of debt limit	18.8%	16.6%	14.8%	12.6%	10.7%	5.8%	5.4%	5.70%	7.9%	4.5%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 2,196,317
Add Back: exempt property	<u>662,530</u>
Total Assessed Value	\$ 2,858,847
Debt limit (10% of total assessed value)	285,885
Debt applicable to limit:	
General obligation bonds	<u>12,800</u>
Legal debt margin	<u>\$ 273,085</u>

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

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

Water & Sewer Revenue Bonds

Fiscal Year	Utility Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	\$ 13,553	\$ 6,946	\$ 6,607	\$ 2,465	\$ 1,670	1.60
2012	\$ 13,814	\$ 7,465	\$ 6,349	\$ 2,540	\$ 1,598	1.53
2013	\$ 13,977	\$ 7,043	\$ 6,934	\$ 2,540	\$ 1,618	1.67

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 <u>Year</u>	<u>Population</u> ¹	Median Household <u>Income</u>	Per Capita Personal <u>Income</u>	Median <u>Age</u>	Education Level in Years of Formal <u>Schooling</u> ²	School <u>Enrollment</u> ³	Unemployment <u>Rate</u> ⁴
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%	31,329	10.5%
2011	70,400	28,000	11,420	27.1	58.1%	31,508	10.7%
2012	72,513	30,486	12,328	27.3	59.7%	31,633	8.4%
2013	73,138	30,486	12,328	28.0	59.7%	32,050	9.3%

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

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

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

³School Enrollment data for 2004 to 2013 includes enrollment for Pharr San Juan and Alamo School District. (As of October 2012)

⁴Unemployment rate as of August 2013. (Source: Bureau of Labor Statistics)

* Data Not Available

**City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2013 and 2004**

2013			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment¹</u>
Pharr-San Juan-Alamo ISD	3,084	1	13.54%
Ticketmaster	748	2	3.28%
Valley View ISD	705	3	3.10%
City of Pharr	682	4	3.00%
Convergy's	650	5	2.85%
VDP Healthcare	415	6	1.82%
Royal Freight	375	7	1.65%
Lack's Valley Store Ltd	370	8	1.62%
Highway & Transportation Dept.	325	9	1.43%
HEB	290	10	1.27%
Total	7,644		33.57%

2004*			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergy's	Unknown	-	0.00%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
Total	-		0.00%

Source: EMSI Dec. 2013, Workforce Solutions Lower RGV

* 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, 2013									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GENERAL FUND										
City Manager	9.0	9.0	9.0	9.0	9.0	9.0	8.0	7.5	9.5	8.5
Finance	10.0	12.0	12.5	13.5	14.0	5.5	9.0	9.0	14.0	14.0
Police Department	130.0	134.0	146.0	155.0	167.0	161.0	160.0	172.0	174.5	176.5
Traffic Safety	13.0	16.0	13.0	16.0	17.0	16.0	16.0	16.0	17.0	17.0
Municipal Court	6.0	6.0	6.0	6.0	6.0	5.0	6.5	7.5	7.5	8.0
Fire Protection	54.0	57.0	57.0	65.0	68.0	66.0	65.0	74.0	73.0	78.0
Administrative Services	0.0	0.0	0.0	0.0	0.0	7.0	7.5	7.0	0.0	0.0
Street Maintenance	24.0	25.0	28.0	30.0	29.0	29.0	31.0	33.0	32.0	32.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.0	5.0
Municipal Library	23.0	23.0	25.0	26.0	26.0	26.0	22.5	22.5	22.5	23.5
Parks & Recreation	53.0	70.0	71.0	73.0	73.0	102.0	102.0	64.3	68.1	62.1
Planning & Community Dev	19.0	22.0	20.0	23.0	23.0	22.0	18.5	18.5	18.5	20.0
Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	5.5
Total General Fund	341.0	374.0	387.5	416.5	432.0	448.5	446.0	433.8	442.6	450.1
UTILITY FUND										
Administrative	8.0	9.0	9.5	10.5	11.0	12.5	9.5	9.0	9.0	9.0
Water Production	9.0	9.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	13.0
Water Distribution	21.0	23.0	25.0	26.0	26.0	23.0	23.5	24.0	26.5	27.0
Water Treatment Plant	11.0	11.0	11.0	13.0	13.0	13.0	13.0	13.0	17.0	18.0
Lift Station	4.0	4.0	4.0	4.0	4.0	3.0	1.0	1.0	0.0	0.0
Total Utility Fund	53.0	56.0	58.5	63.5	64.0	61.5	57.0	57.0	62.5	67.0
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	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0
Total Internal Svc Fund	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	5.0
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	25.0	25.0	26.0	26.0	28.0	24.0	24.5	24.0	22.0	22.0
Total Int'l Bridge	26.0	26.0	27.0	27.0	29.0	25.0	25.5	25.0	23.0	23.0
OTHER										
CDBG	6.0	6.0	6.0	6.0	5.0	4.0	5.5	5.5	4.5	3.5
Golf Course	18.0	18.0	15.0	15.0	17.0	15.5	15.0	15.5	15.5	17.0
Events Center	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	8.0
Total Other	24.0	24.0	21.0	21.0	22.0	19.5	20.5	21.0	26.4	28.5
GRAND TOTAL	448.0	484.0	499.0	533.0	552.0	559.5	553.0	540.8	558.5	573.6

Source: City of Pharr Budget Reports

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	2,897	3,857	2,858	2,808	2,944	4,839	15,660	3,395	3,477	2,197
Parking & Traffic Violations	10,897	15,983	13,742	12,742	15,194	25,689	12,556	10,742	9,654	12,607
Fire										
Number of calls answered	1,737	1,624	1,701	1,794	2,238	2,148	2,144	2,018	1,850	2,491
Inspections	1,235	877	809	1,108	1,344	1,325	1,160	1,842	2,620	2,263
Highways and streets										
Street resurfacing (miles)	unknown	unknown	2	7	2	7	9	9	7	6.44
Potholes repaired	unknown	unknown	unknown	unknown	137	825	775	4000	1500	545
International Bridge										
Car Crossings	1,785,564	1,780,599	1,716,751	1,683,048	1,649,983	1,444,912	1,264,573	1,038,430	946,847	937,829
Truck Crossings	、	384,572	404,103	433,880	461,559	409,336	447,122	440,705	463,714	485,299
Culture and recreation										
Pharr Events Center	72	95	86	95	216	84	50	20	72	60
Other Community Center Events	269	231	206	268	597	414	378	329	703	442
Water										
New connections	867	832	1,204	638	324	220	278	428	304	372
Water mains breaks	unknown	unknown	3,948	4,156	578	445	711	768	~1365	~1625
Average daily consumption (millions of gallons)	4.7 MGD	6.1 MGD	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD	6.3 MGD	6.6 MGD	7.0 MGD	6.9 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	4.94 MGD	4.8 MGD	4.76MGD	4.9 MGD	4.9MGD	4.8 MGD

Sources: Various City Departments

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	69	76	82	84	90	93	128	125	62	61
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	180	213	213	213	214	214	214	214	214
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	unknown	47	51	51	51	55	56	58	61	68
Culture and recreation										
Parks Acreage (Developed)	41	41	57	57	57	57	57	57	79	46
Swimming pools	2	2	2	2	2	2	-	-	-	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community and Convention Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water mains (miles)	~170	~182	~190	191.6	~313.4	315	313	325	~304	~304
Fire hydrants	1,750	1,820	1,918	2,010	2,030	1,896	1,946	1,946	~2,214	~2,214
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	8.28 MGD	12.01 MGD	9.9 MGD	10 MGD	10 MGD	10 MGD
Sewer										
Sanitary sewers (miles)	~204	~224	~246	~262	~265	265	266	269	267	~267
Storm sewers (miles)	unknown	unknown	unknown	unknown	57	82	94.43	97.2	Unknown	96.63
Maximum daily treatment capacity (thousands of gallons)	4.15 MGD	4.19 MGD	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD	5.3 MGD	8 MGD	8 MGD	7.4 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: org110n@aol.com

Oscar R. González
Melissa González

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

To the City Commission
City of Pharr, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise City of Pharr, Texas's basic financial statements and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pharr, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3, and 2013-4.


We also noted certain matters that we reported to management of Pharr, Texas, in a separate letter dated January 31, 2014.

City of Pharr, Texas's Response to Findings

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

Purpose of this Report

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


Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas
January 31, 2014

 *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: org110n@aol.com

*Oscar R. González
Melissa González*

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

To the City Commission
City of Pharr, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Pharr, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Pharr, Texas's major federal programs for the year ended September 30, 2013. City of Pharr, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Pharr, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Pharr, Texas'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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Pharr, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Pharr, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-2, 2013-3, and 2013-4. Our opinion on each major federal program is not modified with respect to these matters.

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


Report on Internal Control Over Compliance

Management of City of Pharr, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Pharr, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Pharr, Texas's internal control over compliance.

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

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

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


Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas
January 31, 2014

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Governor's Division of Emergency Management:			
Homeland Security Grant Program	97.073	EMW-2011-SS-00019	\$ 17,495
Operation Stonegarden	97.067	EMW-2011-SS-001	95,064
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2008-FF-00717	59,336
Total Passed Through Governor's Division of Emergency Management			<u>171,896</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>171,896</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-06-MC-48-0507	9,588
Community Development Block Grant	14.218	B-09-MC-48-0507	163,920
Community Development Block Grant	14.218	B-10-MC-48-0507	447,347
Community Development Block Grant	14.218	B-11-MC-48-0507	100,792
Community Development Block Grant	14.218	B-12-MC-48-0507	537,698
Community Development Block Grant-Section 108 Program	14.248	B-10-MC-48-0507	3,873,932
Total Passed Through Direct Programs			<u>5,133,278</u>
Passed Through Texas General Land Office:			
Disaster Recovery Grant	14.228	DRS010140	783,436
Total Passed Through Texas General Land Office:			<u>783,436</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>5,916,713</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Direct Programs:			
COPS Hiring Grant Program	16.710	2010-UM-WX-0306	237,926
SMART Policing Initiative	16.738	2011-DB-BX-0030	144,902
Total Passed Through Direct Programs			<u>382,827</u>
Passed Through Governor's Division of Criminal Justice:			
Human Trafficking Liaison Grant 12/13	16.575	VA-10-V30-24305-03	33,772
Human Trafficking Liaison Grant 13/14	16.575	VA-10-V30-24305-04	3,554
Total Passed Through Governor's Division of Criminal Justice			<u>37,326</u>
<u>AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)</u>			
Passed Through Direct Programs:			
ARRA - FY 2012 JAG Project	16.738	2012-DJ-BX-0308	20,703
ARRA - FY 2010 Justice Assistance Grant Program	16.804	2010-DJ-BX-1368	2,507
ARRA - FY 2011 JAG Automatic Vehicle Location Project	16.804	2011-DJ-BX-3106	193
ARRA - Domestic Violence Coordinator Project	16.588	WF-11-V30-22994-03	30,861
Total ARRA Passed Through Direct Programs			<u>54,264</u>
Total AMERICAN RECOVERY AND REINVESTMENT ACT			<u>54,264</u>
Total U.S. DEPARTMENT OF JUSTICE			<u>474,418</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	112SA1599	30,377
Total U.S. DEPARTMENT OF TREASURY			<u>30,377</u>

CITY OF PHARR, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2013

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<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	112SA1599	30,377
Total U.S. DEPARTMENT OF TREASURY			<u>30,377</u>

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Grantor/ Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>OFFICE OF THE ATTORNEY GENERAL</u>		
Victim Coordinator Liaison Grant 12/13	1332931	36,811
Victim Coordinator Liaison Grant 13/14		2,884
Total OFFICE OF THE ATTORNEY GENERAL		39,695
<u>STATE CRIMINAL JUSTICE PLANNING</u>		
STOP Failure to Attend School FY 12/13	SF-14-J20-2546801	24,548
STOP Failure to Attend School FY 13/14	SF-14-J20-2546802	2,081
Total STATE CRIMINAL JUSTICE PLANNING		26,628
<u>TEXAS DEPARTMENT OF MOTOR VEHICLES</u>		
South Texas Auto Theft Enforcement Task Force 12/13	SA-T01-10041-13	81,340
South Texas Auto Theft Enforcement Task Force 13/14	2014-T01-CITYOF00038	7,296
Total TEXAS DEPARTMENT OF TRANSPORTATION		88,637
<u>TEXAS WATER DEVELOPMENT BOARD</u>		
Regional Water and Wastewater Facilities Planning	1004831080	999
Total TEXAS WATER DEVELOPMENT BOARD		999
<u>TEXAS DEPARTMENT OF PUBLIC SAFETY</u>		
Local Border Security Program	LBSP 2012-0055	491,624
Total TEXAS DEPARTMENT OF PUBLIC SAFETY		491,624
<u>LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL</u>		
Regional Solid Waste Grant Program	12-21-G02	20,125
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		20,125
TOTAL EXPENDITURES OF STATE AWARDS		667,708
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		\$ 8,520,699

City of Pharr, Texas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2013

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, 2013. The reporting entity consists of the primary government, organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

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

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

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, 2013

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued UNMODIFIED

Internal control over financial reporting:

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

Noncompliance material to financial statements 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: UNMODIFIED

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.228	Disaster Recovery Grant
14.248	Section 108 Loan Guarantee Program
11.307	Economic Adjustment Assistance

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

Auditee qualified as low-risk auditee? X YES NO

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR

A. Summary of Auditor's Results - continued

3. State Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
LBSP 2012-0055	Local Border Security Program

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: (2013-1): Expenditures in Excess of Appropriations

Criteria: State law requires budget amendments to be made prior to exceeding a major functional category.

Condition: As stated in the City's financial statements, we noted one instance in which the City's budget had been exceeded at the functional level.

Cause: The city spent more than was budgeted for one category.

Recommendation: Budget versus actual comparisons must be made on a monthly basis. Control over expenditures should include a review of available budget amounts prior to approval of purchase orders and the budget should be amended as needed.

Questioned Costs: None

Auditee's Response: The City performed budget reviews on a monthly basis. Amendments were done twice during the year; one at mid year and one at year end. In this case, Health and welfare function consists of sanitation and debris collection expense, which internally are accounted under our non-departmental function. Since the Non-Departmental function was never over budget as a whole, a budget amendment was not considered necessary since sufficient funds were always available.

C. Federal Award Findings and Questioned Costs

Major Program: 14.218 Community Development Block Grant

Schedule Reference: (2013-1): Subrecipient Agreements

Criteria: HUD CDBG regulations (24 CFR 570.503) require that grantees have written agreements in effect for each subrecipient before giving out funds.

Condition: During the audit we found subrecipient agreements for the period beginning October 1, 2012 were signed in August 2013 almost a year after the award took place. We found one agreement to be missing subrecipient signatures and another agreement that could not be located.

Cause: Procedures are not in place to ensure the subrecipient agreements are signed and filed.

Effect of Condition: Although we found no unallowable costs, not having a contract may lead to no legal recourse to make subrecipient comply with grant requirements.

Recommendation: We recommend that subrecipient agreements be in place before reimbursing subrecipients for expenditures.

Questioned Costs: None

Auditee's Response: Auditee concurs.

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR (continued)

C. Federal Award Findings and Questioned Costs (continued)

Major Program: 11.307 Economic Adjustment Assistance

Schedule Reference: (2013-2): Cash Management

Criteria: Grant draw down requests should be performed after expenditures are made and the time between expenditure and draw down should be minimized.

Statement of Condition: During the audit we noted that expenditures for the grant were made but draw downs were not prepared.

Cause of Condition: The finance department was not informed that grant draw downs could be made.

Effect of Condition: The City could have been reimbursed for expenditures faster.

Recommendation: We recommend that draw downs take place more frequently throughout the year.

Questioned Costs: None

Auditee's Response: Auditee concurs. Staff will be more diligently in reviewing invoices and submit grant draw down requests on a timely manner.

Schedule Reference: (2013-3): Reporting

Criteria: According to the grant manual any recipient whose award has not been fully disbursed is required to submit Form SF-269 "Financial Status Report" to EDA semi-annually to report the status of unreimbursed obligations.

Statement of Condition: During the audit we found these reports had not been filed.

Cause of Condition: The City was not aware of this requirement.

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

Recommendation: We recommend that controls be put in place to ensure reports are filed.

Questioned Costs: None

Auditee's Response: Auditee concurs.

SECTION II - SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR

A. Financial Statement Findings - Prior Fiscal Years

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.

Status: Not corrected.

B Federal Award Findings and Questioned Costs-Prior Fiscal Years

Major Program: 14.218 Community Development Block Grant

Schedule Reference: (2012-1): 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.

Condition: During the audit we found semi-annual certifications were not prepared by employees working under the grant.

Cause: Employees did not complete semi-annual certifications.

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.

Status: Corrected

SECTION II - SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR (continued)

B Federal Award Findings and Questioned Costs-Prior Fiscal Years-(continued)

Schedule Reference: (2012-2): Cash Management

Criteria: Grant draw down requests should be performed only after expenditures have occurred and should be requested only for the amount paid for grant expenditures.

Statement of Condition: During the audit we found a draw down was requested for \$25,000 more than was paid by the program for grants expenditures. In addition, the City reviewed draw downs and found an additional \$17,700 that was requested in excess of expenditures. The draw downs requested incorrectly totaled \$42,700.

Cause of Condition: A grant to a local entity was reduced from \$50,000 to \$25,000 and this caused the incorrect draw down to be requested.

Effect of Condition: The City will have to repay \$42,700 to HUD.

Recommendation: We recommend that employees administering this grant carefully review all draw down requests before making them to ensure the draw down amount is supported by invoices.

Questioned Costs: \$42,700.

Auditee's Response: We concur. The City will implement better internal controls to administer the draw downs appropriately.

Status: Corrected

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.

Status: Corrected.

SECTION II - SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR (continued)

B Federal Award Findings and Questioned Costs-Prior Fiscal Years-(continued)

Major Program: 14.228 Disaster Recovery Grant

Schedule Reference: (2012-3): Cash Management

Criteria: Grant draw down requests should be performed after grant expenditures are made.

Statement of Condition: During the audit we found that draw downs for the grant had not been made throughout the year. As of September 30, 2012, \$1,047,191 was spent but not drawn down.

Cause of Condition: Grant draw downs were not requested.

Effect of Condition: The City could have received reimbursement for these expenses sooner.

Recommendation: We recommend that employees administering this grant review expenditures incurred and perform draw downs more frequently.

Questioned Costs: None.

Auditee's Response: We concur. The City will implement better internal controls to review expenditures periodically and request draw downs on a timely manner.

Status: Not Corrected. During the 2012-13 audit we found delays in submitting draw down requests after expenditures had been made.

CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN

Financial Statement Findings

Schedule Reference: (2013-1): Expenditures in Excess of Appropriations

City will make sure to make individual account budget adjustments/amendments to properly reflect them on the financial statements.

Federal Award Findings and Questioned Costs

Schedule Reference: (2013-1): Subrecipient Agreements

Approval/Agreement Contract HUD Form 7082. This Form is the actual release of funds in which subrecipients can begin to utilize their CDBG awards and generally occurs in the last week of October. At the workshop in the first week of November, CDBG staff will orientate all subrecipients on programmatic material, reporting and compliance measures to adhere to: subrecipients agreements are executed at end of the workshop. This has been practice each year. On this particular finding, CDBG office funded a part-time staff who was assigned to reconcile our program cabinets and files during the program year and we later identified that the subrecipient folder was misplaced. We therefore had the subrecipients signs a second set of agreement and reexecute the agreement. CDBG office will practice more attention to detail in finding programmatic records and documents; furthermore, CDBG office will ensure that all subrecipients agreements are executed prior to allowing funded agencies to submit request for reimbursement expenses.

Schedule Reference: (2013-2): Cash Management

Grant officer is currently in the process of requesting the funds from grantor. Documentation is being gathered and communication has been established with EDA to ensure all proper documents are submitted. The City is expecting to execute reimbursement no later than at the end of this quarter.

Schedule Reference: (2013-3): Reporting

Grant officer is working on gathering the information needed to report to EDA, report are expected to be submitted no later than this quarter.

Contact Persons responsible for corrective action:

Primary Government-City of Pharr, Texas

Fred Sandoval, City Manager
118 S Cage Blvd.
Pharr, Texas 78577
(956)-702-5300

Juan G. Guerra, CPA, Chief Financial Officer
118 S Cage Blvd.
Pharr, Texas 78577
(956)-702-5300

Component Units-Pharr Economic Development Corporation, Inc. , Pharr Public Facilities No. 1, TIRZ.

Fred Sandoval, City Manager
118 S Cage Blvd.
Pharr, Texas 78577
(956)-702-5300



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