



CITY OF PHARR, TX



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2009

City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2009

ELECTED OFFICIALS

Leo "Polo" Palacios, Jr. - Mayor

Adan Farias
Arturo J. Cortez
Francis Quintanilla

Bobby Carrillo
Eduardo Cantu
Oscar Elizondo, Jr.

CITY MANAGER

Fred Sandoval

FINANCE DIRECTOR

Juan G. Guerra, CPA

INDEPENDENT AUDITORS

Oscar R. Gonzalez, CPA

Prepared by the Finance Department

CITY OF PHARR, TX

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009**

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INTRODUCTORY SECTION



MAYOR
Leo "Polo" Palacios, Jr.

COMMISSIONERS
Arturo J. Cortez
Roberto "Bobby" Carrillo
Oscar Elizondo, Jr.
Eduardo "Eddie" Cantu
Francisca Quintanilla
Adan Farias

CITY MANAGER
Fred Sandoval



February 2, 2010

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, 2009, 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, 2009, 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.

The Pharr Economic Development Corporation (PEDC 4a) was formed to administer a special .5% sales tax for economic development. It is a non-profit, industrial development corporation. PEDC 4a stopped receiving sales tax revenue after May 2009. 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 4b (same mission as the 4a but with a wider range of possible uses of sales tax funds) was authorized to receive the sales tax revenues. PEDC 4a will remain active until all assets and liabilities are liquidated to the General Fund. PEDC 4b will begin operating once all legal processes are completed. Since the City appoints all board members, the City can remove board members at will, and must approve PEDC's budget and plan of work, City management has included PEDC 4a and 4b in its financial reports as a blended component unit.

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. Well over 250,000 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. Its population has steadily increased to over 65,000 people. The housing industry has slowed but is still increasing, businesses continue to look at Pharr and the Pharr-Reynosa International Bridge traffic is still producing positive changes in net assets. The sales tax base should reverse its negative trend in the upcoming year and increase, creating more jobs. Pharr's road to success has been rising and now the city has arrived. The economic future looks bright for Pharr. A few of the upcoming projects include:

- Healthcare facility
- Additional industrial warehouses
- Another large auto dealership in the region
- Redevelopment of El Centro Mall
- Retail and restaurant companies

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 2009, which will be in effect during next fiscal year, is expected to see an increase in tax appraisals that will provide the City with levies slightly more than this fiscal year. A strong indicator of the City's fiscal health, is the decrease in the City's property tax rate, for the second straight year.

Sales Tax: Sales tax revenue is used by the City as an economic indicator. This fiscal year, sales tax revenues were budgeted at a 5% decrease from last fiscal year. Out of the twelve months of sales tax revenues, ten of them were negative growth from the previous fiscal year. What that means is that the City received less sales tax revenues in this fiscal year than the previous one. Another result of this year's sales tax collection is that the City did not meet the budgeted expectations by over \$240 thousand. Several sales tax producing entities are anticipated to be moving to Pharr. It is expected that this negative trend will be completely positive by the fiscal year ending September 30, 2011.

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 should be replenished to three months of operating expenditures by the end of fiscal year ending September 30, 2010.

Public Safety Assets Upgrade: 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, several grants were awarded to assist in paying for new public safety personnel and equipment.

The Police Department began an expansion of their Gang Resistance Education and Training program as well as developing a comprehensive gang model. The narcotic conflict within the borders of Mexico and America has created a need to emphasize to our youth the importance of staying away from gangs and drugs.

The Fire Department is in need of an administration building. Several grant applications have been submitted to assist in paying for the building. In the upcoming year, the 2009 International Fire Code will be adopted by the Pharr Fire Department.

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 for the next 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 \$600,000 annually for that purpose. The school district in Pharr is building two new schools, the Assessment 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 \$57,575,940. Prior year's net revenues/fund balance will be used up in its entirety. For this fiscal year, there are eleven utility capital projects: raw water pump upgrade; waterline upgrade; wastewater collection system improvements (6); wastewater and a water treatment plant construction; and a waterline relocation (Sugar Road) project.

International Trade: The City of Pharr owns an international bridge that allows the City to have a generous revenue source as a direct result of the North American Free Trade Agreement (NAFTA). The majority of the bridge traffic is from commercial vehicles. Although several international bridges are being built in surrounding communities, the City's continuous flow of commercial traffic is expected to continue at a prosperous rate.

FINANCIAL INFORMATION

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

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

GENERAL FUND BALANCE

	<u>2008 - 09</u>	<u>2007 - 08</u>	<u>2006 - 07</u>
Unreserved, Undesignated General Fund, Fund Balance (in millions)	\$ 8.3	\$ 2.1	\$ (6.4)
Days Expenditure	102	23	(74)

The total General Fund fund balance is \$8.4 million; the unreserved, undesignated fund balance is \$8.3 million and is equal to 102 days of operating expenditures. This balance does not provide adequate protection against unforeseen occurrences and significantly increases the likelihood of the City entering the short-term debt market to pay for current operating expenditures. There are no plans in entering into short-term debt for operating expenditures. As of September 30, 2009, there is \$6 million set aside in a separate bank account that is only to be used for emergency purchases (General Fund Contingency Bank Account); by the end of the next fiscal year, it is expected to be fully funded at \$7.5 million. The City is fiscally stable.

UTILITY NET ASSETS: The unreserved, available assets of the Utility Fund are reflected in the table below. The decrease in available assets in fiscal year 2008 – 09 was due to City’s purposeful reallocation of unrestricted funds for debt service reserve requirements. This decrease was anticipated and is expected to drastically increase next fiscal year.

	Fiscal Year		
	<u>2008 - 09</u>	<u>2007 - 08</u>	<u>2006 - 07</u>
Unrestricted, Available Assets (in millions)	\$ 0.1	\$ 1.5	\$ 8.5
Days Expense	3	91	574

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. The presently outstanding tax supported debt of the City is rated “A” by Standard and Poor’s Ratings Services. This rating was upgraded three steps and placed an outlook of the City as “stable” reflecting their view of “the City’s improved financial position and management’s commitment to maintaining adequate reserve levels.”

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, 2009, all of the City’s funds were available within one year. Investments mainly consisted of investment pools and certificates of deposits.

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

OTHER INFORMATION

INDEPENDENT AUDIT: The City’s financial statements have been audited by Oscar R. Gonzalez, CPA, a firm of a licensed certified public accountant and his degreed accounting staff. As a result of the audit, the City's financial statements have received an unqualified opinion. This indicates that there was no limitation on the scope of the auditor's examination, that the financial statements conform to generally accepted accounting principles and that the statements present fairly, in all material respects, the financial position of the City at September 30, 2009.

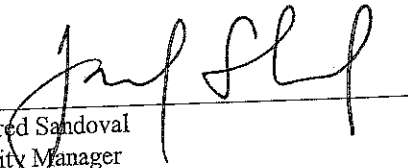
AWARDS: The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended September 30, 2008. This was the City’s first ever award from GFOA or any other finance institution. 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.

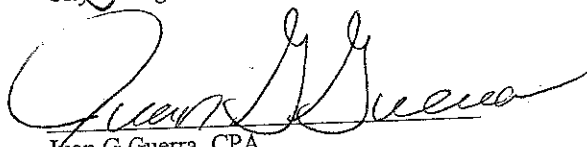
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2008. This was the City's first ever budget award from GFOA. The budget for October 1, 2009 has been submitted for review and notification of an award is awaited. 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 third Comprehensive Annual Financial Report on a timely basis requires a great deal of cooperation. In recognition of that, the Finance Department gratefully acknowledges the leadership and support of the City Commission and City Manager. Furthermore, for their cooperation, the other departments within the City of Pharr have the Finance Department's appreciation. Also, the efforts of our external audit firm were invaluable.

Respectfully Submitted,



Fred Sandoval
City Manager



Juan G Guerra, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pharr
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



A stylized, handwritten signature in black ink, appearing to be "J.R. Emen".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emen".

Executive Director

CURRENT CITY OFFICIALS

Elected Officials

Mayor	Leo “Polo” Palacios, Jr.
Mayor – Pro Tem	Adan Farias
Alternate Mayor – Pro Tem	Arturo J. Cortez
Commissioner	Bobby Carrillo
Commissioner	Eduardo Cantu
Commissioner	Oscar Elizondo, Jr.
Commissioner	Francis Quintanilla

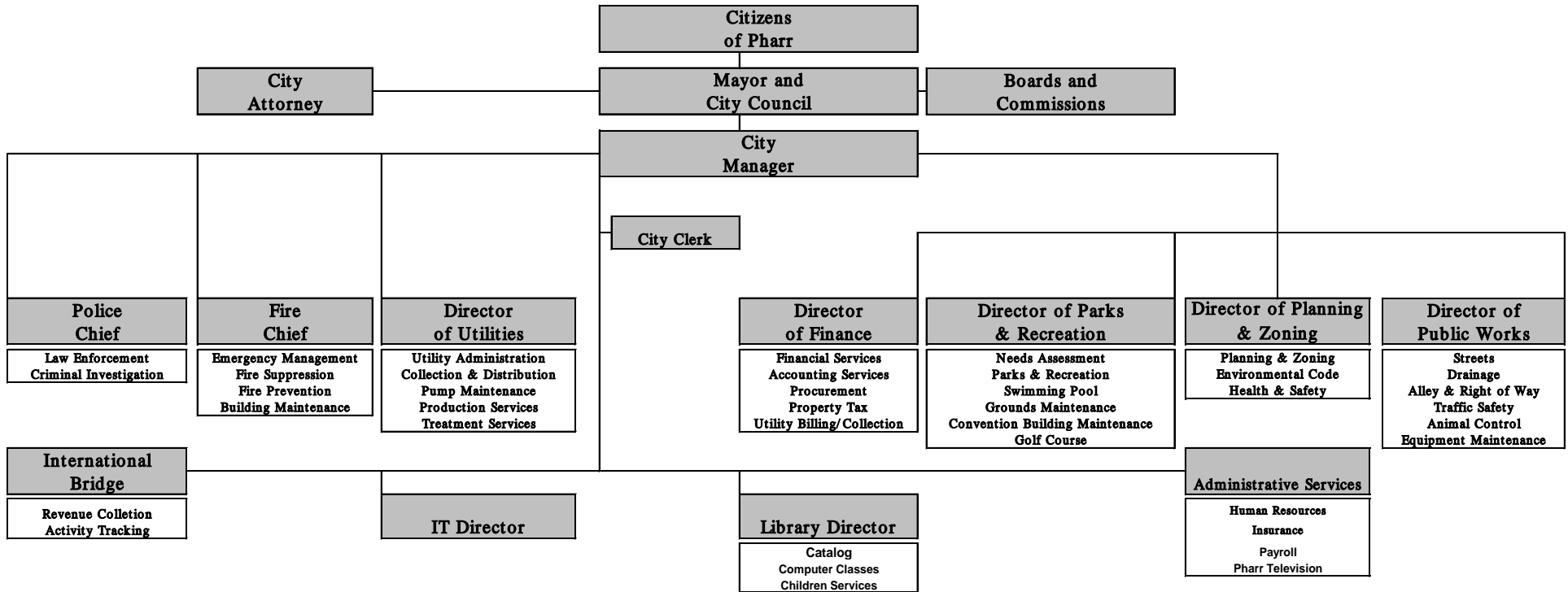
Appointed Officials

City Manager	Fred Sandoval
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Department Directors

City Clerk	Hilda Pedraza
Police Chief	Ruben Villescas
Fire Chief	Jaime Guzman
Director of Utilities	David Garza
Director of Finance	Juan G Guerra, CPA
Director of Parks & Recreation	Frank Marin
Library Director	Adolfo Garcia
Director of Planning & Zoning	Javier Rodriguez
Public Works Director	Roy Garcia
Director of Administrative Services	Joe Cantu
Bridge Director	Jesse Medina
IT Director	David Flores

ORGANIZATION CHART - CITY OF PHARR





FINANCIAL SECTION

Independent Auditor's Report



Oscar R. González, CPA
&
Associates

Certified Public Accountants

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

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

Email: org110n@aol.com

Independent Auditor's Report on Financial Statements

Members of City Council
City Of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Members of City Council:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City Of Pharr, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV A (2), the City changed its accounting for other post employment benefits during the year ended September 30, 2009 as a result of the implementation of Governmental Accounting Standards Board Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The change was prospective and, thus, it had no effect on the financial statements for the year ended September 30, 2008.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 22, 2010, on my consideration of City Of Pharr, Texas's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of

America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City Of Pharr, Texas's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Oscar R. Gonzalez CPA

January 22, 2010

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, 2009.

FINANCIAL HIGHLIGHTS

- Total net assets increased over \$29.2 million, or a change of 22.2% from last fiscal year's net assets. This increase was mainly due to an increase of over \$16.2 million of enterprise capital assets net of depreciated, \$7.3 million in the reduction of all current and matured debt, and a decrease of all expenditures of over \$3.0 million.
- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$71.9 million (net assets). Of this amount, over \$13.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of more than \$8.4 million in unrestricted net assets, or 175.3%. The increase is mainly due to over \$6 million in General unreserved fund balance and nearly \$2 million in economic development unreserved fund balance.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$88.6 million (net assets). Of this amount, over \$2.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of nearly \$4,400, or 0.2%. The increase is due to standard operations, no major activity caused this minor increase.
- The General Fund assets exceeded its liabilities by over \$8.4 million (fund balance). Of this amount, over \$8.3 million (unreserved fund balance) may be used to meet the General Fund's ongoing obligations. This is an increase of over \$4.5 million, or 117.1%. The increase is due to the entire City's efforts to fund the City's contingency reserve balance. This balance is a major portion of the unreserved fund balance.
- At the end of the current fiscal year, unreserved, undesignated fund balance for all governmental funds increased by more than \$4.3 million, or 36.6%. This increase is mainly due to the General Fund's \$3.1 million change. See the previous bullet for an explanation for the increase.
- The City's Enterprise fund's change in net assets increase this current year from prior year by over \$6.9 million, or 49.2%. The increase is mainly due to the Utility's grant proceeds of over \$13.5 million. The grant proceeds were from North American Development Bank and the Texas Water Development Board for improvement to the utility infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental

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

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: the Pharr Economic Development Corporation 4a and the Pharr Economic Development Corporation 4b (both of which are blended component units).

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 4a, and PEDC 4b) and eight nonmajor governmental funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the PEDC 4a and 4b funds, which are considered to be major funds. 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, 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.

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$159.9 million at the close of the fiscal year.

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

City of Pharr's Net Assets

Table 1 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$28.6	\$23.0	\$69.5	\$69.8	\$98.1	\$92.8
Capital assets	71.8	74.6	90.9	73.9	162.7	148.5
Total assets	<u>\$100.4</u>	<u>\$97.6</u>	<u>\$160.4</u>	<u>\$143.7</u>	<u>\$260.8</u>	<u>\$241.3</u>
Liabilities						
Long-term liabilities	\$20.9	\$24.8	\$66.5	\$68.0	\$87.4	\$92.8
Other liabilities	7.6	8.9	5.2	8.1	12.8	17.0
Total liabilities	<u>\$28.5</u>	<u>\$33.7</u>	<u>\$71.7</u>	<u>\$76.1</u>	<u>\$100.2</u>	<u>\$109.8</u>
Net Assets						
Invested in capital assets, net of related debt	\$50.8	\$50.9	\$78.4	\$59.2	\$129.2	\$110.1
Restricted	7.8	8.2	7.7	5.8	15.5	14.0
Unrestricted	13.3	4.8	2.6	2.6	15.9	7.4
Total net assets	<u>\$71.9</u>	<u>\$63.9</u>	<u>\$88.7</u>	<u>\$67.6</u>	<u>\$160.6</u>	<u>\$131.5</u>

By far the largest portion of the City's net assets (80.4%) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$15.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$15.9 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Table 2 – Dollars in Millions	City of Pharr's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for services	\$ 9.2	\$ 9.4	\$ 22.6	\$ 21.5	\$ 31.8	\$ 30.9
Operating grants and contributions	2.4	2.5	-	-	2.4	2.5
Capital grants and contributions	0.3	1.5	13.9	6.9	14.2	8.4
General Revenues:						
Property tax	14.9	13.1	-	-	14.9	13.1
Sales tax	10.6	11.3	-	-	10.6	11.3
Other taxes	2.7	3.1	-	-	2.7	3.1
Other	0.7	0.8	1.0	1.6	1.7	2.4
Total Revenues	40.8	41.7	37.5	30.0	78.3	71.7
Expenses:						
General governmental	7.6	8.3	-	-	7.6	8.3
Public safety	19.2	18.5	-	-	19.2	18.5
Streets	2.3	2.1	-	-	2.3	2.1
Health and welfare	2.3	4.5	-	-	2.3	4.5
Culture and recreation	3.6	3.8	-	-	3.6	3.8
Interest of debt service	1.0	1.1	-	-	1.0	1.1
Utility	-	-	9.1	9.3	9.1	9.3
Toll bridge	-	-	3.0	3.3	3.0	3.3
Tierra Del Sol Golf Course	-	-	1.0	1.2	1.0	1.2
Total Expenses	36.0	38.3	13.1	13.8	49.1	52.1
Increase in net assets before special items and transfers	4.8	3.4	24.4	16.2	29.2	19.6
Transfers	3.2	2.1	(3.2)	(2.1)	-	-
Increase in net assets	8.0	5.5	21.2	14.1	29.2	19.6
Net assets - beginning	63.9	57.6	67.6	54.2	131.5	111.8
Prior period adjustment	-	0.8	(0.1)	(0.7)	(0.1)	0.1
Net assets - ending	\$ 71.9	\$ 63.9	\$ 88.7	\$ 67.6	\$ 160.6	\$ 131.5

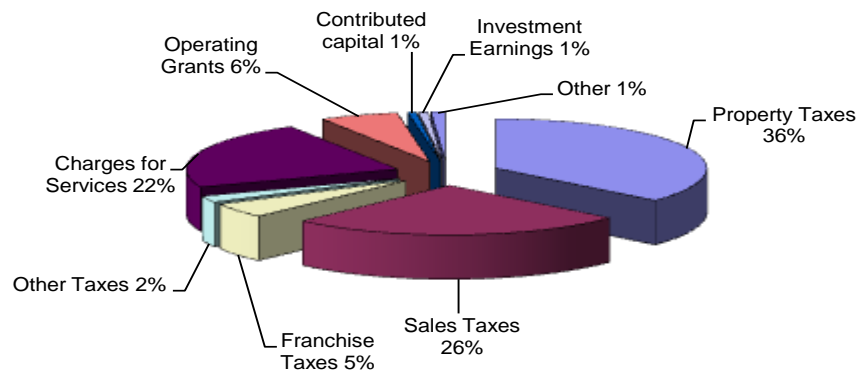
Governmental Activities

Governmental activities increased the City's net assets by \$8.4 million. Key elements of this increase are described as follows:

- Transfers from the business-type funds for operations were \$3.2 million
- Increase of \$1.8 million in City property taxes
- Reduction of Health and Welfare expenses by more than \$2.2 million due to an outsourcing of commercial billing activities

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

Revenues by Source – Governmental Activities



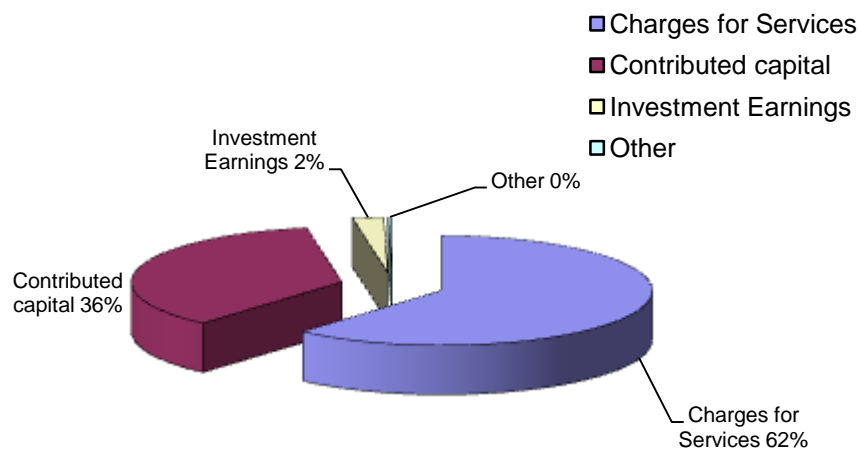
Business-Type Activities

Business-type activities increased the City's net assets by \$21.2 million, this is an increase of over \$6.91 million, or 49.2%. Key elements of this increase are described as follows:

- Utility Fund received over \$13.9 million in capital grants mainly from NADBank and TWDB, this was an increase of \$6.2 million, or 90.2%

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

Revenues by Source – Business-Type Activities



GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund’s net change in fund balance was \$4.7 million more than budget. The revenues were \$876,000 more than budget. The main reasons for this increase was due to property tax collection increase of \$468,000 and court fines collections of \$239,000 more than budget. Expenditures were \$3.6 million less than budget. This savings mainly came from \$1.87 million in General governmental expenditures and \$962,000 in Public Safety expenditures. (see the Notes to Basic Financial Statement for additional information on budgetary policy)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Pharr’s investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounts to \$162.7 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 \$14.2 million or 9.6%.

City of Pharr’s Capital Assets
(Net of depreciation)

Table 3- Dollars in millions

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Land	4.3	4.4	2.6	2.6	6.9	7.0
Building and system improvements	19.5	18.7	17.6	18.2	37.1	36.9
Other improvements	7.8	4.5	2.7	2.8	10.5	7.3
Machinery and equipment	3.0	5.6	3.6	4.1	6.6	9.7
Infrastructure	36.7	38.5	39.9	34.9	76.6	73.4
Construction in progress	0.5	2.9	24.5	11.3	25.0	14.2
	\$ 71.8	\$ 74.6	\$ 90.9	\$ 73.9	\$ 162.7	\$ 148.5

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 \$98.0 million. The details of the change in debt from last fiscal year are as indicated:

Table 4 - Dollars in millions

	2009	2008	Change	Percent Change
Governmental				
Bonds	\$ 15.1	\$ 15.8	\$ (0.7)	-4.43%
Certificates of obligation	3.3	3.9	(0.6)	-15.38%
Capital leases	2.8	5.6	(2.8)	-50.00%
Notes	0.5	0.8	(0.3)	-37.50%
	21.7	26.1	(4.4)	-16.86%
Business-Type				
Bonds	64.5	67.0	(2.5)	-3.73%
Notes	3.1	4.6	(1.5)	-32.61%
Capital leases	1.0	0.3	0.7	233.33%
	68.6	71.9	(3.3)	-4.59%
Total	\$ 90.3	\$ 98.0	\$ (7.7)	-7.86%

Long-term debt for the Governmental activities decreased by \$4.4 million. This decrease was due to the standard retirement of debt.

Long-term debt for the Business-Type activities decreased by a net \$3.3 million. This decrease was due to the standard retirement of debt plus a new capital lease by the Bridge fund.

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

- Plans for a mid-sized entertainment center by local investors have been drawn up for tourism, property, hotel/motel, and sales tax funds to increase.
- New owners of the retail shopping mall have shown interest in upgrading the area and allowing for an opportunity for economic growth.
- The need for a new comprehensive master plan has been identified. This will allow for better management growth for the city of Pharr.
- Annexation plans and public hearing that would almost double the current acreage area of the city has already begun but is currently on hold due to legal challenges by a neighboring city.
- Major wholesale business is looking at Pharr to expand its business.
- Industrial area located close to the international bridge continues to expand annually.

All of these factors were considered in preparing the City's budget for the 2009-10 fiscal year.

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS

**CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Primary Government

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash	\$ 15,205,670	\$ 5,058,600	\$ 20,264,270
Investments	-	-	-
Receivables (net of allowance for uncollectibles)	12,949,096	2,776,473	15,725,569
Internal balances	94,457	(94,457)	-
Inventories	173,190	85,047	258,237
Noncurrent assets:			
Restricted assets:			
Cash	-	45,121,408	45,121,408
Cash with Fiscal Agent	-	13,775,270	13,775,270
Intergovernmental receivable	285,189	2,808,766	3,093,955
Capital assets not being depreciated:			
Land	4,264,668	2,622,108	6,886,776
Construction in progress	507,090	24,494,079	25,001,169
Capital assets net of accumulated depreciation:			
Buildings and system	19,504,635	17,552,017	37,056,652
Improvements other than buildings	7,827,396	2,666,285	10,493,681
Machinery and equipment	2,996,401	3,585,144	6,581,545
Infrastructure	36,655,613	39,946,264	76,601,877
Total assets	<u>\$ 100,463,405</u>	<u>\$ 160,397,004</u>	<u>\$ 260,860,409</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 2,245,650	\$ 3,067,180	\$ 5,312,830
Deferred revenue	1,596,769	31,645	1,628,414
Liabilities payable from restricted assets	379,427	2,043,803	2,423,230
Matured debt payable, net	3,428,831	4,519,163	7,947,994
Noncurrent liabilities:			
Due in more than one year, net	20,869,354	62,044,459	82,913,813
Total liabilities	<u>28,520,031</u>	<u>71,706,250</u>	<u>100,226,281</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	50,764,316	78,359,208	129,123,524
Restricted for:			
Debt service	190,706	6,895,829	7,086,535
Capital projects	-	863,427	863,427
Economic Development	6,379,639	-	6,379,639
Other purposes	1,333,240	-	1,333,240
Unrestricted (deficit)	13,275,473	2,572,290	15,847,763
Total net assets	<u>71,943,374</u>	<u>88,690,754</u>	<u>160,634,128</u>
Total liabilities and net assets	<u>\$ 100,463,405</u>	<u>\$ 160,397,004</u>	<u>\$ 260,860,409</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, 2009**

Functions/Programs	<u>Net (Expense) Revenue and Changes in Net Assets</u>						
	Expenses	Program Revenues			Primary Government		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 7,593,754	\$ 1,970,343	\$ 661,657	\$ -	\$ (4,961,754)		\$ (4,961,754)
Public safety	19,177,148	3,841,260	1,441,269	-	(13,894,619)		(13,894,619)
Highways and streets	2,268,293	2,792	143,963	256,226	(1,865,312)		(1,865,312)
Health and welfare	2,311,797	3,255,798	20,000	-	964,001		964,001
Culture and recreation	3,563,408	131,263	181,507	-	(3,250,638)		(3,250,638)
Interest on long-term debt	1,040,934	-	-	-	(1,040,934)		(1,040,934)
Total governmental activities	<u>35,955,334</u>	<u>9,201,456</u>	<u>2,448,396</u>	<u>256,226</u>	<u>(24,049,256)</u>		<u>(24,049,256)</u>
Business-type activities:							
Utility	9,124,748	12,460,757	-	13,899,104		17,235,113	17,235,113
Toll Bridge	2,974,979	9,300,752	-	-		6,325,773	6,325,773
Tierra Del Sol Golf Course	1,046,572	856,287	-	-		(190,285)	(190,285)
Total business-type activities	<u>13,146,299</u>	<u>22,617,796</u>	<u>-</u>	<u>13,899,104</u>		<u>23,370,601</u>	<u>23,370,601</u>
Total primary government	<u>\$ 49,101,633</u>	<u>\$ 31,819,252</u>	<u>\$ 2,448,396</u>	<u>\$ 14,155,330</u>	<u>\$ (24,049,256)</u>	<u>\$ 23,370,601</u>	<u>\$ (678,655)</u>
			<u>General revenues:</u>				
			Property taxes		14,900,108	-	14,900,108
			Sales taxes		10,558,097	-	10,558,097
			Franchise taxes		1,952,686	-	1,952,686
			Other taxes		853,872	-	853,872
			Investment earnings		296,026	877,276	1,173,302
			Gain on sale of assets		458,102	-	458,102
			Other		-	107,307	107,307
			Transfers		3,182,018	(3,182,018)	-
			Total general revenues and transfers		<u>32,200,909</u>	<u>(2,197,435)</u>	<u>30,003,474</u>
			Change in net assets		8,151,653	21,173,166	29,324,819
			Net assets - beginning		63,878,345	67,554,315	131,432,660
			Prior period adjustment		(86,624)	(36,727)	(123,351)
			Net assets - ending		<u>\$ 71,943,374</u>	<u>\$ 88,690,754</u>	<u>\$ 160,634,128</u>

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

**CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General</u>	<u>Economic Development Corporation 4A</u>	<u>Economic Development Corporation 4B</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
<u>ASSETS</u>					
Cash	\$ 8,551,709	\$ 2,829,338	\$ 871,128	\$ 2,898,958	\$ 15,151,133
Receivables (net of allowance for uncollectible):					
Property taxes	1,911,490	-	-	266,477	2,177,967
Warrants	5,626,469	-	-	-	5,626,469
Sales tax	1,224,590	-	403,294	-	1,627,884
Notes	-	2,291,004	-	66,968	2,357,972
Accounts	715,068	-	-	103,982	819,050
Other	335,556	3,698	-	500	339,754
Inventories	101,548	150	-	58,029	159,727
Due from other funds	577,924	-	-	179,924	757,848
Restricted assets:					
Intergovernmental receivable	-	-	-	285,189	285,189
Total assets	\$ 19,044,354	\$ 5,124,190	\$ 1,274,422	\$ 3,860,027	\$ 29,302,993
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 1,749,888	\$ 18,174	\$ -	\$ 95,411	\$ 1,863,473
Due to other funds	177,047	799	-	483,838	661,684
Escrow accounts	379,427	-	-	-	379,427
Deferred property tax	1,911,490	-	-	266,477	2,177,967
Deferred accounts	715,068	-	-	102,307	817,375
Deferred warrants	5,626,469	-	-	-	5,626,469
Deferred revenue	45,818	-	-	1,550,950	1,596,768
Total liabilities	10,605,207	18,973	-	2,498,983	13,123,163
Fund balances:					
Reserved for:					
Inventory	101,548	-	-	-	101,548
Debt service	-	-	-	27,804	27,804
Economic development	-	5,105,217	1,274,422	-	6,379,639
Unreserved for:					
General fund	8,337,599	-	-	-	8,337,599
Special revenue	-	-	-	1,333,240	1,333,240
Total fund balances	8,439,147	5,105,217	1,274,422	1,361,044	16,179,830
Total liabilities and fund balances	\$ 19,044,354	\$ 5,124,190	\$ 1,274,422	\$ 3,860,027	\$ 29,302,993

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

Total fund balances - governmental funds balance sheet	\$	16,179,830	
 (1) When capital assets that are to be used in governmental activities are purchased, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the city as a whole			
		Cost of capital assets	115,684,130
		Accumulated depreciation	<u>(43,928,327)</u>
			71,755,803
 (2) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. Since the majority of activity is associated with governmental operations and spreading the result of internal fund activities between governmental and proprietary activities would be immaterial during consolidation, 100% statement of net assets (capital assets already accounted for in adjustment (1))			
		Garage Net Assets	<u>22,554</u>
			22,554
 (3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets			
		Bonds/Certificates/Notes	(18,985,000)
		Capital leases	(2,708,972)
		Unamortized debt activity	<u>702,484</u>
			(20,991,488)
 (4) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds			
		Tax receivable	3,007,257
		Allowance	<u>(829,291)</u>
			2,177,966
 (5) Because some sanitation, brush, and paving fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds			
		Sanitation	538,707
		Brush & Debris	176,360
		Paving	<u>102,307</u>
			817,374
 (6) Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable			
		Bonds	(78,686)
		Certificates	(19,834)
		Notes	<u>(5,054)</u>
			(103,574)
 (7) Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. The difference in compensated absences from last year to this year is recorded in the statement of activities			
		Current	(970,936)
		Long-term	<u>(2,310,276)</u>
			(3,281,212)

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009 - Continued

(8)	Because some warrants will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Warrants receivable 7,924,433 Allowance <u>(2,297,964)</u>	5,626,469
(9)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions	OPEB Liability - This fiscal year (460,745) This fiscal year contribution <u>200,397</u>	<u>(260,348)</u>
Net assets of governmental activities - statement of net assets			<u><u>\$ 71,943,374</u></u>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REVENUES	<u>General</u>	<u>Economic Development Corporation 4A</u>	<u>Economic Development Corporation 4B</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
Taxes:					
Property	\$ 13,186,410	\$ -	\$ -	\$ 1,663,973	\$ 14,850,383
Sales	7,918,573	1,366,385	1,273,139	-	10,558,097
Franchise	1,952,686	-	-	-	1,952,686
Other	189,789	-	-	664,083	853,872
Licenses and permits	682,418	-	-	-	682,418
Intergovernmental	204,297	-	-	2,244,099	2,448,396
Fees and charges:					
Sanitation	2,224,725	-	-	-	2,224,725
Brush	997,379	-	-	-	997,379
Other	687,198	452,559	-	105,920	1,245,677
Fines	1,121,638	-	-	-	1,121,638
Interest income	165,147	77,776	1,283	51,821	296,027
Contributions and donations	-	-	-	67,109	67,109
Other	179,683	339	-	7,230	187,252
Total revenues	<u>29,509,943</u>	<u>1,897,059</u>	<u>1,274,422</u>	<u>4,804,235</u>	<u>37,485,659</u>
EXPENDITURES					
Current:					
General government	4,943,223	-	-	1,276,736	6,219,959
Public safety	17,381,091	-	-	1,464,505	18,845,596
Highways and streets	2,081,892	-	-	416,987	2,498,879
Health and welfare	2,298,403	-	-	20,000	2,318,403
Culture and recreation	3,242,551	-	-	228,989	3,471,540
Economic development	-	2,165,484	-	-	2,165,484
Debt service:					
Principal	-	1,829,885	-	1,505,000	3,334,885
Interest	-	94,790	-	883,000	977,790
Total expenditures	<u>29,947,160</u>	<u>4,090,159</u>	<u>-</u>	<u>5,795,217</u>	<u>39,832,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(437,217)</u>	<u>(2,193,100)</u>	<u>1,274,422</u>	<u>(990,982)</u>	<u>(2,346,877)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,342,403	-	-	723,767	6,066,170
Transfers (out)	(100,000)	(723,767)	-	(2,058,229)	(2,881,996)
Proceeds from sale of land	-	3,587,232	-	-	3,587,232
Bond/loan proceeds	-	-	-	-	-
Total other financing sources and uses	<u>5,242,403</u>	<u>2,863,465</u>	<u>-</u>	<u>(1,334,462)</u>	<u>6,771,406</u>
Net change in fund balance	4,805,186	670,365	1,274,422	(2,325,444)	4,424,529
Fund balance - beginning	3,886,237	4,434,852	-	3,520,836	11,841,925
Prior period adjustment	(252,276)	-	-	165,652	(86,624)
Fund balance - ending	<u>\$ 8,439,147</u>	<u>\$ 5,105,217</u>	<u>\$ 1,274,422</u>	<u>\$ 1,361,044</u>	<u>\$ 16,179,830</u>

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

	Net change in fund balances - total governmental funds		4,424,529
(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 activity, net of sale Depreciation expense	(354,764) <u>(2,412,973)</u> (2,767,737)
(2)	Governmental funds do not recognize developer contribution of land, roads, paving and draining as donation/contribution revenue nor as an increase in governmental expenditures. This is the net amount by which contributed capital increased the capital assets net or related debt of the city	Contributed capital - drainage Contributed capital - streets Depreciation - sanitation Depreciation - highways	87,693 102,332 (479) <u>(430)</u> 189,116
(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>(669,021)</u> (669,021)
(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	Lease/Notes Tax Supported Debt Adjustment Unamortized debt activity	2,840,694 1,505,000 26,352 <u>(71,775)</u> 4,300,271
(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 Delinquent tax	1,251,634 <u>(1,201,909)</u> 49,725
(6)	Because some sanitation and brush fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Garbage Brush Paving	(94,313) 44,770 <u>46,885</u> (2,658)

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, 2009

(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	(103,574) <u>112,205</u>	8,631
(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	(3,281,212) <u>2,957,302</u>	(323,910)
(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	(2,881,516) <u>5,626,469</u>	2,744,953
(10)	The proceeds from the sale of land are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital asset account in the statement of net assets and offset against the sale proceeds resulting in a "gain on sale of asset" in the statement of activities. Thus, more revenue is reported in governmental funds than the gain in the statement of activities	PEDC sale proceeds Book Value of Assets Gain on sale	3,587,232 <u>(3,129,130)</u>	458,102
(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	(460,745) <u>200,397</u>	<u>(260,348)</u>
	Change in net assets of governmental activities		<u>\$ 8,151,653</u>	

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



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**CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009**

<u>ASSETS</u>	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Current assets:					
Cash	\$ 1,973,307	\$ 2,903,404	\$ 181,889	\$ 5,058,600	\$ 54,536
Receivables (net of allowance for uncollectible):					
Accounts	2,340,934	295,661	-	2,636,595	-
Other	114,453	15,237	10,188	139,878	-
Inventories	65,042	-	20,005	85,047	13,464
Due from other funds	-	-	-	-	1,331
Restricted assets:					
Cash	44,040,035	1,081,373	-	45,121,408	-
Cash with Fiscal Agent	13,570,000	205,270	-	13,775,270	-
Intergovernmental receivable	2,808,766	-	-	2,808,766	-
Total current assets	64,912,537	4,500,945	212,082	69,625,564	69,331
Noncurrent assets:					
Unamortized bond activity	1,618,815	1,323,032	-	2,941,847	-
Capital assets (net of accumulated depreciation):					
Land	803,121	819,645	999,342	2,622,108	-
Buildings	15,515,370	1,886,321	150,326	17,552,017	498,833
Improvements other than buildings	82,781	9,418	2,574,086	2,666,285	105,580
Machinery and equipment	2,972,316	415,404	197,424	3,585,144	32,675
Infrastructure	24,237,806	15,602,649	105,809	39,946,264	-
Construction in progress	23,681,880	812,199	-	24,494,079	-
Total capital assets, net of accumulated depreciation	67,293,274	19,545,636	4,026,987	90,865,897	637,088
Total noncurrent assets	68,912,089	20,868,668	4,026,987	93,807,744	637,088
Total assets	\$ 133,824,626	\$ 25,369,613	\$ 4,239,069	\$ 163,433,308	\$ 706,419

	Business-type Enterprise Funds				Governmental
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	Activities - Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 2,739,347	\$ 40,666	\$ 24,674	\$ 2,804,687	\$ 18,254
Accrued liabilities	183,164	70,798	8,531	262,493	-
Due to other funds	64,548	19,654	10,255	94,457	3,038
Deferred revenue	-	-	31,645	31,645	-
Total current liabilities	<u>2,987,059</u>	<u>131,118</u>	<u>75,105</u>	<u>3,193,282</u>	<u>21,292</u>
Current liabilities payable from restricted assets:					
Customer deposits payable	2,033,180	-	-	2,033,180	-
Escrow payable	10,623	-	-	10,623	-
Matured accrued compensation	108,588	32,879	20,397	161,864	5,097
Matured capital lease	126,537	163,010	13,850	303,397	-
Matured bonds/notes	2,330,000	2,055,000	-	4,385,000	-
Total current liabilities payable from restricted assets	<u>4,608,928</u>	<u>2,250,889</u>	<u>34,247</u>	<u>6,894,064</u>	<u>5,097</u>
Noncurrent liabilities:					
Accrued compensation	462,926	140,167	89,114	692,207	20,388
Capital lease payable	29,207	680,246	3,548	713,001	-
Bonds/notes principal payable	54,375,000	8,875,000	-	63,250,000	-
Total noncurrent liabilities	<u>54,867,133</u>	<u>9,695,413</u>	<u>92,662</u>	<u>64,655,208</u>	<u>20,388</u>
	<u>62,463,120</u>	<u>12,077,420</u>	<u>202,014</u>	<u>74,742,554</u>	<u>46,777</u>
NET ASSETS					
Net assets:					
Invested in capital assets, net of related debt	64,663,926	9,685,694	4,009,588	78,359,208	637,088
Restricted for:					
Debt service	5,814,456	1,081,373	-	6,895,829	-
Capital projects	863,427	-	-	863,427	-
Unrestricted	19,697	2,525,126	27,467	2,572,290	22,554
Total net assets	<u>\$ 71,361,506</u>	<u>\$ 13,292,193</u>	<u>\$ 4,037,055</u>	<u>\$ 88,690,754</u>	<u>\$ 659,642</u>
with business-type activities					

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 6,724,713	\$ -	\$ -	\$ 6,724,713	\$ -
Sewer service	5,297,574	-	-	5,297,574	-
Tap fees	271,106	-	-	271,106	-
Toll fees	-	9,221,485	-	9,221,485	-
Golf services	-	-	719,778	719,778	-
Other	167,364	79,267	136,509	383,140	454,998
Total operating revenues	<u>12,460,757</u>	<u>9,300,752</u>	<u>856,287</u>	<u>22,617,796</u>	<u>454,998</u>
Operating expenses:					
Personnel services	2,418,672	937,720	531,786	3,888,178	163,569
Supplies and Materials	1,351,330	61,571	79,011	1,491,912	4,129
Contractual Services	1,944,487	526,333	237,939	2,708,759	273,038
Depreciation	1,762,901	692,891	196,830	2,652,622	54,486
Total operating expenses	<u>7,477,390</u>	<u>2,218,515</u>	<u>1,045,566</u>	<u>10,741,471</u>	<u>495,222</u>
Operating income (loss)	<u>4,983,367</u>	<u>7,082,237</u>	<u>(189,279)</u>	<u>11,876,325</u>	<u>(40,224)</u>
Nonoperating revenues (expenses):					
Investment earnings	787,007	84,669	5,600	877,276	-
Interest expense	(1,537,978)	(534,746)	(1,006)	(2,073,730)	-
Amortization expense	(109,380)	(221,718)	-	(331,098)	-
Intergovernmental	13,565,611	-	-	13,565,611	-
Other	11,271	68,112	27,924	107,307	71
Total nonoperating revenues (expenses)	<u>12,716,531</u>	<u>(603,683)</u>	<u>32,518</u>	<u>12,145,366</u>	<u>71</u>
Income before contributions and transfers	17,699,898	6,478,554	(156,761)	24,021,691	(40,153)
Transfers in	100,000	488,790	-	588,790	-
Transfers out	(481,237)	(3,259,571)	(30,000)	(3,770,808)	(2,156)
Capital contributions	333,493	-	-	333,493	-
Changes in net assets	17,652,154	3,707,773	(186,761)	21,173,166	(42,309)
Total net assets - beginning	53,746,079	9,584,420	4,223,816	67,554,315	691,575
Prior period adjustment	(36,727)	-	-	(36,727)	10,376
Total net assets - ending	<u>\$ 71,361,506</u>	<u>\$ 13,292,193</u>	<u>\$ 4,037,055</u>	<u>\$ 88,690,754</u>	<u>\$ 659,642</u>

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



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**CITY OF PHARR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Business-type Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Utility</u>	<u>Toll Bridge</u>	<u>Tierra Del Sol Golf Course</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 11,890,751	\$ 9,079,241	\$ 718,684	\$ 21,688,676	\$ 454,998
Receipts from grants	11,960,365	194,830	-	12,155,195	
Payments to suppliers	(1,353,129)	(61,571)	(69,019)	(1,483,719)	(3,307)
Payments to employees	(2,395,782)	(926,054)	(513,670)	(3,835,506)	(167,002)
Payments for contractual services	(358,003)	(920,095)	(237,420)	(1,515,518)	(357,132)
Payments (to)/from others	864,265	79,267	136,509	1,080,041	-
Net cash flow (to)/from operating activities	<u>20,608,467</u>	<u>7,445,618</u>	<u>35,084</u>	<u>28,089,169</u>	<u>(72,443)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances (to)/from other funds	984,634	64,301	25,514	1,074,449	(2,787)
Transfers in from other funds	100,000	488,790	-	588,790	-
Transfers out to other funds	<u>(481,237)</u>	<u>(3,259,571)</u>	<u>(30,000)</u>	<u>(3,770,808)</u>	<u>(2,156)</u>
Net cash provided/(used) by noncapital and related financing activities	<u>603,397</u>	<u>(2,706,480)</u>	<u>(4,486)</u>	<u>(2,107,569)</u>	<u>(4,943)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(17,285,974)	(2,349,287)	-	(19,635,261)	-
Principal paid on long-term debt	(2,135,982)	(1,131,744)	(19,417)	(3,287,143)	-
Interest paid on long-term debt	(1,543,451)	(544,594)	(1,006)	(2,089,051)	-
Capital contributions	<u>333,493</u>	<u>-</u>	<u>-</u>	<u>333,493</u>	<u>-</u>
Net cash provided/(used) by capital and related financing activities	<u>(20,631,914)</u>	<u>(4,025,625)</u>	<u>(20,423)</u>	<u>(24,677,962)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Maturity (purchases) of investments	37,063,557	505,712	-	37,569,269	-
Interest income received	<u>787,007</u>	<u>84,669</u>	<u>5,600</u>	<u>877,276</u>	<u>-</u>
Net cash provided/(used) by investing activities	<u>37,850,564</u>	<u>590,381</u>	<u>5,600</u>	<u>38,446,545</u>	<u>-</u>
Net increase/(decrease) in cash	38,430,514	1,303,894	15,775	39,750,183	(77,386)
Cash beginning of fiscal year	21,152,828	2,886,153	166,114	24,205,095	131,922
Cash end of fiscal year	<u>\$ 59,583,342</u>	<u>\$ 4,190,047</u>	<u>\$ 181,889</u>	<u>\$ 63,955,278</u>	<u>\$ 54,536</u>

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 4,983,367	\$ 7,082,237	\$ (189,279)	\$ 11,876,325	\$ (40,224)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,762,901	692,891	196,830	2,652,622	54,486
(Increase) Decrease in Grants, Accounts and Other Receivables, net	11,708,549	72,062	(2,343)	11,778,268	-
(Increase) Decrease in Inventories	(1,799)	-	9,993	8,194	821
Increase (Decrease) in Accounts Payable	2,283,384	(393,762)	520	1,890,142	(84,093)
Increase (Decrease) in Accrued Compensation	(9,655)	(2,868)	9,584	(2,939)	(3,433)
Increase (Decrease) in Deferred/Escrow Revenue	-	(19,476)	1,248	(18,228)	-
Increase (Decrease) in Customer Deposits	(150,824)	-	-	(150,824)	-
Increase (Decrease) in Other Liabilities	32,544	14,534	8,531	55,609	-
Total adjustments	<u>15,625,100</u>	<u>363,381</u>	<u>224,363</u>	<u>16,212,844</u>	<u>(32,219)</u>
Net cash provided by operating activities	\$ <u>20,608,467</u>	\$ <u>7,445,618</u>	\$ <u>35,084</u>	\$ <u>28,089,169</u>	\$ <u>(72,443)</u>

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

**CITY OF PHARR, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2009**

		Retired Volunteer Firefighter's Pension Agency Fund
<u>ASSETS</u>		
Cash	\$	121,168
Investments		262,970
Total assets		384,138
 <u>LIABILITIES</u>		
Accounts payable		-
Total liabilities		-
 <u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$	384,138

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

**CITY OF PHARR, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

		Retired Volunteer Firefighter's Pension Agency Fund
ADDITIONS		
Contributions:		
City of Pharr	\$	30,000
Other		100
Total contributions		30,100
Investment earnings		
Interest		10,593
Total additions		40,693
DEDUCTIONS		
Benefits		12,360
Total deductions		12,360
Change in net assets		28,333
Net assets - beginning		355,805
Net assets - ending	\$	384,138

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



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NOTES TO THE FINANCIAL STATEMENTS

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United State of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (FASB), when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Pharr

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

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

Blended Component Unit

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

The City has two blended component unit, the Pharr Economic Development Corporation (PEDC) 4A and 4b. PEDC info is stated below:

Pharr Economic Development Corporation – (PEDC 4a) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales taxes are collected under Section 4A of the Development Corporation Act of 1979 for these purposes. PEDC 4awas incorporated on June 12, 1990. The PEDC 4a board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is because the City appoints all PEDC board members and can removed them at will, therefore, the PEDC 4a board is

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

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 4A
1215 S. Cage Blvd.
Pharr, TX 78577

Pharr Economic Development Corporation – (PEDC 4b) 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 4b was authorized to receive the sales tax revenues. The PEDC 4b board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is because the City appoints all PEDC 4b board members and can removed them at will, therefore, the PEDC 4b board is substantially the same as the City governing body. Separate financial statements issued by the PEDC 4b can be obtained by request at the following address:

PEDC 4B
1215 S. Cage Blvd.
Pharr, TX 78577

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. For the past two fiscal years, the City reported the Education Finance Authority (“Authority”) as a discretely presented component unit because there was a legal question as to the City’s fiscal liability should the Authority default on their debt. The debt is solely collateralized by the land and building constructed with the debt proceeds, there is no City liability associated with the Authority, therefore, it is not a component unit. As of this fiscal year, there are no discretely presented component units in the City of Pharr.

C. Government-Wide and Fund Financial Statements

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

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

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

- *General Fund* – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.
- *Pharr Economic Development Corporation 4A*– is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.
- *Pharr Economic Development Corporation 4B*– is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Fund Types and Major Funds - (continued)

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, Liabilities and Net Assets or Equity

1. Cash and Investments

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

2. Property Taxes

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

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to County-wide revaluation every five years. The effective tax rate is based upon the previous year's total assessed valuation.

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

3. Inventories

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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 either “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)

Employees may accumulate no more than a maximum of two years allotment of vacation leave as set above.

8. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

9. Restricted Assets

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

10. Net Assets / Fund Equity

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

11. Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

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

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

Dates for public hearings, the purpose of which are to obtain taxpayers' comments, are set by the Board of Commissioners at the time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget. Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

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

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

The Board of Commissioners made several budget amendments during the fiscal year. The major reasons for the amendment was to reimburse the General fund for Hotel Tax applicable expenditures, reduce budgets for pension and health care retiree costs, reduce the budget for fuel due to a decrease in prices, and reduce sanitation activity, property tax collections, and sales tax revenues. In the General fund, net budget amendments totaled roughly \$291,800 in revenues over expenditures not including the use of funds from prior capital lease funding.

B. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the 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 stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations of the general government function in the administrative services department appropriations by \$8,325. The main reason for this excess was due to the cost of equipment needed to replace the Channel 12 City News equipment that broke during a storm.

Expenditures exceeded appropriations of the public safety function in the court department by \$48,393. The main reason for this excess was due to contractual warrant collection costs that also increased revenues by a greater amount.

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 Assets

There were not any funds with a deficit fund balance/net assets.

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:

<u>General Fund:</u>	
Remove past grant funds that are located in Grant Fund	\$ (79,019)
Remove receivable that is not eligible for grant funds	(7,605)
Expenditures from prior years that are not grant eligible	928
Funds should have been placed in a reserve for CDBG debt	<u>(166,580)</u>
Total General Fund Adjustment	<u>\$ (252,276)</u>
 <u>Special Revenue Fund: Community Development (CDBG) Fund:</u>	
Funds for CDBG debt but received in General Fund in prior years	<u>\$ 166,580</u>
Total Community Development Adjustment	<u>\$ 166,580</u>
 <u>Special Revenue Fund: Grants Fund:</u>	
Expenditures from prior years that are not grant eligible	<u>\$ (928)</u>
Total Grants Adjustment	<u>\$ (928)</u>
 <u>Enterprise Fund: Garage Fund:</u>	
Remove prior year capital lease debt that will not be used	<u>10,376</u>
Total Garage Adjustment	<u>\$ 10,376</u>
 <u>Enterprise Fund: Utility Fund:</u>	
Add prior year capital lease debt that will be used	<u>(36,727)</u>
Total Utility Fund Adjustment	<u>\$ (36,727)</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2009, the carrying amount of the City's deposits was \$21,923,621. The City has one depository account: LoneStar National Bank (LSNB).

<u>LSNB Depository Account</u>	<u>September 30, 2009 Bank Balance</u>
Insured	\$ 100,000
Security collateral issued by pledging bank's trust department in the City's name (Over-insured)/over-collateralized	66,129,670 (2,666,688)
Total Deposits	\$ 63,562,982

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, 2009, the City's bank balance of \$63,562,982 was not exposed to custodial credit risk and was over-insured and over-collateralized.

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

- a. Depository: LSNB
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$79,993,767
- c. The highest combined balances of cash accounts amounted to \$70,861,319 and occurred during July 2009
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$100,000

Cash with fiscal agents of \$13,570,000 on September 30, 2009, 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. The fiscal agent is Texas Water Development Board with cash that is escrowed to the City of \$13,570,000.

2. Investments

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

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

Due to the extremely low interest rates, the City does not have any investments other than savings accounts in LSNB at September 30, 2009. The City's depository provides a greater savings rate (a floor of 2.02%) according to the depository contract entered into. The funds are available immediately as needed.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Deposits and Investments - (continued)

2. Investments – (continued)

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

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

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly 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, 2009

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

B. Receivables

Receivables for the City at September 30, 2009, were as follows:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General</u>	<u>Non-Major & Other</u>	<u>Total</u>	<u>Utility</u>	<u>Bridge & Golf</u>	<u>Total</u>
Property taxes	\$ 2,620,935	\$ 386,322	\$ 3,007,257	\$ -	\$ -	\$ -
Warrants	7,924,433	-	7,924,433	-	-	-
Sales tax	1,224,590	403,294	1,627,884	-	-	-
Notes	-	2,357,972	2,357,972	-	-	-
Accounts	728,740	103,982	832,722	2,389,981	295,661	2,685,642
Intergovernmental	-	285,189	285,189	2,808,766	-	2,808,766
Other	<u>366,367</u>	<u>4,198</u>	<u>370,565</u>	<u>114,453</u>	<u>25,425</u>	<u>139,878</u>
Gross receivables	12,865,065	3,540,957	16,406,022	5,313,200	321,086	5,634,286
Less: allowance for uncollectible	<u>(3,051,892)</u>	<u>(119,845)</u>	<u>(3,171,737)</u>	<u>(49,047)</u>	<u>-</u>	<u>(49,047)</u>
Net total receivable	<u>\$ 9,813,173</u>	<u>\$ 3,421,112</u>	<u>\$13,234,285</u>	<u>\$ 5,264,153</u>	<u>\$ 321,086</u>	<u>\$ 5,585,239</u>

C. Payables

Payables for the City at September 30, 2009, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>				<u>Total</u>
	<u>Governmental</u>	<u>Utility</u>	<u>Bridge</u>	<u>Golf</u>	<u>Business- Type Total</u>	
Vendors	\$ 910,543	\$ 1,104,106	\$ 40,666	\$ 23,460	\$ 1,168,232	\$ 2,078,775
Salaries & benefits	778,222	-	-	-	-	778,222
Workman's compensation	-	-	-	-	-	-
Retainage fee	-	1,635,241	-	-	1,635,241	1,635,241
OPEB	260,349	32,544	14,534	8,531	55,609	315,958
Accrued interest	103,574	150,620	56,264	-	206,884	310,458
Due to the state	<u>192,962</u>	<u>-</u>	<u>-</u>	<u>1,214</u>	<u>1,214</u>	<u>194,176</u>
Total payables	<u>\$ 2,245,650</u>	<u>\$ 2,922,511</u>	<u>\$ 111,464</u>	<u>\$ 33,205</u>	<u>\$3,067,180</u>	<u>\$ 5,312,830</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

D. Deferred Revenue

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general & debt service funds)	\$ 2,177,967	\$ -
Outstanding municipal court warrants (general)	5,626,469	-
Utility charges receivable (general fund and special revenue fund)	817,375	-
Restricted revenues (general fund) - other	-	45,818
Restricted revenues (special revenue fund) - other	-	1,068,141
Special assessment (special revenue fund) - paving	-	333,226
Loans receivable (community development fund)	-	124,955
Intergovernmental (grants fund)	-	24,628
Total deferred/unearned revenues for governmental funds	<u>\$ 8,621,811</u>	<u>\$ 1,596,768</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2009 consisted of the following:

		DUE FROM							
		Governmental Funds							
		General	PEDC	Asset Sharing	Community Development	Grant	Hotel/ Motel	Debt Service	Total Governmental
DUE TO	General	\$ -	\$ 631	\$ 899	\$ 281,178	\$ 193,599	\$ 3,979	\$ 143	\$ 480,429
	Community Developm	72,617	-	-	-	-	-	-	72,617
	Special Revenues	104,430	-	2,877	-	-	-	-	107,307
	Total governmental	177,047	631	3,776	281,178	193,599	3,979	143	660,353
	Garage	-	168	-	1,163	-	-	-	1,331
	Total internal service	-	168	-	1,163	-	-	-	1,331
Total		<u>\$ 177,047</u>	<u>\$ 799</u>	<u>\$ 3,776</u>	<u>\$ 282,341</u>	<u>\$ 193,599</u>	<u>\$ 3,979</u>	<u>\$ 143</u>	<u>\$ 661,684</u>

		DUE FROM				DUE FROM		DUE FROM
		Enterprise Funds				Internal Service Funds		Total
		Utility	Bridge	Golf	Total Enterprise	Garage	Total Internal Service	Grand Total
DUE TO	General	\$ 64,548	\$ 19,654	\$ 10,255	\$ 94,457	\$ 3,038	\$ 3,038	\$ 577,924
	Community Development	-	-	-	-	-	-	72,617
	Special Revenues	-	-	-	-	-	-	107,307
	Total governmental	64,548	19,654	10,255	94,457	3,038	3,038	757,848
	Garage	-	-	-	-	-	-	1,331
	Total internal service	-	-	-	-	-	-	1,331
Total		<u>\$ 64,548</u>	<u>\$ 19,654</u>	<u>\$ 10,255</u>	<u>\$ 94,457</u>	<u>\$ 3,038</u>	<u>\$ 3,038</u>	<u>\$ 759,179</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 3,375,269	\$ 7,424	\$ --	\$ 3,382,693
Construction in Progress	2,847,966	--	2,340,876	507,090
Total capital assets, not being depreciated	6,223,235	7,424	2,340,876	3,889,783
<i>Capital assets, being depreciated:</i>				
Buildings	24,048,577	2,241,672	--	26,290,249
Machinery and equipment	8,745,057	2,366,962	--	11,112,019
Improvements other than buildings	4,040,734	813,554	--	4,854,288
Infrastructure	67,646,945	304,140	--	67,951,085
Total capital assets, being depreciated	104,481,313	5,726,328	--	110,207,641
<i>Less accumulated depreciation for:</i>				
Buildings	6,715,989	--	448,045	7,164,034
Machinery and equipment	3,113,533	--	175,260	3,288,793
Improvements other than buildings	1,353,306	--	574,698	1,928,004
Infrastructure	29,120,370	--	2,175,102	31,295,472
Total accumulated depreciation	40,303,198	--	3,373,105	43,676,303
Total capital assets, being depreciated, net	64,178,115	5,726,328	(3,373,105)	66,531,338
Governmental activities capital assets, net(*)	\$ 70,401,350	\$ 5,733,752	\$ (1,032,229)	\$ 70,421,121
Business-Type Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,604,856	\$ 17,252	\$ --	\$ 2,622,108
Construction in Progress	11,251,563	16,097,571	2,855,055	24,494,079
Total capital assets, not being depreciated	13,856,419	16,114,823	2,855,055	27,116,187
<i>Capital assets, being depreciated:</i>				
Buildings	27,928,300	--	--	27,928,300
Machinery and equipment	11,981,447	96,146	--	12,077,593
Improvements other than buildings	3,327,857	--	--	3,327,857
Infrastructure	48,694,458	6,279,347	--	54,973,805
Total capital assets, being depreciated	91,932,062	6,375,493	--	98,307,555
<i>Less accumulated depreciation for:</i>				
Buildings	9,746,718	--	629,564	10,376,282
Machinery and equipment	7,885,963	--	606,487	8,492,450
Improvements other than buildings	518,762	--	142,809	661,571
Infrastructure	13,753,780	--	1,273,762	15,027,542
Total accumulated depreciation	31,905,223	--	2,652,622	34,557,845
Total Capital assets, being depreciated, net	60,026,839	6,375,493	(2,652,622)	63,749,710
Business-Type activities capital assets, net (*)	\$ 73,883,258	\$ 22,490,316	\$ 202,433	\$ 90,865,897
Total Primary Government	\$ 144,284,608	\$ 28,224,068	\$ (829,796)	\$ 161,287,018

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

F. Capital Assets - (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit-PEDC-Blended				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 1,003,108	\$ 392,062	\$ 513,195	\$ 881,975
Total capital assets, not being depreciated	1,003,108	392,062	513,195	881,975
<i>Capital assets, being depreciated:</i>				
Buildings	1,742,697	--	1,186,557	556,140
Machinery and equipment	69,226	--	--	69,226
Improvements other than buildings	2,468,875	--	2,389,510	79,365
Total capital assets, being depreciated	4,280,798	--	3,576,067	704,731
<i>Less accumulated depreciation for:</i>				
Buildings	384,717	(1,989)	(208,985)	177,721
Machinery and equipment	62,970	(2,086)	--	65,056
Improvements other than buildings	669,673	(90,721)	(751,147)	9,247
Total accumulated depreciation	1,117,360	(94,796)	(960,132)	252,024
Total Capital assets, being depreciated, net	3,163,438	94,796	4,536,199	452,707
Component Unit-Blended capital assets, net	\$ 4,166,546	\$ 486,858	\$ 5,049,394	\$ 1,334,682
City-Wide capital assets, net	\$ 148,451,154	\$ 28,710,926	\$ 4,219,598	\$ 162,621,700

(*) Governmental Activities were reduced by the same amount Business-Type Activities were increased \$156,026 due to a reallocation of internal service fund usage distribution

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

Governmental Activities		Business-Type Activities	
General Government	\$ 1,023,620	Utility	\$ 1,762,901
Public Safety	1,351,239	Bridge	692,891
Highways & Streets	664,047	Golf	196,830
Sanitation	231,601	Total Business-Type Activities	\$ 2,652,622
Culture and Recreation	102,598		
Economic Development	(960,132)		
Total Governmental Activities	\$ 2,412,973		

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2009:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Refunding Bonds Payable	\$ 15,840,000	\$ --	\$ 710,000	\$ --	\$ 15,130,000	\$ 735,000
Certificates of Obligation	3,885,000	--	555,000	--	3,330,000	585,000
Unamortized Issuance Cost	(378,333)	--	(41,382)	--	(336,951)	(41,382)
Unamortized (Premium)/Discount	197,037	--	15,219	--	181,818	15,219
Unamortized (Gain)/Loss on Refunding	(592,964)	--	(45,612)	--	(547,352)	(45,612)
Capital Leases Payable	3,550,232	--	1,010,808	(36,727)	2,502,697	887,239
CDBG Section 108 Note Payable	765,000	--	240,000	--	525,000	255,000
Notes Payable - PEDC	2,036,162	--	1,829,886	--	206,276	67,431
Accrued Compensated Absences	2,986,220	1,615,058	1,294,581	--	3,306,697	970,936
Total Governmental Activities	\$ 28,288,354	\$ 1,615,058	\$ 5,568,500	\$ (36,727)	\$ 24,298,185	\$ 3,428,831
Business-Type Activities						
Revenue Bonds Payable	\$ 52,420,000	\$ --	\$ 1,330,000	\$ --	\$ 51,090,000	\$ 1,680,000
Refunding Revenue Bonds Payable	14,555,000	--	1,135,000	--	13,420,000	1,175,000
Tax Note Payable	4,590,000	--	1,465,000	--	3,125,000	1,530,000
Unamortized Issuance Cost	(1,613,483)	--	(104,122)	--	(1,509,361)	(104,122)
Unamortized (Premium)/Discount [a]	44,612	--	3,187	--	41,425	3,187
Unamortized (Gain)/Loss on Refunding [l]	(1,704,074)	--	(230,163)	--	(1,473,911)	(230,163)
Capital Leases Payable	336,814	895,638	252,781	36,727	1,016,398	303,397
Accrued Compensated Absences	857,009	212,880	215,818	--	854,071	161,864
Total Business-Type Activities	\$ 69,485,878	\$ 1,108,518	\$ 4,067,501	\$ 36,727	\$ 66,563,622	\$ 4,519,163
Total	\$ 97,774,232	\$ 2,723,576	\$ 9,636,001	\$ --	\$ 90,861,807	\$ 7,947,993

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

G. Long-Term Obligations - (continued)

Long-term bonded and revenue supported obligations outstanding at September 30, 2009 is comprised of the following:

	Original Issuance	Series	Type	Name	Payment Installments	Installments		Interest Rates		Final Payment Through	Current Balance
						Lowest	Highest	Lowest	Highest		
Governmental Activities	\$ 2,165,000	1999	Certificate of Obligation	CT&LPR	Annual	\$ 105,000	\$ 105,000	5.53%	5.53%	08/15/2010	\$ 105,000
	12,035,000	2001	Certificate of Obligation	CT&LPR	Annual	480,000	605,000	4.50%	5.00%	08/15/2015	<u>3,225,000</u>
										Subtotal - Certificates of Obligation	3,330,000
	16,110,000	2005B	Refunding Bonds	GO	Annual	735,000	1,535,000	3.50%	5.00%	08/15/2021	<u>15,130,000</u>
										Subtotal - Refunding Bonds	15,130,000
Governmental Activities	\$ 2,125,000	2001A	Note	HUD Section 108	Annual	\$ 255,000	\$ 270,000	2.89%	2.90%	08/01/2011	<u>525,000</u>
										Subtotal - Notes	<u>525,000</u>
										Governmental Total	<u>\$ 18,985,000</u>
Business-Type Activities	\$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW&SS	Annual	\$ 185,000	\$ 190,000	0.00%	0.00%	09/01/2013	\$ 750,000
	29,000,000	2007	Revenue Bonds - CWSRF	WW&SS	Annual	745,000	2,480,000	2.90%	3.50%	09/01/2027	27,560,000
	14,000,000	2007A	Revenue Bonds - DWSRF	WW&SS	Annual	380,000	1,075,000	2.30%	2.95%	09/01/2027	13,570,000
	10,000,000	2007B	Revenue Bonds - NADBank	WW&SS	Annual	370,000	685,000	3.75%	3.75%	12/04/2007	<u>9,210,000</u>
										Subtotal - Revenue Bonds	51,090,000
	9,755,000	2005A	Refunding Bonds	CT&IBR	Annual	525,000	740,000	3.50%	4.50%	08/15/2022	7,805,000
	6,430,000	2008	Refunding Bonds	WW&SS	Annual	75,000	815,000	3.60%	3.60%	09/01/2018	<u>5,615,000</u>
										Subtotal - Refunding Bonds	13,420,000
Business-Type Activities	\$ 7,100,000	2006	Note	Tax Note	Annual	\$1,530,000	\$ 1,595,000	4.22%	4.24%	08/15/2011	<u>3,125,000</u>
										Subtotal - Notes	3,125,000
										Business-Type Total	<u>\$ 67,635,000</u>

The legend to the abbreviations is located on the following page.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

G. Long-Term Obligations - (continued)

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

1. Bonds Payable

Debt service requirements of bonds payable at September 30, 2009 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 735,000	\$ 629,491	\$ 1,364,491	\$ 2,855,000	\$ 2,125,361	\$ 4,980,361
2011	865,000	603,766	1,468,766	2,930,000	2,039,176	4,969,176
2012	905,000	572,410	1,477,410	3,030,000	1,949,819	4,979,819
2013	940,000	538,473	1,478,473	3,050,000	1,856,419	4,906,419
2014	970,000	503,223	1,473,223	3,145,000	1,758,292	4,903,292
2015 - 2019	7,705,000	1,677,580	9,382,580	17,425,000	7,123,881	24,548,881
2020 - 2024	3,010,000	187,482	3,197,482	19,450,000	4,019,511	23,469,511
2025 - 2027	--	--	--	12,625,000	845,084	13,470,084
	<u>\$ 15,130,000</u>	<u>\$ 4,712,425</u>	<u>\$ 19,842,425</u>	<u>\$ 64,510,000</u>	<u>\$ 21,717,543</u>	<u>\$ 86,227,543</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2009 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 585,000	\$ 158,672	\$ 743,672
2011	500,000	131,265	631,265
2012	520,000	108,765	628,765
2013	545,000	84,585	629,585
2014	575,000	58,425	633,425
2015	605,000	30,250	635,250
	<u>\$ 3,330,000</u>	<u>\$ 571,962</u>	<u>\$ 3,901,962</u>

3. Notes Payable

Debt service requirements of notes payable at September 30, 2009 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 255,000	\$ 30,323	\$ 285,323	\$ 1,530,000	\$ 132,194	\$ 1,662,194
2011	270,000	15,660	285,660	1,595,000	67,628	1,662,628
	<u>\$ 525,000</u>	<u>\$ 45,983</u>	<u>\$ 570,983</u>	<u>\$ 3,125,000</u>	<u>\$ 199,822</u>	<u>\$ 3,324,822</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

G. Long-Term Obligations - (continued)

4. Capital Leases Payable

Capital leases payable at September 30, 2009 is comprised of the following issues:

<u>Capital Leases</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
\$279,600 lease payable; due in monthly installments of \$3,832, including interest, through June 10, 2013; interest at 4.08% All funds used to purchase Machinery & Equipment	159,649	-	159,649
\$1,667,000 lease payable; due in monthly installments between \$14,875 and \$40,439, including interest, through December 15, 2010; interest rate varies All funds used to purchase Machinery & Equipment	183,108	34,299	217,407
\$1,300,000 lease payable; due in monthly installments of \$38,347, including interest, through May 18, 2010; interest at 3.94% All funds used to purchase Machinery & Equipment	194,795	107,494	302,289
\$2,322,000 lease payable; due in monthly installments of \$31,600.21, including interest, through November 14, 2014; interest at 3.87% All funds used to purchase Machinery & Equipment	1,741,837	31,349	1,773,186
\$555,000 lease payable; due in monthly installments of \$16,329.09, including interest, through November 14, 2010; interest at 3.77% All funds used to purchase Machinery & Equipment	223,310	-	223,310
\$895,638.10 lease payable; due in monthly installments of \$17,103.60, including interest, through May 20, 2014; interest at 5.49% - All funds used to purchase Machinery & Equipment	-	843,256	843,256
\$580,000 lease payable; due in monthly installments of \$6,597, including interest, through October 9, 2012; interest at 9.25% - All funds used to purchase of land	<u>206,274</u>	<u>-</u>	<u>206,274</u>
	<u>\$ 2,708,973</u>	<u>\$ 1,016,398</u>	<u>\$ 3,725,371</u>

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense.

Debt service requirements of capital lease obligations at September 30, 2009 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 949,573	\$ 1,620,556	\$ 2,570,129	\$ 303,397	\$ 45,800	\$ 349,197
2011	504,827	54,198	559,025	184,992	33,996	218,988
2012	447,687	39,343	487,030	187,921	24,027	211,948
2013	382,638	24,351	406,989	198,399	13,548	211,947
2014	362,464	10,034	372,498	140,577	2,955	143,532
2015	61,784	299	62,083	1,112	5	1,117
	<u>\$ 2,708,973</u>	<u>\$ 1,748,781</u>	<u>\$ 4,457,754</u>	<u>\$ 1,016,398</u>	<u>\$ 120,331</u>	<u>\$ 1,136,729</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

G. Long-Term Obligations - (continued)

5. Debt Disclosure and Currently Defeased Debt

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Commission. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005 and 2008, the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2009, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	5.00% - 5.53%	
Series	2003	\$ 14,700,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.10% - 6.74%	
Series	1996 through 1998a	7,481,000
Bridge Revenue Bonds		
Interest rates:	3.375% - 4.25%	
Series	1998 through 2001	<u>10,490,000</u>
Bonds legally defeased		<u><u>\$ 32,671,000</u></u>

6. Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. As of September 30, 2009, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 3,269,105
Community Development	12,107
Garage	25,485
Utility	571,514
Bridge	173,046
Golf	<u>109,511</u>
	<u><u>\$ 4,160,768</u></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, 2009, 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, 2009

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, 2009, consisted of the following:

		TRANSFER FROM				
		Governmental Funds				
		General	PEDC	Hotel/ Motel	Debt Service	Total Governmental
TRANSFER TO	General	\$ -	\$ -	\$ 1,569,439	\$ -	\$ 1,569,439
	Capital Projects	-	226,264	-	-	226,264
	Debt Service	-	497,503	-	-	497,503
	Total governmental	-	723,767	1,569,439	-	2,293,206
	Utility	100,000	-	-	-	100,000
	Bridge	-	-	80,010	408,780	488,790
	Golf	-	-	-	-	-
	Total enterprise	100,000	-	80,010	408,780	588,790
	Garage	-	-	-	-	-
	Workman's Compensation	-	-	-	-	-
	Total internal service	-	-	-	-	-
	Total	\$ 100,000	\$ 723,767	\$ 1,649,449	\$ 408,780	\$ 2,881,996

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

The transfers on this page are related to Governmental transactions. The transfer from General to Utility was for Utility's standard operations, no future transfers are expected. PEDC's transfers to Capital Projects (project subsidization) and Debt Service (debt issued for PEDC projects) are for prior year agreements and only the Debt Service transfer is expected to continue for several more years. The Hotel/Motel transfer to General was for a land purchase next to the convention center and the reimbursement of Hotel/Motel eligible expenditures and is not expected to continue in future years. The Hotel/Motel transfer to Bridge (debt issued for a Hotel/Motel project) is for prior year agreement and is expected to continue for several more years. The Debt Service transfer to the Bridge is to provide tax proceeds for the payment of general obligation debt accounted for in Bridge, this transfer will continue as long as excess debt related tax proceeds are collected.

The transfers on the following page are related to Proprietary transactions. The Utility transfers to General are for reimbursement on the use of General assets and for payroll related charges, only 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 but at a smaller level. The Golf transfer to General is for reimbursement of capital expenditures from a prior year and is expected to continue in future years. The Garage transfer to General is for payroll related expenses and is not expected to occur in future years.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

H. INTERFUND TRANSFERS - (continued)

	TRANSFER FROM				TRANSFER FROM		Grand Total
	Enterprise Funds				Internal Service Funds		
	Utility	Bridge	Golf	Total Enterprise	Garage	Total Internal Service	
General	\$ 481,237	\$ 3,259,571	\$ 30,000	\$ 3,770,808	\$ 2,156	\$ 2,156	\$ 5,342,403
Capital Projects	-	-	-	-	-	-	226,264
Debt Service	-	-	-	-	-	-	497,503
Total governmental	481,237	3,259,571	30,000	3,770,808	2,156	2,156	6,066,170
Utility	-	-	-	-	-	-	100,000
Bridge	-	-	-	-	-	-	488,790
Golf	-	-	-	-	-	-	-
Total enterprise	-	-	-	-	-	-	588,790
Garage	-	-	-	-	-	-	-
Workman's Compensation	-	-	-	-	-	-	-
Total internal service	-	-	-	-	-	-	-
Total	\$ 481,237	\$ 3,259,571	\$ 30,000	\$ 3,770,808	\$ 2,156	\$ 2,156	\$ 6,654,960

I. Restricted Assets

The balances of restricted asset as of September 30, 2009 are as follows:

Governmental Funds

Grant restrictions - Community Development	91,590
Grant restrictions - Grant	193,599
Total restricted assets - governmental funds	\$ 285,189

Business-Type Funds

Grant restrictions - Utility	\$ 2,111,865
Capital financing - Utility	49,762,399
Customer deposits - Utility	2,033,180
Debt reserves - Utility	5,814,456
Capital financing - Bridge	205,270
Debt reserves - Bridge	1,081,373
Total restricted assets - business-type funds	\$ 61,008,543

Total restricted assets \$ 61,293,732

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

IV. OTHER INFORMATION

A. Risk Management

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

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

1. Health Care Coverage

During the fiscal year, employees of the City were covered by a health insurance plan (the Plan) with Blue Cross Blue Shield of Texas (BCBST). BCBST is A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association. The City pays for 100% of the employees insurance cost and 50% of the employee's dependent's insurance cost. The City paid premiums of \$271 per month per employee and 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 employees (1) who have retired prior to January 1, 1986, (2) who have had 28 years of service prior to January 1, 1986. Currently, approximately 68 retirees meet those eligibility requirements. Furthermore, employees who retire may elect to provide hospitalization insurance benefits for themselves by paying the appropriate premium for such coverage under the City's group hospitalization plan. Also, under the terms of legal settlement during a prior year, certain firefighters will be eligible for City paid health insurance benefits upon retirement. The City pays 70% of the amount of validated claims for qualified medical and hospitalization costs incurred, after the retiree meets a deductible ranging from \$1,000 to \$2,000. The maximum out-of-pocket costs that can be incurred by a retiree in one year ranges from \$4,000 to \$6,000.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis as retirees report claims. Post-retirement benefit expense incurred by the City cannot be reasonably estimated since that amount cannot be readily separated from similar benefits provided to active employees and their dependents. Also, the estimated liability for the future payment of these claims is not presently determinable.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

IV. OTHER INFORMATION - (continued)

B. Deferred Compensation Plan

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

C. 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, 2009.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2009, they are as follows:

	Project Amount	Expended To Date	Remaining Cost
Owassa road - east	505,640	271,102	234,538
Owassa road - west	470,525	235,988	234,537
Total Governmental	\$ 976,165	\$ 507,090	\$ 469,075
Sewer collection - Engineering	\$ 32,944,358	\$ 21,388,404	\$ 11,555,954
Wastewater Plant - Engineering	2,267,590	1,323,965	943,625
Water Plant - Engineering	1,099,385	969,461	129,924
Electronic Toll System Upgrade	902,549	812,249	90,300
Total Business-Type	\$ 37,213,882	\$ 24,494,079	\$ 12,719,803
Total	\$ 38,190,047	\$ 25,001,169	\$ 13,188,878

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

IV. OTHER INFORMATION - (continued)

D. Pension Plan

1. Plan Description

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

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

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	0%
Annuity Increase (to retirees)	70% of CPI Repeating	0% of CPI

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actually determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

IV. OTHER INFORMATION - (continued)

D. Pension Plan - (continued)

3. Schedule of Funding Progress and Actuarial Assumptions

Trend Information

	Fiscal Years Ended December 31,		
	2008	2007	2007
Net Pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	1,792,715	2,898,849	2,049,966
Contributions Made	1,792,715	2,898,849	2,049,966
Net Pension Obligation at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period	30 Years - Closed Period	29 Years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7%	7%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation At	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	N/A	2.1%	0.0%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2008	\$ 26,472,033	\$ 35,134,900	75.3%	\$ 8,662,867	\$ 16,450,849	52.7%

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

IV. OTHER INFORMATION - (continued)

E. Other Post Employment Benefit (OPEB) Programs

1. Supplemental Death Benefits Plan Description

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

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

2. Supplemental Death Benefits (SDBF) Plan Contributions

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

The City’s contributions to the TMRS SDBF for the years ended 2009 and 2008 were \$57,044 and \$73,508 respectively. The 2007 year data was not available at the time of the audit. It was requested from TMRS and will be included in the next report.

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

3. Retiree Health Insurance Benefit Plan Description

The City sponsors a post-retirement plan which covers health insurance benefits. Eligible City retirees and their dependents may continue health care coverage through the City’s plan. The City is required to adopt GASB 45 for the fiscal year ended September 30, 2009.

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, 2009

IV. OTHER INFORMATION - (continued)

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

4. Retiree Health Insurance Benefit Plan Funding Policy

The policy of the City is to fund the plan on a pay-as-you-go basis. Plans are being discussed about creating an irrevocable trust to fully fund this benefit plan. During the next budget process, funds will be budgeted to reduce the OPEB obligation.

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, 2008 using June 2008 census data.

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:

	<u>As of January 1, 2008</u>
Valuation Results	
1. Present Value of Future Benefits	\$ 9,048,680
2. Actuarial Accrued Liability	6,701,179
3. Normal Cost Beginning of Year	141,425
4. Net OPEB Obligation (NOO)	-
Amortization Cost	
5. Actuarial Accrued Liability	6,701,179
6. Amortization Factor (30 years)	16.29
7. Amortization cost (5./6.)	411,368
Annual Required Contribution	
Using 30-Year Amortization	
8. Normal Cost with 4.5% Interest to EOY	147,789
9. Amortization Cost at end of year	411,368
10. Total	\$ 559,157
Assumptions	
Discount Rate	4.5%
Healthcare cost trend rate	
* 2008 - 2009	10%
* Ultimate (2014)	4.5%
Future participation rate	100%
Future retirees covering a spouse	70%
Annual OPEB Cost, Contribution, and Change in OPEB - FYE 9/30/09	
Annual required contribution prior to adjustments	\$ 559,157
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	559,157
Contributions made	(243,199)
Increase in net OPEB obligation	315,958
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ 315,958

The net OPEB obligation is recorded in our financial statements. This is the first year of fiscal OPEB recognition.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>
2009	\$559,157	43.5%

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

Actuarial Valuation Date	01/01/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Projected Salary Increases	N/A
Healthcare Inflation Rate	10% initial, 4.5% ultimate

F. Subsequent Events

Due to the City’s “improved financial position”, on December 1, 2009, Standard & Poor’s upgraded the City’s bond rating from BBB to A with a “stable” outlook.

G. New Accounting Principles

The GASB has issues statement No. 45, “Accounting and Financial Reporting by Employees Postemployment Benefits Other than Pensions,” which provide guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2008, for governments that were phase 3 for the implementation.

The GASB has issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” which provide guidance on how to calculate and report the cost and obligations associated with pollution cleanup efforts. The requirements of the new statement became effective for fiscal periods beginning after December 15, 2007.

The GASB has issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statement for periods beginning after June 15, 2009.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009.

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)
12/31/06	\$ 22,795,822	\$ 35,037,111	65.1%	\$ (12,241,289)	\$ 14,717,268	83.2%
12/31/07	24,524,749	44,233,706	55.4%	(19,708,957)	15,600,980	126.3%
12/31/08	26,472,033	35,134,900	75.3%	(8,662,867)	16,450,849	52.7%

**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%

**CITY OF PHARR, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 13,074,290	\$ 12,718,290	\$ 13,186,410	\$ 468,120
Sales	8,329,000	8,162,000	7,918,573	(243,427)
Franchise	1,858,120	1,858,120	1,952,686	94,566
Other	170,000	170,000	189,789	19,789
Licenses and permits	500,000	500,000	682,418	182,418
Intergovernmental	235,940	235,940	204,297	(31,643)
Fees and charges:				
Sanitation	3,677,100	2,077,100	2,224,725	147,625
Brush	988,380	988,380	997,379	8,999
Other	763,940	763,940	687,198	(76,742)
Fines	881,810	881,810	1,121,638	239,828
Interest income	59,000	59,000	165,147	106,147
Other	159,000	159,000	179,683	20,683
Total revenues	<u>30,696,580</u>	<u>28,633,580</u>	<u>29,509,943</u>	<u>876,363</u>
EXPENDITURES				
Current:				
General government	6,709,980	6,817,340	4,943,223	1,874,117
Public safety	17,652,370	18,343,230	17,381,091	962,139
Highways and streets	1,961,690	2,238,490	2,081,892	156,598
Health and welfare	4,413,550	2,813,550	2,298,403	515,147
Culture and recreation	3,426,490	3,373,830	3,242,551	131,279
Total expenditures	<u>34,164,080</u>	<u>33,586,440</u>	<u>29,947,160</u>	<u>3,639,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,467,500)</u>	<u>(4,952,860)</u>	<u>(437,217)</u>	<u>4,515,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,580,540	5,292,450	5,342,403	49,953
Transfers (out)	(113,040)	(279,620)	(100,000)	179,620
Total other financing sources and uses	<u>3,467,500</u>	<u>5,012,830</u>	<u>5,242,403</u>	<u>229,573</u>
Net change in fund balance	-	59,970	4,805,186	4,745,216
Fund balance - beginning	3,886,237	3,886,237	3,886,237	-
Prior period adjustment	(252,276)	(252,276)	(252,276)	-
Fund balance - ending	<u>\$ 3,633,961</u>	<u>\$ 3,693,931</u>	<u>\$ 8,439,147</u>	<u>\$ 4,745,216</u>

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

CITY OF PHARR, TEXAS
ECONOMIC DEVELOPMENT CORPORATION 4A FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 2,775,000	\$ 2,775,000	\$ 1,366,385	\$ (1,408,615)
Other	400,000	400,000	-	(400,000)
Fees and charges:				
Other	-	-	452,559	452,559
Interest income	95,000	95,000	77,776	(17,224)
Other	1,000	1,000	339	(661)
Total revenues	<u>3,271,000</u>	<u>3,271,000</u>	<u>1,897,059</u>	<u>(1,373,941)</u>
EXPENDITURES				
Current:				
Economic development	5,702,298	5,702,298	2,165,484	3,536,814
Debt service:				
Principal	1,103,903	1,103,903	1,829,885	(725,982)
Interest	-	-	94,790	(94,790)
Total expenditures	<u>6,806,201</u>	<u>6,806,201</u>	<u>4,090,159</u>	<u>2,716,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,535,201)</u>	<u>(3,535,201)</u>	<u>(2,193,100)</u>	<u>1,342,101</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(723,767)	(723,767)
Proceeds from sale of land	1,325,000	1,325,000	3,587,232	2,262,232
Total other financing sources and uses	<u>1,325,000</u>	<u>1,325,000</u>	<u>2,863,465</u>	<u>1,538,465</u>
Net change in fund balance	<u>(2,210,201)</u>	<u>(2,210,201)</u>	<u>670,365</u>	<u>2,880,566</u>
Fund balance - beginning	<u>4,434,852</u>	<u>4,434,852</u>	<u>4,434,852</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,224,651</u>	<u>\$ 2,224,651</u>	<u>\$ 5,105,217</u>	<u>\$ 2,880,566</u>

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

CITY OF PHARR, TEXAS
ECONOMIC DEVELOPMENT CORPORATION 4B FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ -	\$ -	\$ 1,273,139	\$ 1,273,139
Interest income	-	-	1,283	1,283
Total revenues	<u>-</u>	<u>-</u>	<u>1,274,422</u>	<u>1,274,422</u>
EXPENDITURES				
Current:				
Economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,274,422</u>	<u>1,274,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Proceeds from sale of land	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>1,274,422</u>	<u>1,274,422</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,274,422</u>	<u>\$ 1,274,422</u>

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



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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.

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

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

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

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

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

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



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**CITY OF PHARR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
<u>ASSETS</u>				
Cash	\$ 235,057	\$ 617,373	\$ 447,365	\$ 221,920
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	66,968	-	-
Accounts	-	-	-	-
Other	-	-	-	500
Inventories	-	-	58,029	-
Due from other funds	-	72,617	-	-
Restricted assets:				
Intergovernmental receivable	-	91,590	-	-
Total assets	<u>\$ 235,057</u>	<u>\$ 848,548</u>	<u>\$ 505,394</u>	<u>\$ 222,420</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 59,943	\$ 1,585	\$ 1,600	\$ -
Due to other funds	3,776	282,341	3,979	-
Deferred property tax	-	-	-	-
Deferred accounts	-	-	-	-
Deferred revenue	-	124,955	-	-
Total liabilities	<u>63,719</u>	<u>408,881</u>	<u>5,579</u>	<u>-</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved for:				
Special revenue	<u>171,338</u>	<u>439,667</u>	<u>499,815</u>	<u>222,420</u>
Total fund balances	<u>171,338</u>	<u>439,667</u>	<u>499,815</u>	<u>222,420</u>
Total liabilities and fund balances	<u>\$ 235,057</u>	<u>\$ 848,548</u>	<u>\$ 505,394</u>	<u>\$ 222,420</u>

<u>Special Revenues</u>			<u>Grants</u>	<u>Total</u>		<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>			
\$	1,324,668	\$	24,628	\$	2,871,011	\$	-	\$	27,947	\$	2,898,958
	-		-		-		-		266,477		266,477
	-		-		66,968		-		-		66,968
	103,982		-		103,982		-		-		103,982
	-		-		500		-		-		500
	-		-		58,029		-		-		58,029
	107,307		-		179,924		-		-		179,924
	-		193,599		285,189		-		-		285,189
\$	<u>1,535,957</u>	\$	<u>218,227</u>	\$	<u>3,565,603</u>	\$	<u>-</u>	\$	<u>294,424</u>	\$	<u>3,860,027</u>
\$	32,283	\$	-	\$	95,411	\$	-	\$	-	\$	95,411
	-		193,599		483,695		-		143		483,838
	-		-		-		-		266,477		266,477
	102,307		-		102,307		-		-		102,307
	<u>1,401,367</u>		<u>24,628</u>		<u>1,550,950</u>		<u>-</u>		<u>-</u>		<u>1,550,950</u>
	<u>1,535,957</u>		<u>218,227</u>		<u>2,232,363</u>		<u>-</u>		<u>266,620</u>		<u>2,498,983</u>
	-		-		-		-		27,804		27,804
	-		-		1,333,240		-		-		1,333,240
	-		-		1,333,240		-		27,804		1,361,044
\$	<u>1,535,957</u>	\$	<u>218,227</u>	\$	<u>3,565,603</u>	\$	<u>-</u>	\$	<u>294,424</u>	\$	<u>3,860,027</u>

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	664,083	-
Intergovernmental	375,986	1,159,735	-	-
Fees and charges:				
Other	-	-	-	19,930
Interest income	7,166	800	25,302	4,108
Contributions and donations	-	-	-	-
Other	2,600	4,630	-	-
Total revenues	<u>385,752</u>	<u>1,165,165</u>	<u>689,385</u>	<u>24,038</u>
EXPENDITURES				
Current:				
General government	-	373,099	898,818	-
Public safety	603,521	241,715	-	-
Highways and streets	-	143,963	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	112,399	-	27,132
Debt service:				
Principal	-	240,000	-	-
Interest	-	43,931	-	-
Total expenditures	<u>603,521</u>	<u>1,155,107</u>	<u>898,818</u>	<u>27,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,769)</u>	<u>10,058</u>	<u>(209,433)</u>	<u>(3,094)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(1,649,449)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(1,649,449)</u>	<u>-</u>
Net change in fund balances	(217,769)	10,058	(1,858,882)	(3,094)
Fund balance - beginning	389,107	263,029	2,358,697	225,514
Prior period adjustment	-	166,580	-	-
Fund balance - ending	<u>\$ 171,338</u>	<u>\$ 439,667</u>	<u>\$ 499,815</u>	<u>\$ 222,420</u>

<u>Special Revenues</u>			<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Revenues</u>	<u>Grants</u>	<u>Total</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ -	\$ -	\$ 1,663,973	\$ 1,663,973
-	-	664,083	-	-	664,083
-	708,378	2,244,099	-	-	2,244,099
-	-	-	-	-	-
-	-	19,930	-	85,990	105,920
-	-	37,376	-	14,445	51,821
-	-	-	67,109	-	67,109
-	-	7,230	-	-	7,230
<u>-</u>	<u>708,378</u>	<u>2,972,718</u>	<u>67,109</u>	<u>1,764,408</u>	<u>4,804,235</u>
-	-	1,271,917	-	4,819	1,276,736
-	619,269	1,464,505	-	-	1,464,505
-	-	143,963	273,024	-	416,987
-	20,000	20,000	-	-	20,000
-	69,109	208,640	20,349	-	228,989
-	-	240,000	-	1,265,000	1,505,000
-	-	43,931	-	839,069	883,000
<u>-</u>	<u>708,378</u>	<u>3,392,956</u>	<u>293,373</u>	<u>2,108,888</u>	<u>5,795,217</u>
-	-	(420,238)	(226,264)	(344,480)	(990,982)
-	-	-	226,264	497,503	723,767
-	-	(1,649,449)	-	(408,780)	(2,058,229)
-	-	(1,649,449)	226,264	88,723	(1,334,462)
-	-	(2,069,687)	-	(255,757)	(2,325,444)
-	928	3,237,275	-	283,561	3,520,836
-	(928)	165,652	-	-	165,652
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,333,240</u>	<u>\$ -</u>	<u>\$ 27,804</u>	<u>\$ 1,361,044</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.

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

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

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

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

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

**CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Taxes:				
Property				
Current	\$ 11,871,930	\$ 11,515,930	\$ 11,775,547	\$ 259,617
Delinquent	663,200	663,200	825,273	162,073
Penalty & interest	486,350	486,350	585,590	99,240
Other	52,810	52,810	-	(52,810)
Total property taxes	13,074,290	12,718,290	13,186,410	468,120
Sales	8,329,000	8,162,000	7,918,573	(243,427)
Franchise				
Telephone	272,950	272,950	267,995	(4,955)
Electric	1,332,820	1,332,820	1,482,709	149,889
Cable	139,050	139,050	114,085	(24,965)
Gas	113,300	113,300	87,897	(25,403)
Total franchise taxes	1,858,120	1,858,120	1,952,686	94,566
Other	170,000	170,000	189,789	19,789
Total taxes	23,431,410	22,908,410	23,247,458	339,048
Licenses and permits				
Building	300,000	300,000	428,242	128,242
Vocational	177,000	177,000	167,695	(9,305)
Other	23,000	23,000	86,481	63,481
Total licenses & permits	500,000	500,000	682,418	182,418
Intergovernmental				
Local school districts	229,940	229,940	194,246	(35,694)
County	6,000	6,000	10,051	4,051
Total intergovernmental	235,940	235,940	204,297	(31,643)
Fees and charges:				
Sanitation	3,677,100	2,077,100	2,224,725	147,625
Brush	988,380	988,380	997,379	8,999
Other	763,940	763,940	687,198	(76,742)
Total fees & charges	5,429,420	3,829,420	3,909,302	79,882
Fines				
Court	854,810	854,810	1,077,339	222,529
Other	27,000	27,000	44,299	17,299
Total fines	881,810	881,810	1,121,638	239,828
Special assessments	-	60,000	-	(60,000)
Interest income	59,000	59,000	165,147	106,147
Other	159,000	159,000	179,683	20,683
Total revenues	\$ 30,696,580	\$ 28,633,580	\$ 29,509,943	\$ 876,363

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - Continues
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXPENDITURES

Current:

General government				
City manager	909,400	991,040	872,836	118,204
Finance	625,370	634,940	521,877	113,063
Administrative services	394,470	461,120	469,445	(8,325)
Planning	1,103,530	1,086,910	932,208	154,702
Non-departmental	3,677,210	3,643,330	2,146,855	1,496,475
Total general government	<u>6,709,980</u>	<u>6,817,340</u>	<u>4,943,221</u>	<u>1,874,119</u>
Public safety				
Police	10,827,360	10,681,420	10,023,948	657,472
Traffic safety	1,108,230	1,151,190	1,022,251	128,939
Court	398,780	393,740	442,133	(48,393)
Fire	5,318,000	6,116,880	5,892,759	224,121
Total public safety	<u>17,652,370</u>	<u>18,343,230</u>	<u>17,381,091</u>	<u>962,139</u>
Highways and streets	1,961,690	2,238,490	2,081,892	156,598
Health and welfare				
Garbage	3,605,000	2,005,000	1,564,266	440,734
Brush	572,300	572,300	533,953	38,347
Animal control	236,250	236,250	200,185	36,065
Total health and welfare	<u>4,413,550</u>	<u>2,813,550</u>	<u>2,298,404</u>	<u>515,146</u>
Culture and recreation				
Library	1,090,720	1,074,290	958,367	115,923
Parks	2,335,770	2,299,540	2,284,185	15,355
Total culture and recreation	<u>3,426,490</u>	<u>3,373,830</u>	<u>3,242,552</u>	<u>131,278</u>
Total expenditures	<u>34,164,080</u>	<u>33,586,440</u>	<u>29,947,160</u>	<u>3,639,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,467,500)</u>	<u>(4,952,860)</u>	<u>(437,217)</u>	<u>4,515,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Bridge	3,106,540	3,248,570	3,259,571	11,001
Utility	444,000	444,000	481,237	37,237
Golf	30,000	30,000	30,000	-
Hotel	-	1,569,880	1,569,439	(441)
City garage	-	-	2,156	2,156
Total transfers in	<u>3,580,540</u>	<u>5,292,450</u>	<u>5,342,403</u>	<u>49,953</u>
Transfers (out)				
Utility	-	-	(100,000)	(100,000)
Golf	(83,040)	(83,040)	-	83,040
Volunteer firemen	(30,000)	(30,000)	-	30,000
Community Development	-	(166,580)	-	166,580
Total transfers (out)	<u>(113,040)</u>	<u>(279,620)</u>	<u>(100,000)</u>	<u>179,620</u>
Total other financing sources and uses	<u>3,467,500</u>	<u>5,012,830</u>	<u>5,242,403</u>	<u>229,573</u>
Net change in fund balance	<u>-</u>	<u>59,970</u>	<u>4,805,186</u>	<u>4,745,216</u>
Fund balance - beginning	3,886,237	3,886,237	3,886,237	-
Prior period adjustment	(252,276)	(252,276)	(252,276)	-
Fund balance - ending	<u>\$ 3,633,961</u>	<u>\$ 3,693,931</u>	<u>\$ 8,439,147</u>	<u>\$ 4,745,216</u>

**CITY OF PHARR, TEXAS
ASSET SHARING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 375,986	\$ 225,986
Interest income	1,500	1,500	7,166	5,666
Other	-	-	2,600	2,600
Total revenues	<u>151,500</u>	<u>151,500</u>	<u>385,752</u>	<u>234,252</u>
EXPENDITURES				
Current:				
Public safety	151,500	151,500	603,521	(452,021)
Total expenditures	<u>151,500</u>	<u>151,500</u>	<u>603,521</u>	<u>(452,021)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(217,769)</u>	<u>(217,769)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(217,769)</u>	<u>(217,769)</u>
Fund balance - beginning	<u>389,107</u>	<u>389,107</u>	<u>389,107</u>	<u>-</u>
Fund balance - ending	<u>\$ 389,107</u>	<u>\$ 389,107</u>	<u>\$ 171,338</u>	<u>\$ (217,769)</u>

**CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,574,820	\$ 1,574,820	\$ 1,159,735	\$ (415,085)
Interest income	-	-	800	800
Other	-	-	4,630	4,630
Total revenues	<u>1,574,820</u>	<u>1,574,820</u>	<u>1,165,165</u>	<u>(409,655)</u>
EXPENDITURES				
Current:				
General government	442,040	442,040	373,099	68,941
Public safety	613,850	613,850	241,715	372,135
Highways and streets	100,000	100,000	143,963	(43,963)
Culture and recreation	135,000	135,000	112,399	22,601
Debt service:				
Principal	240,000	240,000	240,000	-
Interest	43,930	43,930	43,931	(1)
Total expenditures	<u>1,574,820</u>	<u>1,574,820</u>	<u>1,155,107</u>	<u>419,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>10,058</u>	<u>10,058</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>10,058</u>	<u>10,058</u>
Fund balance - beginning	263,029	263,029	263,029	-
Prior period adjustment	<u>166,580</u>	<u>166,580</u>	<u>166,580</u>	<u>-</u>
Fund balance - ending	<u>\$ 429,609</u>	<u>\$ 429,609</u>	<u>\$ 439,667</u>	<u>\$ 10,058</u>

**CITY OF PHARR, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Other	\$ 890,000	\$ 890,000	\$ 664,083	\$ (225,917)
Interest income	30,000	30,000	25,302	(4,698)
Total revenues	<u>920,000</u>	<u>920,000</u>	<u>689,385</u>	<u>(230,615)</u>
EXPENDITURES				
Current:				
General government	390,000	440,000	898,818	(458,818)
Total expenditures	<u>390,000</u>	<u>440,000</u>	<u>898,818</u>	<u>(458,818)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>530,000</u>	<u>480,000</u>	<u>(209,433)</u>	<u>(689,433)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(80,010)	(1,649,890)	(1,649,449)	441
Total other financing sources and uses	<u>(80,010)</u>	<u>(1,649,890)</u>	<u>(1,649,449)</u>	<u>441</u>
Net change in fund balance	449,990	(1,169,890)	(1,858,882)	(688,992)
Fund balance - beginning	<u>2,358,697</u>	<u>2,358,697</u>	<u>2,358,697</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,808,687</u>	<u>\$ 1,188,807</u>	<u>\$ 499,815</u>	<u>\$ (688,992)</u>

**CITY OF PHARR, TEXAS
PARKLAND DEDICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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	\$ -	\$ -	\$ 19,930	\$ 19,930
Interest income	-	-	4,108	4,108
Total revenues	<u>-</u>	<u>-</u>	<u>24,038</u>	<u>24,038</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	27,132	(27,132)
Total expenditures	<u>-</u>	<u>-</u>	<u>27,132</u>	<u>(27,132)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,094)</u>	<u>(3,094)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(3,094)	(3,094)
Fund balance - beginning	<u>225,514</u>	<u>225,514</u>	<u>225,514</u>	<u>-</u>
Fund balance - ending	<u>\$ 225,514</u>	<u>\$ 225,514</u>	<u>\$ 222,420</u>	<u>\$ (3,094)</u>

**CITY OF PHARR, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 540,050	\$ 540,050	\$ 708,378	\$ 168,328
Total revenues	<u>540,050</u>	<u>540,050</u>	<u>708,378</u>	<u>168,328</u>
EXPENDITURES				
Current:				
Public safety	525,230	525,230	619,269	(94,039)
Health and welfare	-	-	20,000	(20,000)
Culture and recreation	64,820	64,820	69,109	(4,289)
Total expenditures	<u>590,050</u>	<u>590,050</u>	<u>708,378</u>	<u>(118,328)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(50,000)	(50,000)	-	50,000
Fund balance - beginning	928	928	928	-
Prior period adjustment	(928)	(928)	(928)	-
Fund balance - ending	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 50,000</u>

**CITY OF PHARR, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Contributions and donations	\$ -	\$ -	\$ 67,109	\$ 67,109
Total revenues	<u>-</u>	<u>-</u>	<u>67,109</u>	<u>67,109</u>
EXPENDITURES				
Current:				
Highways and streets	-	-	273,024	(273,024)
Culture and recreation	-	-	20,349	(20,349)
Total expenditures	<u>-</u>	<u>-</u>	<u>293,373</u>	<u>(293,373)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(226,264)</u>	<u>(226,264)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	226,264	226,264
Bond/loan proceeds	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>226,264</u>	<u>226,264</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Prior period adjustment	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PHARR, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,644,710	\$ 1,597,710	\$ 1,663,973	\$ 66,263
Other	63,650	63,650	85,990	22,340
Interest income	15,000	15,000	14,445	(555)
Total revenues	<u>1,723,360</u>	<u>1,676,360</u>	<u>1,764,408</u>	<u>88,048</u>
EXPENDITURES				
Current:				
General government	8,000	8,000	4,819	3,181
Debt service:				
Principal	1,265,000	1,265,000	1,265,000	-
Interest	839,080	839,080	839,069	11
Total expenditures	<u>2,112,080</u>	<u>2,112,080</u>	<u>2,108,888</u>	<u>3,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(388,720)</u>	<u>(435,720)</u>	<u>(344,480)</u>	<u>91,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	497,500	497,500	497,503	3
Transfers (out)	<u>(108,780)</u>	<u>(108,780)</u>	<u>(408,780)</u>	<u>(300,000)</u>
Bond/loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>388,720</u>	<u>388,720</u>	<u>88,723</u>	<u>(299,997)</u>
Net change in fund balance	-	(47,000)	(255,757)	(208,757)
Fund balance - beginning	<u>283,561</u>	<u>283,561</u>	<u>283,561</u>	<u>-</u>
Fund balance - ending	<u>\$ 283,561</u>	<u>\$ 236,561</u>	<u>\$ 27,804</u>	<u>\$ (208,757)</u>



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

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

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

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

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

CITY OF PHARR, TEXAS
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<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:				
Water sales	\$ 6,250,000	\$ 6,250,000	\$ 6,724,713	\$ 474,713
Sewer service	5,080,000	5,080,000	5,297,574	217,574
Tap fees	250,000	250,000	271,106	21,106
Other	125,000	125,000	167,364	42,364
Total operating revenues	<u>11,705,000</u>	<u>11,705,000</u>	<u>12,460,757</u>	<u>755,757</u>
OPERATING EXPENSES				
Personnel services	2,782,250	2,766,270	2,418,672	347,598
Supplies and Materials	1,297,250	1,422,030	1,351,330	70,700
Contractual Services	2,363,740	2,188,090	1,944,487	243,603
Depreciation	-	-	1,762,901	(1,762,901)
Total operating expenses	<u>6,443,240</u>	<u>6,376,390</u>	<u>7,477,390</u>	<u>(1,101,000)</u>
Operating income (loss)	<u>5,261,760</u>	<u>5,328,610</u>	<u>4,983,367</u>	<u>(345,243)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	500,000	500,000	787,007	287,007
Interest expense	(4,426,390)	(4,426,390)	(1,537,973)	2,888,417
Amortization expense	-	-	(109,380)	(109,380)
Intergovernmental	491,280	491,280	12,868,710	12,377,430
Other	36,780	36,780	11,271	(25,509)
Total nonoperating revenues/ (expenses)	<u>(3,398,330)</u>	<u>(3,398,330)</u>	<u>12,019,635</u>	<u>15,417,965</u>
Income before contributions and transfers	<u>1,863,430</u>	<u>1,930,280</u>	<u>17,003,002</u>	<u>15,072,722</u>
Transfers in	933,540	933,540	100,000	(833,540)
Transfers (out)	(1,377,540)	(1,377,540)	(481,237)	896,303
Capital contributions	-	-	333,493	333,493
Changes in net assets	<u>1,419,430</u>	<u>1,486,280</u>	<u>16,955,258</u>	<u>15,468,978</u>
Total net assets - beginning	53,746,079	53,746,079	53,746,079	-
Prior period adjustment	(36,727)	(36,727)	(36,727)	-
Total net assets - ending	<u>\$ 55,128,782</u>	<u>\$ 55,195,632</u>	<u>\$ 70,664,610</u>	<u>\$ 15,468,978</u>

**CITY OF PHARR, TEXAS
BRIDGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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	\$ 8,405,000	\$ 8,405,000	\$ 9,221,485	\$ 816,485
Other	86,000	86,000	79,267	(6,733)
Total operating revenues	<u>8,491,000</u>	<u>8,491,000</u>	<u>9,300,752</u>	<u>809,752</u>
OPERATING EXPENSES				
Personnel services	1,011,810	1,002,280	937,720	64,560
Supplies and Materials	70,000	70,000	61,571	8,429
Contractual Services	1,600,200	1,639,020	526,333	1,112,687
Depreciation	-	-	692,891	(692,891)
Total operating expenses	<u>2,682,010</u>	<u>2,711,300</u>	<u>2,218,515</u>	<u>492,785</u>
Operating income (loss)	<u>5,808,990</u>	<u>5,779,700</u>	<u>7,082,237</u>	<u>1,302,537</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	70,000	70,000	84,669	14,669
Interest expense	(2,701,510)	(2,701,510)	(534,746)	2,166,764
Amortization expense	-	-	(221,718)	(221,718)
Other	900,000	900,000	68,112	(831,888)
Total nonoperating revenues/ (expenses)	<u>(1,731,510)</u>	<u>(1,731,510)</u>	<u>(603,683)</u>	<u>1,127,827</u>
Income before contributions and transfers	<u>4,077,480</u>	<u>4,048,190</u>	<u>6,478,554</u>	<u>2,430,364</u>
Transfers in	188,790	188,790	488,790	300,000
Transfers (out)	(4,806,540)	(4,948,570)	(3,259,571)	1,688,999
Changes in net assets	<u>(540,270)</u>	<u>(711,590)</u>	<u>3,707,773</u>	<u>4,419,363</u>
Total net assets - beginning	<u>9,584,420</u>	<u>9,584,420</u>	<u>9,584,420</u>	<u>-</u>
Total net assets - ending	<u>\$ 9,044,150</u>	<u>\$ 8,872,830</u>	<u>\$ 13,292,193</u>	<u>\$ 4,419,363</u>

**CITY OF PHARR, TEXAS
GOLF FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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	\$ 725,000	\$ 725,000	\$ 719,778	\$ (5,222)
Other	110,000	110,000	136,509	26,509
Total operating revenues	<u>835,000</u>	<u>835,000</u>	<u>856,287</u>	<u>21,287</u>
OPERATING EXPENSES				
Personnel services	581,780	581,780	531,786	49,994
Supplies and Materials	62,100	79,500	79,011	489
Contractual Services	252,200	234,800	237,939	(3,139)
Depreciation	-	-	196,830	(196,830)
Total operating expenses	<u>896,080</u>	<u>896,080</u>	<u>1,045,566</u>	<u>(149,486)</u>
Operating income (loss)	<u>(61,080)</u>	<u>(61,080)</u>	<u>(189,279)</u>	<u>(128,199)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	1,500	1,500	5,600	4,100
Interest expense	(23,460)	(23,460)	(1,006)	22,454
Other	30,000	30,000	27,924	(2,076)
Total nonoperating revenues/ (expenses)	<u>8,040</u>	<u>8,040</u>	<u>32,518</u>	<u>24,478</u>
Income before contributions and transfers	<u>(53,040)</u>	<u>(53,040)</u>	<u>(156,761)</u>	<u>(103,721)</u>
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Changes in net assets	<u>(83,040)</u>	<u>(83,040)</u>	<u>(186,761)</u>	<u>(103,721)</u>
Total net assets - beginning	<u>4,223,816</u>	<u>4,223,816</u>	<u>4,223,816</u>	<u>-</u>
Total net assets - ending	<u>\$ 4,140,776</u>	<u>\$ 4,140,776</u>	<u>\$ 4,037,055</u>	<u>\$ (103,721)</u>

**CITY OF PHARR, TEXAS
GARAGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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	\$ 481,260	\$ 481,260	\$ 454,998	\$ (26,262)
Total operating revenues	<u>481,260</u>	<u>481,260</u>	<u>454,998</u>	<u>(26,262)</u>
OPERATING EXPENSES				
Personnel services	188,210	188,460	163,569	24,891
Supplies and Materials	8,950	6,400	4,129	2,271
Contractual Services	284,100	286,400	273,038	13,362
Depreciation	-	-	54,486	(54,486)
Total operating expenses	<u>481,260</u>	<u>481,260</u>	<u>495,222</u>	<u>(13,962)</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>(40,224)</u>	<u>(40,224)</u>
NON OPERATING REVENUES/(EXPENSES):				
Other	-	-	71	71
Total nonoperating revenues/ (expenses)	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
Income before contributions and transfers	<u>-</u>	<u>-</u>	<u>(40,153)</u>	<u>(40,153)</u>
Transfers (out)	<u>-</u>	<u>-</u>	<u>(2,156)</u>	<u>(2,156)</u>
Changes in net assets	<u>-</u>	<u>-</u>	<u>(42,309)</u>	<u>(42,309)</u>
Total net assets - beginning	691,575	691,575	691,575	-
Prior period adjustment	<u>10,376</u>	<u>10,376</u>	<u>10,376</u>	<u>-</u>
Total net assets - ending	<u>\$ 701,951</u>	<u>\$ 701,951</u>	<u>\$ 659,642</u>	<u>\$ (42,309)</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 FUND
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

		<u>City Garage</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$	54,536
Inventories		13,464
Due from other funds		1,331
Total current assets		<u>69,331</u>
Noncurrent assets:		
Capital assets (net of accumulated: depreciation):		
Buildings		498,833
Improvements other than buildings		105,580
Machinery and equipment		32,675
Total capital assets, net of accumulated depreciation		<u>637,088</u>
Total noncurrent assets		<u>637,088</u>
Total assets	\$	<u><u>706,419</u></u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$	18,254
Due to other funds		3,038
Total current liabilities		<u>21,292</u>
Current liabilities payable from restricted assets:		
Matured accrued compensation		5,097
Total current liabilities payable from restricted assets		<u>5,097</u>
Noncurrent liabilities:		
Accrued compensation		20,388
Total noncurrent liabilities		<u>20,388</u>
Total liabilities		<u>46,777</u>
<u>NET ASSETS</u>		
Net assets:		
Invested in capital assets, net of related debt		637,088
Unrestricted		22,554
Total net assets	\$	<u><u>659,642</u></u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	City Garage
Operating revenues:	
Charges for sales and services:	
Other	\$ 454,998
Total operating revenues	454,998
Operating expenses:	
Personnel services	163,569
Supplies and Materials	4,129
Contractual Services	273,038
Depreciation	54,486
Total operating expenses	495,222
Operating income (loss)	(40,224)
Nonoperating revenues (expenses):	
Other	71
Total nonoperating revenues (expenses)	71
Income before contributions and transfers	(40,153)
Transfers out	(2,156)
Changes in net assets	(42,309)
Total net assets - beginning	691,575
Prior period adjustment	10,376
Total net assets - ending	\$ 659,642

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

		City Garage
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	454,998
Payments to suppliers		(3,307)
Payments to employees		(167,002)
Payments for contractual services		(357,132)
Net cash flow from operating activities		(72,443)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances (to)/from other funds		(2,787)
Transfers out to other funds		(2,156)
Net cash provided (used) by noncapital and related financing activities		(4,943)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		-
Net cash provided (used) by capital and related financing activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received		-
Net cash provided (used) by investing activities		-
Net increase/(decrease) in cash		(77,386)
Cash beginning of fiscal year		131,922
Cash end of fiscal year	\$	54,536
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$	(40,224)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		54,486
(Increase) Decrease in Inventories		821
Increase (Decrease) in Accounts Payable		(84,093)
Increase (Decrease) in Accrued Compensation		(3,433)
Total adjustments		(32,219)
Net cash provided by operating activities	\$	(72,443)



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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.	87
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	92
Debt Capacity	
These schedules present information to help the reader assess the afford-ability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	96
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place	101
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	103

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 17,432	\$ 26,339	\$ 28,230	\$ 28,849	\$ 40,172	\$ 50,941	\$ 50,764
Restricted	5,054	1,998	6,490	6,763	14,781	8,115	7,904
Unrestricted	5,268	3,983	5,147	8,067	2,620	4,822	13,275
Total governmental activities net assets	<u>\$ 27,754</u>	<u>\$ 32,320</u>	<u>\$ 39,867</u>	<u>\$ 43,679</u>	<u>\$ 57,574</u>	<u>\$ 63,878</u>	<u>\$ 71,943</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 21,320	\$ 28,366	\$ 38,635	\$ 38,336	\$ 46,566	\$ 59,224	\$ 78,359
Restricted	4,349	9,278	2,943	1,950	3,018	5,762	7,759
Unrestricted	15,221	8,165	3,390	11,401	4,593	2,568	2,572
Total business-type activities net assets	<u>\$ 40,890</u>	<u>\$ 45,809</u>	<u>\$ 44,968</u>	<u>\$ 51,687</u>	<u>\$ 54,177</u>	<u>\$ 67,554</u>	<u>\$ 88,691</u>
Primary government							
Invested in capital assets, net of related debt	\$ 38,752	\$ 54,705	\$ 66,865	\$ 67,185	\$ 86,738	\$ 110,165	\$ 129,124
Restricted	9,403	11,276	9,433	8,713	17,800	13,877	15,663
Unrestricted	20,489	12,148	8,537	19,468	7,213	7,390	15,848
Total primary government net assets	<u>\$ 68,644</u>	<u>\$ 78,129</u>	<u>\$ 84,835</u>	<u>\$ 95,366</u>	<u>\$ 111,751</u>	<u>\$ 131,433</u>	<u>\$ 160,634</u>

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

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

Expenses	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
General government	\$ 6,484	\$ 4,386	\$ 5,463	\$ 7,181	\$ 8,178	\$ 8,265	\$ 7,594
Public safety	10,331	13,179	14,069	15,000	16,504	18,495	19,177
Streets		2,140	2,276	2,361	2,442	2,114	2,268
Sanitation	2,453	3,411	3,519	3,227	3,518	4,537	2,312
Culture and recreation	826	3,156	3,248	3,253	3,340	3,831	3,563
Economic development	105	2,503	2,198	1,754	2,653	-	-
Debt service	1,880	1,537	1,478	1,365	1,433	1,122	1,041
Total governmental activities expenses	22,079	30,312	32,251	34,141	38,068	38,365	35,955
Business-type activities:							
Utility	5,085	6,298	6,885	7,576	7,879	9,291	9,125
Toll Bridge	2,070	3,244	3,830	3,156	3,454	3,300	2,975
Tierra Del Sol Golf Course	965	1,239	988	1,054	1,241	1,171	1,047
Total business-type activities expenses	8,120	10,781	11,703	11,786	12,574	13,763	13,146
Total primary government expenses	\$ 30,199	\$ 41,093	\$ 43,954	\$ 45,927	\$ 50,642	\$ 52,127	\$ 49,102
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 125	\$ 705	\$ 2,051	\$ 208	\$ 1,790	\$ 2,375	\$ 1,970
Public Safety	11	1,038	63	571	1,908	1,662	3,841
Streets	-	-	-	85	472	67	3
Sanitation	3,055	3,069	3,464	3,006	3,274	4,969	3,256
Culture and recreation	71	488	489	131	911	372	131
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Operating grants and contributions	79	1,944	1,753	1,648	1,867	2,465	2,448
Capital grants and contributions	3,349	1,067	-	1,094	-	1,481	256
Total governmental activities program revenues	6,690	8,311	7,820	6,743	10,222	13,391	11,906
Business-type activities:							
Charges for services:							
Utility	6,079	6,475	7,645	11,200	10,851	12,483	12,461
Toll Bridge	5,811	6,669	7,611	7,714	8,058	8,281	9,301
Tierra Del Sol Golf Course	696	737	809	350	631	766	856
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	2,936	250	-	-	6,940	13,899
Total business-type activities program revenues	12,586	16,817	16,315	19,264	19,540	28,469	36,517
Total primary government program revenues	\$ 19,276	\$ 25,128	\$ 24,135	\$ 26,007	\$ 29,762	\$ 41,861	\$ 48,423
Net (expense)/revenue							
Governmental activities	\$ (15,389)	\$ (22,001)	\$ (24,431)	\$ (27,398)	\$ (27,846)	\$ (24,973)	\$ (24,049)
Business-type activities	4,466	6,036	4,612	7,478	6,966	14,707	23,371
Total primary government net expense	\$ (10,923)	\$ (15,965)	\$ (19,819)	\$ (19,920)	\$ (20,880)	\$ (10,267)	\$ (679)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 6,328	\$ 8,595	\$ 9,713	\$ 10,475	\$ 11,276	\$ 13,082	\$ 14,900
Sales taxes	8,272	9,297	10,043	11,346	11,160	11,305	10,558
Other Taxes	289	2,163	2,283	2,543	2,912	3,087	2,807
Investment earnings	440	162	306	419	445	357	296
Grants, Donations, and Miscellaneous Transfers	2,004	1,459	2,657	3,854	2,159	365	458
	-	1,640	6,362	2,288	8,655	2,190	3,182
Total governmental activities	<u>17,333</u>	<u>23,316</u>	<u>31,364</u>	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>	<u>32,201</u>
Business-type activities:							
Investment earnings	-	35	610	1,011	866	1,451	877
Grants, Donations, and Miscellaneous Transfers	699	403	10	-	495	218	107
	-	(1,640)	(6,362)	(2,288)	(8,655)	(2,190)	(3,182)
Total business-type activities	<u>699</u>	<u>(1,202)</u>	<u>(5,742)</u>	<u>(1,277)</u>	<u>(7,294)</u>	<u>(521)</u>	<u>(2,197)</u>
Total primary government	<u>\$ 18,032</u>	<u>\$ 22,114</u>	<u>\$ 25,622</u>	<u>\$ 29,648</u>	<u>\$ 29,313</u>	<u>\$ 29,865</u>	<u>\$ 30,003</u>
Change in Net Assets							
Governmental activities	\$ 1,944	\$ 1,315	\$ 6,933	\$ 3,527	\$ 8,761	\$ 5,413	\$ 8,152
Business-type activities	\$ 5,165	\$ 4,834	(1,130)	6,201	(328)	14,185	21,173
Total primary government	<u>\$ 7,109</u>	<u>\$ 6,149</u>	<u>\$ 5,803</u>	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,598</u>	<u>\$ 29,325</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)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund										
Reserved	\$ 51	\$ 60	\$ 54	\$ 54	\$ 3,037	\$ 3,903	\$ 7,405	\$11,002	\$ 1,049	\$ 102
Unreserved, undesignated	3,156	4,091	3,825	3,489	1,433	602	195	(6,402)	2,081	8,338
Designated	-	-	-	-	-	1,327	-	-	756	-
Total general fund	<u>\$ 3,207</u>	<u>\$ 4,151</u>	<u>\$ 3,879</u>	<u>\$ 3,543</u>	<u>\$ 4,470</u>	<u>\$ 5,832</u>	<u>\$ 7,600</u>	<u>\$ 4,600</u>	<u>\$ 3,886</u>	<u>\$ 8,440</u>
All other governmental funds										
Reserved	\$ 82	\$ 74	\$ 1,025	\$ (15)	\$ 1,369	\$ 2,894	\$ 5,447	\$ 7,572	\$ 4,718	\$ 6,407
Unreserved, reported in:										
Special revenue funds	66	168	200	2	824	3,573	142	2,425	3,238	1,333
Capital projects funds	3,344	12,422	10,536	4,534	-	-	(2,590)	(1,508)	-	-
Debt service funds	356	271	314	356	-	-	1,044	-	-	-
Total all other governmental funds	<u>\$ 3,848</u>	<u>\$12,935</u>	<u>\$12,075</u>	<u>\$ 4,877</u>	<u>\$ 2,193</u>	<u>\$ 6,467</u>	<u>\$ 4,043</u>	<u>\$ 8,489</u>	<u>\$ 7,956</u>	<u>\$ 7,740</u>
Total governmental fund balances	<u>\$ 7,055</u>	<u>\$17,086</u>	<u>\$15,954</u>	<u>\$ 8,420</u>	<u>\$ 6,663</u>	<u>\$12,299</u>	<u>\$11,644</u>	<u>\$13,089</u>	<u>\$ 11,842</u>	<u>\$ 16,180</u>

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues										
Taxes	\$ 11,758	\$ 12,734	\$ 14,205	\$ 15,051	\$ 20,022	\$ 21,929	\$ 24,350	\$ 25,972	\$ 27,370	\$ 28,215
Licenses and permits	360	533	712	688	555	681	1,468	886	685	682
Intergovernmental	2,705	1,674	3,210	3,606	3,431	2,296	1,178	1,751	2,455	2,448
Charges for services	2,619	2,785	3,042	3,558	3,647	3,971	4,287	5,073	6,382	4,468
Fines	326	411	518	761	1,056	1,415	968	800	880	1,122
Investment earnings	354	474	644	440	162	306	419	445	349	296
Miscellaneous	1,059	686	982	1,318	1,079	1,481	2,127	1,970	644	254
Total Revenues	<u>19,181</u>	<u>19,297</u>	<u>23,313</u>	<u>25,422</u>	<u>29,952</u>	<u>32,079</u>	<u>34,797</u>	<u>36,897</u>	<u>38,765</u>	<u>37,486</u>
Expenditures										
General government	10,018	9,141	13,231	16,536	8,287	6,985	14,218	12,943	6,034	6,220
Public safety	7,044	7,900	8,708	9,767	11,558	13,452	15,391	15,642	19,392	18,846
Highways and streets	696	740	942	1,287	2,076	5,351	2,542	2,121	4,443	2,499
Sanitation	1,945	2,108	2,226	2,235	3,059	-	3,021	3,483	4,306	2,318
Culture and recreation	400	477	601	752	3,168	3,323	977	3,422	5,661	3,472
Economic development	260	470	117	933	2,149	2,109	3,120	5,757	2,067	2,165
Debt service - Principal	274	781	1,080	1,768	1,690	1,554	1,912	3,904	3,371	3,335
Debt service - Interest	1,138	777	1,535	1,401	1,537	1,657	891	1,225	1,009	978
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>21,775</u>	<u>22,394</u>	<u>28,440</u>	<u>34,679</u>	<u>33,524</u>	<u>34,431</u>	<u>42,072</u>	<u>48,497</u>	<u>46,283</u>	<u>39,833</u>
Excess of revenues over (under) expenditures	(2,594)	(3,097)	(5,127)	(9,257)	(3,572)	(2,352)	(7,275)	(11,600)	(7,518)	(2,347)
Other financing sources (uses)										
Transfers in	886	705	1,524	1,986	2,302	10,721	4,044	9,298	16,941	6,066
Transfers out	(169)	(20)	(9)	-	(662)	(4,359)	(1,756)	(669)	(14,415)	(2,882)
Proceeds of Long Term Debt	329	12,204	-	-	312	16,567	3,120	2,480	2,877	-
Other	-	-	-	-	-	(15,149)	979	3,479	1,819	3,587
Total other financing sources (uses)	<u>1,046</u>	<u>12,889</u>	<u>1,515</u>	<u>1,986</u>	<u>1,952</u>	<u>7,780</u>	<u>6,387</u>	<u>14,588</u>	<u>7,222</u>	<u>6,771</u>
Net change in fund balances	<u>\$ (1,548)</u>	<u>\$ 9,792</u>	<u>\$ (3,612)</u>	<u>\$ (7,271)</u>	<u>\$ (1,620)</u>	<u>\$ 5,428</u>	<u>\$ (888)</u>	<u>\$ 2,988</u>	<u>\$ (297)</u>	<u>\$ 4,424</u>
Debt service as a percentage of noncapital expenditures	6.9%	7.5%	10.1%	10.1%	10.7%	10.3%	7.1%	11.8%	10.5%	12.1%

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: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value¹ as a Percentage of Actual Value</u>
2000	1999	N/A	N/A	N/A	30,205	83,254	792,599	26,192	766,407	0.642	766,407	103.42%
2001	2000	N/A	N/A	N/A	N/A	N/A	917,247	34,266	882,981	0.662	882,981	103.88%
2002	2001	787,288	226,387	10,117	47,909	125,419	1,003,668	33,547	970,122	0.690	970,122	103.46%
2003	2002	862,278	231,716	9,865	38,843	121,315	1,059,189	31,435	1,027,754	0.683	1,027,754	103.06%
2004	2003	1,029,748	283,257	10,850	41,693	130,142	1,239,070	35,865	1,203,205	0.683	1,203,205	102.98%
2005	2004	1,142,164	310,068	12,810	49,042	165,457	1,396,726	45,216	1,351,511	0.683	1,351,511	103.35%
2006	2005	1,217,836	327,593	13,845	52,742	162,458	1,489,878	47,732	1,442,146	0.683	1,442,146	103.31%
2007	2006	1,383,161	362,968	14,996	54,079	172,167	1,661,456	44,162	1,617,294	0.683	1,617,294	102.73%
2008	2007	1,549,417	397,886	14,537	51,312	195,896	1,847,671	50,825	1,796,846	0.683	1,796,846	102.83%
2009	2008	1,831,559	496,061	15,957	52,232	213,847	2,161,338	57,791	2,103,546	0.680	2,103,546	102.75%

Source: Hidalgo County Central Appraisal District

Note: Assessed values are determined as of July 20, and relate to taxes levied on the first day of the following fiscal year. Assessed value is equal to 100% of estimated value. All property is assessed the same rate regardless of real or personal property, commercial, residential, or industrial.

¹Includes tax-exempt property.

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

Fiscal Year Ending	City of Pharr Tax Rate			Overlapping Tax Rates								
				Drainage District #1			Hidalgo County			P.S.J.A ISD		
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total
2000	\$ 0.534	0.108	0.642	0.038	-	0.038	0.445	0.055	0.501	1.500	0.090	1.590
2001	0.565	0.098	0.662	0.046	-	0.046	0.459	0.060	0.520	1.500	0.135	1.635
2002	0.590	0.100	0.690	0.046	-	0.046	0.522	0.069	0.590	1.500	0.122	1.622
2003	0.596	0.087	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.122	1.622
2004	0.602	0.081	0.683	0.044	-	0.044	0.526	0.064	0.590	1.500	0.112	1.612
2005	0.593	0.090	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.114	1.614
2006	0.593	0.090	0.683	0.041	-	0.041	0.520	0.070	0.590	1.500	0.114	1.614
2007	0.596	0.087	0.683	0.040	0.009	0.049	0.516	0.075	0.591	1.040	0.171	1.211
2008	0.603	0.079	0.682	0.042	0.028	0.070	0.519	0.071	0.590	1.040	0.231	1.271
2009	\$ 0.602	\$ 0.078	\$ 0.680	\$ 0.045	\$ 0.028	\$ 0.073	\$ 0.513	\$ 0.077	\$ 0.590	\$ 1.040	\$ 0.261	\$ 1.301

Fiscal Year Ending	Overlapping Tax Rates						Total Direct & Overlapping Rates
	South Texas ISD			South Texas College			
	Operating	Debt Service	Total	Operating	Debt Service	Total	
2000	\$ 0.037	\$ -	\$ 0.037	\$ 0.080	\$ 0.012	\$ 0.092	\$ 2.900
2001	0.039	-	0.039	0.079	0.011	0.090	2.991
2002	0.039	-	0.039	0.110	0.068	0.178	3.164
2003	0.039	-	0.039	0.110	0.064	0.174	3.152
2004	0.039	-	0.039	0.110	0.055	0.165	3.132
2005	0.039	-	0.039	0.110	0.049	0.159	3.128
2006	0.039	-	0.039	0.110	0.045	0.155	3.122
2007	0.049	-	0.049	0.110	0.044	0.154	2.737
2008	0.049	-	0.049	0.110	0.040	0.150	2.812
2009	\$ 0.049	\$ -	\$ 0.049	\$ 0.110	\$ 0.039	\$ 0.149	\$ 2.842

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 2009 and 2000
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Wilder Corp	\$ 14,021	1	0.67%	9,393	2	1.23%
Central Power & Light	13,052	2	0.62%	-		-
Capote Farms LTD	12,849	3	0.61%	-		-
McAllen Levcal LLC	12,393	4	0.59%	-		-
AEP Texas Central Co.	12,369	5	0.59%	-		-
Shell Western E&P (Total E&P)	10,254	6	0.49%	-		-
FJRS Investments LTD	9,723	7	0.46%	-		-
Gold Star Warehousing LTD	8,470	8	0.40%	-		-
Southwestern Bell Tele	8,130	9	0.39%	11,413	1	1.49%
Wayne Windle Enterprises et al	6,825	10	0.32%	-		-
Spigel, Stanley	-		-	8,564	3	1.12%
Fina Oil & Ch-Vannie Cook Trsts	-		-	8,501	4	1.11%
Central Power & Light	-		-	7,727	5	1.01%
Westbrea Enterprises, Inc.	-		-	5,857	6	0.76%
H E Butt Grocery Company	-		-	5,130	7	0.67%
Home Depot U.S.A., Inc.	-		-	4,463	8	0.58%
Matt's Cash & Carry	-		-	4,070	9	0.53%
Financial Mngmnt Intl Corp	-		-	4,001	10	0.52%
Totals	<u>\$ 108,086</u>		5.1%	<u>\$ 69,119</u>		9.0%
Assessed Taxable Value	\$ 2,103,546			\$ 766,407		

Source: Hidalgo County Appraisal District

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

Fiscal Year	Tax	Total Tax	Collections within the		Delinquent	Total Collections to Date	
			Levy for	Fiscal Year of the Levy		Collections in	Percentage
Ended	Year	Fiscal Year	Amount	Percentage	Subsequent Years	Amount	Percentage
				of Levy			of Levy
2000	1999	4,923	4,331	88.0%	540	4,871	98.9%
2001	2000	5,671	4,979	87.8%	631	5,610	98.9%
2002	2001	6,423	5,762	89.7%	586	6,348	98.8%
2003	2002	7,092	6,323	89.2%	675	6,998	98.7%
2004	2003	8,220	7,423	90.3%	672	8,095	98.5%
2005	2004	9,233	8,335	90.3%	727	9,062	98.2%
2006	2005	9,831	8,980	91.3%	613	9,593	97.6%
2007	2006	11,014	10,094	91.6%	625	10,720	97.3%
2008	2007	12,275	11,231	91.5%	545	11,776	95.9%
2009	2008	14,567	13,391	91.9%	-	13,391	91.9%

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

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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes			
2000	-	14,560	-	305	38,821	113	-	53,799	0.07%	1,153
2001	-	26,060	-	594	36,766	320	-	63,740	0.06%	1,295
2002	-	25,500	1,960	242	32,327	389	-	60,418	0.06%	1,176
2003	-	24,170	1,785	632	36,882	289	-	63,758	0.06%	1,171
2004	-	23,330	5,278	471	31,707	305	2	61,093	0.06%	1,076
2005	16,110	7,085	4,683	698	21,444	86	-	50,106	0.08%	849
2006	16,025	6,070	5,746	1,544	20,042	246	-	49,673	0.08%	810
2007	15,935	5,000	4,962	1,550	61,711	815	5,995	95,968	0.04%	1,492
2008	15,840	3,885	2,801	3,550	66,975	337	4,590	97,978	0.04%	1,483
2009	\$ 15,130	\$ 3,330	\$ 731	\$ 2,503	\$ 64,510	\$ 1,016	\$ 3,125	\$ 90,345	0.04%	\$ 1,351

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 Obligations Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2000	14,560	1.84%	312
2001	26,060	2.84%	529
2002	25,500	2.54%	496
2003	24,170	2.28%	444
2004	23,330	1.88%	411
2005	23,195	1.66%	393
2006	22,095	1.48%	360
2007	20,935	1.26%	325
2008	19,725	1.07%	299
2009	\$ 18,460	0.85%	\$ 276

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, 2009
(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	\$ 177,829	8.2%	\$ 14,571
Hidalgo Irrigation District #1	99,408	8.2%	8,149
South Texas College	76,905	37.0%	28,455
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	295,802	53.2%	<u>157,471</u>
Overlapping debt			208,646
City of Pharr direct debt	18,460	100.0%	<u>18,460</u>
Total direct and overlapping debt			<u>\$ 227,106</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.

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

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

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Debt Limit	\$ 91,725	\$ 100,367	\$ 105,919	\$ 123,907	\$ 139,673	\$ 148,988	\$ 166,146	\$ 184,767	\$ 216,134	
Total net debt applicable to limit	26,060	25,500	24,170	23,330	23,195	22,095	20,935	19,725	18,460	
Legal debt margin	\$ 65,665	\$ 74,867	\$ 81,749	\$ 100,577	\$ 116,478	\$ 126,893	\$ 145,211	\$ 165,042	\$ 197,674	
Total net debt applicable to the limit as a percentage of debt limit	28.4%	25.4%	22.8%	18.8%	16.6%	14.8%	12.6%	10.7%	8.5%	

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	\$ 52,232
Add Back: exempt property	<u>15,957</u>
Total Assessed Value	\$ 68,189
Debt limit (10% of total assessed value)	6,819
Debt applicable to limit:	
General obligation bonds	<u>18,460</u>
Legal debt margin	<u><u>\$ (11,641)</u></u>

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

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

Water & Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Utility Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2000	6,020	3,378	2,642	4,158	962	0.52
2001	6,083	3,235	2,848	2,055	841	0.98
2002	6,038	3,612	2,426	2,168	780	0.82
2003	6,193	3,762	2,431	1,106	725	1.33
2004	6,605	4,311	2,294	1,231	646	1.22
2005	7,829	4,881	2,948	1,291	604	1.56
2006	11,594	5,695	5,899	937	542	3.99
2007	11,954	5,427	6,527	851	595	4.51
2008	13,820	5,910	7,910	2,265	1,872	1.91
2009	\$ 13,259	\$ 5,714	\$ 7,545	\$ 2,330	\$ 1,807 ^a	1.82

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, but not tap fees. Operating expenses do not include interest or depreciation. Historical information taken from prior financial reports.

^a Increase in principal and interest payments explained on Notes to the Financial Statements.

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

Fiscal Year	<u>Population</u>¹	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>²	<u>School Enrollment</u>	<u>Unemployment Rate</u>³
2000	46,660	38,967	9,462	27.4	47.3%	21,724	7.4%
2001	49,224	38,967	9,462	27.4	47.3%	22,537	8.1%
2002	51,362	38,967	9,462	27.4	47.3%	23,826	8.6%
2003	54,452	38,967	9,462	27.4	47.3%	25,210	8.6%
2004	56,752	38,967	9,462	27.4	47.3%	26,493	7.2%
2005	59,029	38,967	9,462	27.4	47.3%	27,338	5.8%
2006	61,360	38,967	9,462	27.8	47.3%	28,088	5.7%
2007	64,318	38,967	9,462	27.8	47.3%	28,868	5.5%
2008	66,078	38,967	9,462	27.8	47.3%	29,999	7.2%
2009	66,874	38,967	9,462	27.8	47.3%	30,618	11.2%

Data Sources: U.S. Census, Region One Education Service Center (PIEMS), U.S. Bureau of Labor Statistics

¹Population data from 2001 to 2007 taken from Planning/Zoning department. 2009 population estimate based on average growth over prior 8 years.

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

³Unemployment rate as of September of each year. (Source: U.S. Department of Labor - Bureau of Labor Statistics)

**City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2009 and 2000**

<u>Employer</u>	2009		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment¹</u>
Pharr-San Juan-Alamo ISD	2,023	1	9.02%
Convergy's	1,000	2	4.46%
Vdp Healthcare Inc	435	3	1.94%
Highway & Transportation	324	4	1.44%
HEB Food Stores	320	5	1.43%
Lack's Valley Stores LTD	300	6	1.34%
City of Pharr	280	7	1.25%
Limon Masonry	250	8	1.11%
US Cusomts SVC Port of Entry	179	9	0.80%
Pharr Police Department	156	10	0.70%
Total	<u>5,267</u>		<u>23.49%</u>

	2000*		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergy's	Unknown	-	0.00%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
Total	<u>-</u>		<u>0.00%</u>

Source: Pharr Economic Development Corporation

* Information was not tracked to provide stated information.

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

	Budgeted Full-time Equivalent Employees as of September 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GENERAL FUND										
City Manager	12.0	12.0	16.0	16.7	9.0	9.0	9.0	9.0	9.0	9.0
Finance	7.0	7.0	7.0	8.0	10.0	12.0	12.5	13.5	14.0	5.5
Police Department	101.5	105.5	121.5	124.5	130.0	134.0	146.0	155.0	167.0	161.0
Traffic Safety	9.0	13.0	13.0	13.0	13.0	16.0	13.0	16.0	17.0	16.0
Municipal Court	3.0	3.0	4.0	4.0	6.0	6.0	6.0	6.0	6.0	5.0
Fire Protection	49.0	51.0	52.0	53.0	54.0	57.0	57.0	65.0	68.0	66.0
Administrative Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0
Street Maintenance	23.0	23.0	24.0	24.0	24.0	25.0	28.0	30.0	29.0	29.0
Municipal Library	13.0	14.0	16.0	18.0	23.0	23.0	25.0	26.0	26.0	26.0
Parks & Recreation	45.0	46.0	47.0	51.0	53.0	70.0	71.0	73.0	73.0	102.0
Planning & Community Dev	15.7	16.0	17.0	17.3	19.0	22.0	20.0	23.0	23.0	22.0
Total General Fund	278.2	290.5	317.5	329.5	341.0	374.0	387.5	416.5	432.0	448.5
UTILITY FUND										
Administrative	6.0	7.0	8.0	8.0	8.0	9.0	9.5	10.5	11.0	12.5
Water Production	10.0	9.0	11.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0
Water Distribution	18.0	19.0	19.5	21.5	21.0	23.0	25.0	26.0	26.0	23.0
Water Treatment Plant	10.0	11.0	12.0	11.0	11.0	11.0	11.0	13.0	13.0	13.0
Lift Station	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Total Utility Fund	48.0	50.0	54.5	53.5	53.0	56.0	58.5	63.5	64.0	61.5
INTERNAL SERVICE FUND										
Chief Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laborers	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Total Internal Svc Fund	3.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0
INTERNATIONAL BRIDGE FUND										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	17.0	21.0	22.0	19.0	25.0	25.0	26.0	26.0	28.0	24.0
Total Int'l Bridge	18.0	22.0	23.0	20.0	26.0	26.0	27.0	27.0	29.0	25.0
OTHER										
CDBG	4.0	4.3	5.3	5.7	6.0	6.0	6.0	6.0	5.0	4.0
Golf Course	31.0	25.0	21.0	8.0	18.0	18.0	15.0	15.0	17.0	15.5
Total Other	35.0	29.3	26.3	13.7	24.0	24.0	21.0	21.0	22.0	19.5
GRAND TOTAL	382.2	394.8	425.3	420.7	448.0	484.0	499.0	533.0	552.0	559.5

Source: City of Pharr Budget Reports

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

Function	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police										
Physical arrests	4,066	4,117	3,841	4,848	2,897	3,857	2,858	2,808	2,944	4,839
Parking & Traffic Violations	7,897	6,008	6,587	10,101	10,897	15,983	13,742	12,742	15,194	25,689
Fire										
Number of calls answered	2,089	1,935	2,216	2,189	1,737	1,624	1,701	1,794	2,238	2,148
Inspections	511	401	573	725	1,235	877	809	1,108	1,344	1,325
Highways and streets										
Street resurfacing (miles)	unknown	unknown	unknown	unknown	unknown	unknown	2	7	2	7
Potholes repaired	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	137	825
International Bridge										
Car Crossings	1,841,749	1,768,363	1,879,256	1,749,112	1,785,564	1,780,599	1,716,751	1,683,048	1,649,983	1,444,912
Truck Crossings	256,792	260,344	276,840	312,300	359,320	384,572	404,103	433,880	461,559	409,336
Culture and recreation										
Int'l Convention Center Events	82	92	unknown	75	72	95	86	95	216	84
Other Community Center Events	189	259	unknown	306	269	231	206	268	597	414
Water										
New connections	627	290	717	614	867	832	1,204	638	324	220
Water mains breaks	unknown	unknown	unknown	unknown	unknown	unknown	3,948	4,156	578	445
Average daily consumption (millions of gallons)	4.4 MGD	5.1 MGD	5.1 MGD	5.0 MGD	4.7 MGD	6.1 MGD	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	4.94 MGD	4.8 MGD

Sources: Various City Departments.

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

Function	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	unknown	unknown	unknown	64	69	76	82	84	90	93
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	unknown	unknown	unknown	unknown	180	213	213	213	214
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	unknown	unknown	unknown	unknown	unknown	47	51	51	51	55
Culture and recreation										
Parks Acreage (Developed)	41	41	41	41	41	41	57	57	57	57
Swimming pools	2	2	2	2	2	2	2	2	2	2
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)	unknown	unknown	unknown	unknown	~170	~182	~190	191.6	~313.4	315
Fire hydrants	1,440	1,596	1,712	1,730	1,750	1,820	1,918	2,010	2,030	1,896
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	8.28 MGD	12.01 MGD
Sewer										
Sanitary sewers (miles)	unknown	unknown	~169	~186	~204	~224	~246	~262	~265	265
Storm sewers (miles)	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	57	82
Maximum daily treatment capacity (thousands of gallons)	3.31 MGD	3.45 MGD	3.63 MGD	3.82 MGD	4.15 MGD	4.19 MGD	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD

Sources: Various city departments.



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Single Audit Section



Oscar R. González, CPA
&
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Certified Public Accountants

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Independent Auditor's Report

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

Members of City Council
City Of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Members of City Council:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of and for the year ended September 30, 2009, which collectively comprise the City Of Pharr, Texas's basic financial statements and have issued my report thereon dated January 22, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City Of Pharr, Texas's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City Of Pharr, Texas's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City Of Pharr, Texas's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City Of Pharr, Texas's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City Of Pharr, Texas's financial statements that is more than inconsequential will not be prevented by the City Of Pharr, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City Of Pharr, Texas's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Of Pharr, Texas's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


Oscar R. Gonzalez CPA

January 22, 2010



*Oscar R. González, CPA
&
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Certified Public Accountants

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Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

Members of City Council
City Of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Members of City Council:

Compliance

I have audited the compliance of City Of Pharr, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City Of Pharr, Texas's management. My responsibility is to express an opinion on City Of Pharr, Texas's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of City Of Pharr, Texas's compliance with those requirements.

In my opinion, City Of Pharr, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of City Of Pharr, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered City Of Pharr, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City Of Pharr, Texas's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses.

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



Oscar R. Gonzalez CPA

January 22, 2010

CITY OF PHARR, TEXAS

*SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	106SA1599	\$ 72,013
Total U.S. DEPARTMENT OF THE TREASURY			<u>72,013</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Direct Programs:			
Edward Byrne	16.738	2007-DJ-BX-1331	28,233
Byrne Formula Grant Program	16.738	DB-04-A10-18777-01	27,394
Domestic Highway Enforcement	16.579	17PSSP573Z	4,843
Total Passed Through Direct Programs			<u>60,470</u>
Total U.S. DEPARTMENT OF JUSTICE			<u>60,470</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-05-MC-48-0507	14,735
Community Development Block Grant	14.218	B-06-MC-48-0507	4,683
Community Development Block Grant	14.218	B-07-MC-48-0507	65,998
Community Development Block Grant	14.218	B-08-MC-48-0507	1,074,319
Total Passed Through Direct Programs			<u>1,159,735</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,159,735</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Passed Through Governor's Division of Emergency Management:			
Assistance to Firefighter	97.044		56,000
Homeland Security Grant Program	97.073	2007HSGP-57200	30,015
Homeland Security Grant Program	97.074	2006HSGP-57200	488
Operation Stonegarden	97.067	2008-SG-TB-0009	71,948
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2008-FF-00717	11,739
Total Passed Through Passed Through Governor's Division of Emergency Management			<u>170,190</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>170,190</u>
<u>NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Passed Through State Department of Transportation:			
EI Protector	20.609	587XXF6233	49,202
STEP - CI OT*	20.609	587XXF6204	4,026
STEP - Comprehensive Grant	20.600	587XXF6039	59,842
Total Passed Through Passed Through State Department of Transportation			<u>113,070</u>
Total NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION			<u>113,070</u>
<u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u>			
NADB Improvements to Wastewater Collection System	66.202	BEIF TX 3501	13,221,446
Passed Through Passed Through Texas Water Development Board:			
Economically Distressed Areas Program & Colonia			
Wastewater Treatment Program	66.202	G03800	344,165
Total UNITED STATE ENVIRONMENTAL PROTECTION AGENCY			<u>13,565,611</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,141,089</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

CITY OF PHARR, TEXAS

*SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

<u>State Grantor/ Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>TEXAS COMMISSION ON FIRE PROTECTION</u>		
Fire Department Emergency Program	09-0116	\$ 3,100
Total TEXAS COMMISSION ON FIRE PROTECTION		<u>3,100</u>
<u>OFFICE OF THE ATTORNEY GENERAL</u>		
Victim Coordinator and Liason Grant	801571	33,124
Total OFFICE OF THE ATTORNEY GENERAL		<u>33,124</u>
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>		
Lone Star Library Grant	442-09383	14,624
Total TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		<u>14,624</u>
<u>TEXAS INFRASTRUCTURE FUNDS BOARD</u>		
TIFB Library Grant		54,484
Total TEXAS INFRASTRUCTURE FUNDS BOARD		<u>54,484</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
South Texas Auto Theft Enforcement Task Force	SA-T01-10041-07	53,980
Total TEXAS DEPARTMENT OF TRANSPORTATION		<u>53,980</u>
<u>GOVERNOR'S DIVISION OF EMERGENCY MANAGEMENT</u>		
Local Border Security Program	LSBP-08-048	113,322
Total GOVERNOR'S DIVISION OF EMERGENCY MANAGEMENT		<u>113,322</u>
<u>LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL</u>		
Source Reduction & Recycling	08-21-G13	20,000
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		<u>20,000</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>292,634</u>
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		<u>\$ 15,433,723</u>

City of Pharr, Texas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2009

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, 2009. 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 Stat 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, 2009

SECTION I - SUMMARY OF AUDITOR RESULTS

A. Summary of Auditor's Results

1. Financial Statements

UNQUALIFIED

Type of auditor's report issued

Internal control over financial reporting:

- One or more material weakness identified? YES NO
- One or more significant deficiencies identified that are not considered to be material weaknesses? YES NONE REPORTED
- Noncompliance material to financial statements notes? YES NO

2. Federal Awards

Internal control over major programs:

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

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

UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

YES NO

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.738	Edward Byrne
97.044	Assistance to Firefighter
66.202	NADB Improvements to Wastewater Collection System

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

Auditee qualified as low-risk auditee? YES NO

SECTION I - SUMMARY OF AUDITOR RESULTS - Continued

A. Summary of Auditor's Results - Continued

3. State Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
None	

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

Auditee qualified as low-risk auditee? X YES NO

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF PHARR, TEXAS

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

SECTION II – FINANCIAL STATEMENT OF FEDERAL/STATE AWARD FINDINGS AND QUESTIONED COSTS

08-1

Accounting Policies and Procedures Manual – Primary Government

Criteria: Good internal controls require that the City have a written accounting policies and procedures manual for the proper handling and recording of financial transactions by the Finance Department.

Statement of Condition: The City does not have a written policies and procedures manual.

Cause of Condition: The City has not given priority to establishing such a document.

Effect of Condition: There is no proper guidance for applicable City personnel to follow in accounting for financial transactions.

Recommendation: The City should hire a consultant to help it establish a written policies and procedures manual for its Finance Department. Once the manual is approved by the Board, the City should adhere to such policies and procedures.

Auditee's Response: We concur. The establishment of policies and procedures has been prepared along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

08-2

Purchasing – Primary Government

A. Purchasing Manual

Criteria: Good internal controls require that the City have a written purchasing manual to ensure compliance with state, federal, and legal requirements.

Statement of Condition: The City currently has a manual that is outdated.

Cause of Condition: The City has not given priority to updating or renewing its purchasing manual.

Effect of Condition: The City does not have the proper guidance to ensure compliance with state, federal, and legal requirements in the procurement process.

Recommendation: The City should hire a consultant to help it establish a current written purchasing manual. The manual should then be reviewed by legal counsel. Once it is approved by legal counsel, the Board should approve it. The City should adhere to the policies and procedures in its purchasing manual.

Auditee's Response: We concur. The updating of the City's manual has been completed along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

B. Purchase Orders Policies & Procedures

Criteria: Good internal controls require that the City properly prepare purchase orders for all applicable purchases of goods or services before the purchases are made.

CITY OF PHARR, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**SECTION II – FINANCIAL STATEMENT OF FEDERAL/STATE AWARD FINDINGS AND QUESTIONED COSTS -
Continued**

Statement of Condition: Currently, the City prepares purchase orders for certain purchases of goods. It does not prepare purchase orders for purchases of services, construction contracts, or commitments via inter-local agreements. In many instances, the purchase order (P.O.) is prepared after the fact (i.e., the P.O. is dated the same as or after the date of the invoice).

Cause of Condition: The City does not have a current purchasing manual, which provides proper guidance to applicable personnel.

Effect of Condition: The City made some purchases of goods and services that were not properly authorized. Also, the City does not readily know what all of its commitments are on any given day.

Recommendation: The City should establish and approve a current written purchasing manual. The purchasing manual should require that the City properly prepare purchase orders for all applicable purchases of goods or services, including construction contract and applicable inter-local agreements, before the purchases are made. The City should adhere to the policies and procedures in its purchasing manual.

Auditee's Response: We concur. The updating of the City's manual has been completed along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

08-3
Fixed Assets – Primary Government

A. Capitalization Policies and Procedures

Criteria: Good internal controls require that the City have written policies and procedures for the capitalization of fixed assets purchased, constructed, or received as donations and also for the depreciation of depreciable assets.

Statement of Condition: The City does not have written policies and procedures for the proper capitalization of fixed assets purchased, constructed, or received as donations, and also for the depreciation of depreciable assets.

Cause of Condition: The City's Finance Department has not given priority to the establishment of proper policies and procedures for the proper capitalization and depreciation of fixed assets.

Effect of Condition: The City did not properly account for its fixed assets as of and for the year ended September 30, 2006.

Recommendation: The City should establish and approve its policies and procedures for the proper capitalization and depreciation of fixed assets. The policies and procedures should also address the requirements of OMB Circular A-102.

Auditee's Response: We concur. The establishment of policies and procedures has been prepared along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

CITY OF PHARR, TEXAS

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

**SECTION II – FINANCIAL STATEMENT OF FEDERAL/STATE AWARD FINDINGS AND QUESTIONED COSTS -
Continued**

08-4

Golf Course – Primary Government

A. Policies and Procedures Manual

Criteria: Good internal Controls require that the City have a written accounting policies and procedures manual for the proper handling and recording of financial transactions of its Golf Course Operations.

Statement of Condition The City does not have written accounting policies and procedures manuals for its Golf Course Operations.

Cause of Condition: The City has not given priority to establishing such a document.

Effect of Condition: There was no proper guidance for applicable personnel to follow in accounting for financial transactions.

Recommendation: The City should include written policies and procedures related to the Golf Course in its City-wide written accounting policies and procedures manual.

Auditee's Response: We concur. The establishment of policies and procedures has been prepared along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

08-5

Municipal Court – Primary Government

A. Policies and Procedures Manual

Criteria: Good internal controls require that the City have an accounting policies and procedures manual for the proper handling and recording of financial transactions of its Municipal Court operations.

Statement of Condition: The City does not have written policies and procedures for the for its municipal operations.

Cause of Condition: The City was unaware of the need to have such a document.

Effect of Condition: There was no proper guidance for applicable personnel to follow in accounting for financial transactions.

Recommendation: The City should include policies and procedures related to the Municipal Court in its City-wide accounting policies and procedures manual.

Auditee's Response We concur. The establishment of policies and procedures has been prepared along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

CITY OF PHARR, TEXAS

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

**SECTION II – FINANCIAL STATEMENT OF FEDERAL/STATE AWARD FINDINGS AND QUESTIONED COSTS -
Continued**

08-6

Accounting Policies and Procedures Manual – Pharr Economic Development Corporation, Inc. (PEDC)

A. Policies and Procedures Manual

Criteria: Good internal controls require that PEDC have written accounting policies and procedures manual for the proper handling and recording of financial transactions by the Finance Department.

Statement of Condition: PEDC does not have a written policies and procedures manual.

Cause of Condition: PEDC has not given priority to establishing such a document.

Effect of Condition: there is no proper guidance for applicable PEDC personnel to follow in accounting for financial transactions.

Recommendation: PEDC should hire a consultant to help it establish written policies and procedures manual for its Finance Department. Once the manual is approved by the Board, PEDC should adhere to such policies and procedures.

Auditee's Response: We concur. The establishment of policies and procedures has been prepared along with the use of federal, state, and local government laws.

Questioned Cost: \$-0-

SECTION III – CONTACT PERSONS REGARDING FINDINGS & QUESTIONED COSTS

Primary Government - City of Pharr, Texas

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

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

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

Raul Garza, Executive Director
1215 S. Cage Blvd.
P.O. Box 1360
Pharr, Texas 78577
(956) 781-7332



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