



COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2014

Recipients of:



City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2014

ELECTED OFFICIALS

Leo “Polo” Palacios, Jr. - Mayor

Adan Farias
Arturo J. Cortez
Aquiles Garza

Bobby Carrillo
Edmund Maldonado
Oscar Elizondo, Jr.

CITY MANAGER

Fred Sandoval

CHIEF FINANCIAL OFFICER

Juan G. Guerra, CPA

Prepared by:



CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION

“Triple Crown City”



MAYOR
Leo "Polo" Palacios, Jr.

February 17, 2014

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

COMMISSIONERS

Arturo J. Cortez
Roberto "Bobby" Carrillo
Oscar Elizondo, Jr.
Edmund Maldonado, Jr.
Aquiles "Jimmy" Garza
Adan Farias

CITY MANAGER

Fred Sandoval

The Finance Department and the City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Pharr, Texas for the fiscal year ended September 30, 2014. State law requires that the City publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Oscar R. Gonzalez, CPA and Associates, P.L.L.C. have issued an unqualified ("clean") opinion on the City of Pharr's financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

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

According to the Texas Workforce Commission, Pharr’s unemployment rate as of September 30, 2014 was 7.6%. With the city’s largest labor force ever recorded, having over 25,600 people employed is a good signal of the city’s economic condition. The following table provides a comparison of employment information over the last 10 years:

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

MAJOR INITIATIVES

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

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

Property Tax: Tax year 2014, 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 less than this fiscal year. A strong indicator of the City’s fiscal health is the ability to keep the same tax rate as tax year 2009.

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

Hotel/Motel Tax: Hotel/Motel tax revenue may only be used to increase tourism opportunities, hopefully benefiting the hotel/motel industry within the city. This year the city saw the largest hotel/motel tax revenues in the city’s history, mainly brought upon by Events Center operations and baseball tournament play. In November 2014 the city’s citizens voted to approve an additional 2% tax which will be used for debt service to fund the development of new baseball fields and a new tennis complex. These projects are expected to grow the Sports Tourism opportunities for the city and the hotel/motel industry.

Fully Fund Reserves: During the annual audit ending September 30, 2007, the General Fund was identified as having a negative \$6.4 million unreserved fund balance. This major deficiency was in

need of immediate attention and an action plan to correct it was approved by the City Commission September 16, 2008. One of the main corrective actions was to separate the contingency funding from the General Fund into an identifiable emergency-type account, in order to force the funding of the unreserved fund balance. Another corrective action was to strive to provide funding in addition to the contingency funds to speed up the reversal of the negative balance. Both of these major steps in the corrective plan took place.

Public Safety: Ensuring that the public safety personnel have the tools that they need to ensure the safety of the City is always a priority to the Commissioner's and management. Last fiscal year, a long term lease was entered into to assist in providing much needed assets to the Police and Fire personnel, and several grants were awarded to assist in paying for public safety personnel and equipment.

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

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

Public Works: The cost of infrastructure continues to rise while the need for the projects continues to be a priority. An ordinance establishing an assessment fee was passed in 2006 that applies to every utility bill to assist in maintaining and developing streets and drainage within the City. The assessment provides an additional \$800,000 annually for that purpose. There was a \$1 increase in assessment fees for residential and commercial accounts, expecting to generate an additional \$200,000 in revenue. This revenue is expected to be sufficient to cover the City's annual maintenance program, exacerbated due to the rains that took place this year.

International Bridge Infrastructure: The bridge capital projects expenditures for the upcoming fiscal year are budgeted at \$9.6 million. There are two goals of these projects, 1) to allow Pharr to be the regional international trade center, and 2) to minimize the wait-times for commercial traffic, thereby allowing Pharr to continue being the most efficient commercial bridge in south Texas. Expenditures are expected to be funded through grants of \$6.3 million and excess bridge funds.

International Trade: The City of Pharr owns an international bridge that allows the City to have a generous revenue source as a direct result of the North American Free Trade Agreement (NAFTA). The majority of the bridge revenue is from commercial trucks. There are two new international bridges in the region, one of which is expected to start crossing commercial trucks as of January 1, 2015 (only empty truck crossings will be allowed); the second international bridge has a possibility of crossing commercial trucks sometime after 2017. Although additional international bridges have been built, the City's flow of commercial traffic is expected to have the biggest share of crossings and revenues.

FINANCIAL INFORMATION

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

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

General Fund Balance Policy: The fiscal policy as it relates to General Fund's reserve/contingency account states: the City shall strive to maintain the General Fund undesignated/unreserved fund balance at 90 days of the current year's budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchases and the annual transfers from the General Fund to the other funds. For fiscal year 2013-2014 the balance was \$8.3 million; this amount was fully funded and per City Commission action is recognized as "Committed" in our financial statements. Concerning the use of committed fund balance, our policy states: committed fund balance shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. The use of these funds will be disclosed and approved by the City Commission. If the required amounts go below the stated Policy amount, the City will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount. Any surpluses realized at year end shall be used first to meet reserve policies, then capital replacement purposes, then retirement/extinguishing of debt.

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

General obligation bonds are backed by the full faith and credit of the City of Pharr and are used to finance permanent public improvements. They are repaid through an apportionment of the ad valorem tax. In February 2008, Standard & Poor's Rating Services downgraded the City's general obligation debt from "A" to "BBB". In January 2011, Fitch affirmed Pharr's rating "AA". This was due to "Improved financial monitoring, cost controls, and financial management policies enabled the city to promptly restore its finances, increasing its unreserved fund balance to a healthy \$8.3 million or 28% of spending by fiscal 2009, in excess of its new 25% fund balance policy. Notably, the city

attained positive results despite erratic sales tax trends that posted a 6.6% decline in fiscal 2009.” In December 2012 and again in 2014, the city’s ratings were reaffirmed per the following:

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

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

Cash not required for operations is invested according to the City's written investment policy. The policy emphasizes safety and liquidity in investing public funds. As of September 30, 2014, all of the City’s funds were available within one day. Investments consisted of demand deposit accounts in our financial institution due to its interest floor of 2.02%, far greater than anything in the investment market.

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

LONG-TERM FINANCIAL PLANNING

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

	<u>Fiscal Year (expressed in millions)</u>		
	<u>2013/2014</u>	<u>2012/2013</u>	<u>2011/2012</u>
Unreserved, Undesignated, Committed, Assigned, Unassigned General Fund, Fund Balance	\$ 11.3	\$ 12.3	\$ 9.8
Days Expenditure	97	104	89
Contingency, Unassigned General Fund, Fund Balance	\$ 8.5	\$ 11.9	\$ 9.1
Days Expenditure	73	100	82

The total General Fund balance is \$13.1 million; the committed, assigned, and unassigned fund balance (comparable to prior year’s unreserved fund balance) is \$11.3 million and is equal to 97 days of operating expenditures. This balance provides an adequate protection against unforeseen occurrences and significantly decreases the likelihood of the City entering the short-term debt market to pay for current operating expenditures. The City’s General Fund is fiscally stable.

Utility Fund Net Assets: The unreserved, available net assets of the Utility Fund is reflected in the table below

	<u>Fiscal Year (expressed in millions)</u>		
	<u>2013/2014</u>	<u>2012/2013</u>	<u>2011/2012</u>
Unrestricted, Available Assets	\$ 0.5	\$ (3.1)	\$ 7.5
Days Expense	24	(163)	390

International Bridge toll collections have historically had a significant net revenues, providing the City with surplus cash flow for capital projects and will affect the City’s long-term fiscal health. Starting January 1, 2015 the Pharr International Bridge is expected to have competition in the commercial traffic sector. The neighboring City of McAllen owns and operates the Anzalduas International Bridge which will be allowed to cross commercial traffic starting January 1, 2015; they will only cross south-bound traffic, and only empty trucks will be allowed to cross. We conducted a survey to identify the fiscal effect of this new competition. We conservatively estimated a reduction of \$3.5 million in revenues, which still allows for the responsible operation of Bridge activities and payment of debts. We are conservatively projecting future revenues and fluctuations in crossings so as to be prepared for any negative fiscal impacts; all projections are currently indicating that the new competition will not cause a major decrease in our ability to continue Bridge activities and payment of debts.

RELEVANT FINANCIAL POLICIES

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

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

OTHER INFORMATION

AWARDS: The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to

standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.


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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2013. This was the City's sixth consecutive budget award from GFOA. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning, an operations guide, and a communication device. The budget for October 1, 2014 has been submitted for review and we are pending notification of an award.

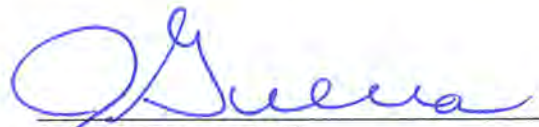
ACKNOWLEDGMENTS: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedication services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were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

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

Respectfully Submitted,



Fred Sandoval
City Manager



Juan G. Guerra, CPA
Chief Financial Officer



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Government Finance Officers Association

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

Presented to

**City of Pharr
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CURRENT CITY OFFICIALS

Elected Officials

Mayor	Leo “Polo” Palacios, Jr.
Mayor – Pro Tem	Adan Farias
Alternate Mayor – Pro Tem	Arturo J. Cortez
Commissioner	Bobby Carrillo
Commissioner	Edmund Maldonado
Commissioner	Oscar Elizondo, Jr.
Commissioner	Aquiles Garza

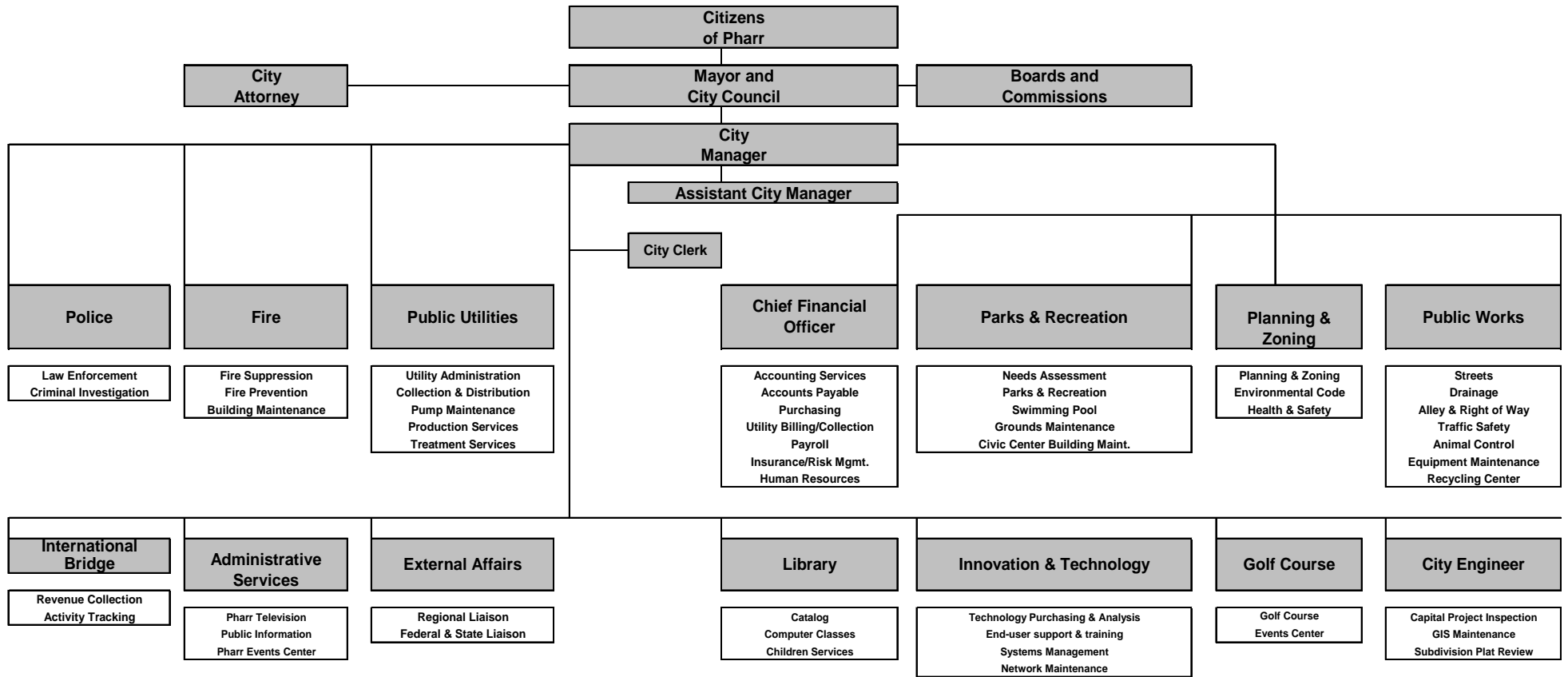
Appointed Officials

City Manager	Fred Sandoval
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Department Directors

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

ORGANIZATION CHART - CITY OF PHARR





FINANCIAL SECTION

Independent Auditor's Report



208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and City Commission
City of Pharr, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pharr, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

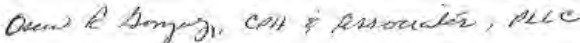
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas’s basic financial statements. The introductory section, combining and individual and non-major fund financial statements, the schedules of revenues, expenditures,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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of the City of Pharr, Texas’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pharr, Texas’s internal control over financial reporting and compliance.


Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas
February 5, 2015

Management's Discussion & Analysis (MD&A)

Management's Discussion and Analysis (MD&A)

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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$88.24 million (net position). Of this amount, over \$8.9 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of more than \$5 million in unrestricted net position, or 6.07%. The increase is mainly due to the expected reduction of non-current liabilities by more than \$4.59 million.
- At the end of the current fiscal year, fund balance for all governmental funds decreased by \$1.68 million, or -3.49%; from \$48.05 million to \$46.38 million. The decrease is mainly due to the Partnership Program with Events Center promoters. This partnership is not expected to continue.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$114.58 million (net position). Of this amount, over \$10.28 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors, which is an increase of \$4.26 million, or 70.9%. The increase is due to the Utility Fund's restricted funds for capital projects. The Utility fund routinely has positive change in net position and will use the funds to reduce the amount of financing needed for capital projects.
- The General Fund assets exceeded its liabilities by over \$13.1 million (fund balance). Of this amount, \$0.22 million (unassigned fund balance) may be used to meet the General Fund's ongoing obligations, not including \$8.3 million in Committed funds that serves as the City's contingency balance. This is a decrease of over \$3.37 million, or -93.89%. The decrease is due to the purchase of land of over \$200 thousand, the need to provide funding for the Hotel/Motel Fund in the amount of roughly \$752 thousand due to the Events Center Partnership Program, to the Golf Course for operations in the amount of roughly \$682 thousand, to the Paving & Drainage Fund to pay off outstanding debt in the amount of \$693 thousand, and to Police Athletic League for operations in the amount of roughly \$229 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Management's Discussion and Analysis (MD&A)

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 three categories: governmental funds, proprietary funds, and discretely presented component units.

Governmental Funds

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

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

The City maintains three major (General, PEDC II, and Capital projects) and nine nonmajor governmental funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects, PEDC II fund, which are considered to be major funds due to its importance to the City. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds

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

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

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

Component Units

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

Notes to the Financial Statements

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

Other Information

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

Management's Discussion and Analysis (MD&A)

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$202.8 million at the close of the fiscal year.

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

City of Pharr's Net Position						
Table 1 – Dollars in Millions	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$61.70	\$ 61.92	\$ 45.64	\$ 46.65	\$107.34	\$108.56
Capital assets	83.86	83.16	133.71	135.35	217.57	218.51
Total assets	145.56	145.08	179.35	182.00	324.91	327.08
Deferred Outflow of Resources						
Deferred outflows	0.35	0.43	0.32	0.50	0.67	0.93
Total deferred outflow of resources	0.35	0.43	0.32	0.50	0.67	0.93
Total Assets and Deferred Outflow of Resources						
	145.91	145.51	179.67	182.50	325.58	328.01
Liabilities						
Long-term liabilities	45.62	50.80	55.00	58.36	100.62	109.16
Other liabilities	11.94	11.34	10.07	10.74	22.01	22.08
Total liabilities	57.56	62.15	65.07	69.10	122.63	131.25
Deferred Inflow of Resources						
Deferred inflows	0.12	0.16	0.03	0.03	0.15	0.19
Total deferred inflows of resources	0.12	0.16	0.03	0.03	0.15	0.19
Total Liabilities and Deferred Inflow of Resources						
	57.68	62.31	65.10	69.13	122.78	131.44
Net Position						
Net Invested in capital assets, net of related debt	64.27	39.36	85.30	86.01	149.57	125.37
Restricted	15.01	35.81	18.99	21.35	34.00	57.16
Unrestricted	8.95	8.03	10.28	6.01	19.23	14.04
Total net position	\$88.23	\$ 83.20	\$ 114.57	\$ 113.37	\$202.80	\$196.57

By far the largest portion of the City's net position (\$149.57 million) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, (\$34.0) million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$19.23 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Management's Discussion and Analysis (MD&A)

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

City of Pharr's Changes in Net Position						
Table 2 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 9.96	\$ 8.31	\$ 27.03	\$ 25.60	\$ 36.99	\$ 33.91
Operating grants and contributions	3.13	9.49	-	-	3.13	9.49
Capital grants and contributions	1.43	1.11	0.92	0.30	2.35	1.41
General Revenues:						
Property tax	15.81	15.19	-	-	15.81	15.19
Sales tax	14.56	13.08	-	-	14.56	13.08
Other taxes	1.36	3.13	-	-	1.36	3.13
Other	2.87	0.89	0.85	0.70	3.72	1.59
Total Revenues	49.12	51.20	28.80	26.60	77.92	77.80
Expenses:						
General governmental	12.14	9.97	-	-	12.14	9.97
Public safety	21.35	22.70	-	-	21.35	22.70
Streets	4.90	5.33	-	-	4.90	5.33
Health and welfare	2.87	1.88	-	-	2.87	1.88
Culture and recreation	6.16	4.31	-	-	6.16	4.31
Economic Development	2.59	7.36	-	-	2.59	7.36
Interest of debt service	1.80	1.97	-	-	1.80	1.97
Utility	-	-	13.62	11.80	13.62	11.80
Toll bridge	-	-	4.82	3.10	4.82	3.10
Tierra Del Sol Golf Course	-	-	1.39	1.20	1.39	1.20
Total Expenses	51.81	53.52	19.83	16.10	71.64	69.62
Excess of revenues over expenditures	(2.69)	(2.32)	8.97	10.60	6.28	8.18
Transfers	7.68	6.32	(7.85)	(6.70)	(0.17)	(0.38)
Net change in net position	4.99	4.00	1.12	3.90	6.11	7.80
Net position - beginning	83.19	78.13	113.42	104.93	196.61	183.06
Prior period adjustment	0.05	1.06	0.03	(1.60)	0.08	(0.54)
Net position - ending	\$ 88.23	\$ 83.19	\$ 114.57	\$ 107.23	\$ 202.80	\$ 190.32

Management's Discussion and Analysis (MD&A)

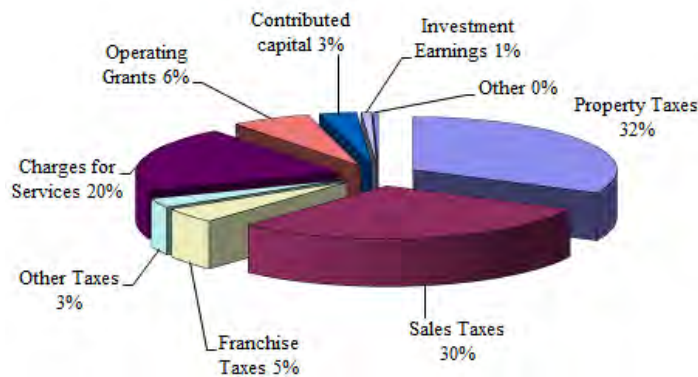
Governmental Activities

Governmental activities increased the City's net position by \$4.99 million. The key change this fiscal year along with element of this increase is described as follows:

- Net transfers increased by \$1.36 million, mainly coming from the Bridge Fund
- This year there was no recorded loss of \$6.37 million on the value of land available for sale, that loss was recorded last fiscal year
- Sales tax revenue increased by \$1.48 million
- Culture and recreations expenditures increased by \$1.85 million due to the completion of the Pharr Aquatic Park and the Northside Park
- General government expenditures increased by \$2.17 million, this was due to several reasons but is mainly due to Events Center operational cost increases from its Partnership Program with promoters that began this fiscal year

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

Revenues by Source – Governmental Activities



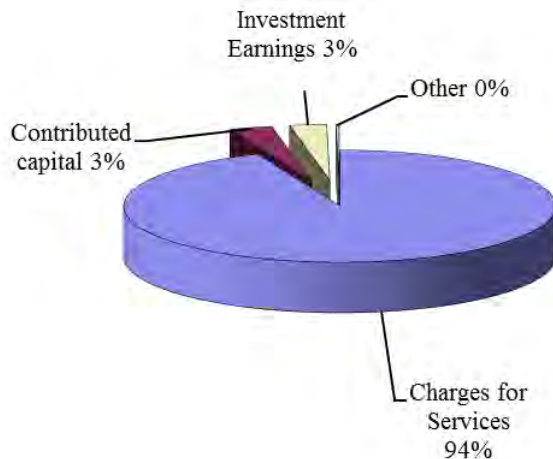
Business-Type Activities

Business-type activities increased the City's net position by nearly \$1.12 million. Key changes this fiscal year along with elements of this increase are described as follows:

- Toll Bridge revenue collections increased by \$658 thousand
- Capital contributions increased by \$847 thousand

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

Revenues by Source – Business-Type Activities



Management's Discussion and Analysis (MD&A)

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's net change in fund balance was roughly \$2.59 million more than budget. The overall revenues were \$1.66 million more than budget. The main reason for this increase were due to:

- Sales tax collections greater by \$727,261
- Property tax, Other fees & charges, and Fines being less than budget by \$152,560, \$262,096, and \$149,411 respectively, and
- Transfers in were \$1.2 million greater

Expenditures were roughly \$923,000 less than budget; this was mainly due to:

- General & Public Safety less than budget by \$453,148 and \$489,170 respectively, and
- Transfers out were roughly \$255,000 more than budget

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 \$217.57 million. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total decrease in the City's investments in capital assets for the current fiscal year was \$.94 million or -0.43%.

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

Table 3- Dollars in millions	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 6.06	\$ 5.81	\$ 2.66	\$ 2.66	\$ 8.72	\$ 8.47
Building and system improvements	29.52	29.93	15.13	15.37	44.65	45.30
Other improvements	5.39	5.13	3.63	3.57	9.02	8.70
Machinery and equipment	9.37	8.63	3.61	4.23	12.98	12.86
Infrastructure	30.11	32.21	93.63	94.04	123.74	126.25
Construction in progress	3.41	1.44	15.05	15.48	18.46	16.92
	<u>\$ 83.86</u>	<u>\$ 83.16</u>	<u>\$ 133.71</u>	<u>\$ 135.35</u>	<u>\$ 217.57</u>	<u>\$ 218.51</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$104.54 million. The details of the change in debt from last fiscal year are as indicated:

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

	2014	2013	Change
Governmental			
Bonds	\$ 11.30	\$ 12.83	\$ (1.53)
Certificates of obligation	7.03	7.33	(0.30)
Capital leases	4.10	3.18	0.92
Notes	24.06	28.53	(4.47)
	<u>46.49</u>	<u>51.87</u>	<u>(5.38)</u>
Business-Type			
Bonds	57.66	61.06	(3.40)
Capital leases	0.39	0.46	(0.07)
	<u>58.05</u>	<u>61.52</u>	<u>(3.47)</u>
Total	<u>\$ 104.54</u>	<u>\$ 113.39</u>	<u>\$ (8.85)</u>

Management's Discussion and Analysis (MD&A)

Long-term debt for the Governmental activities decreased by a net \$5.38 million. This decrease was mainly due to the standard retirement of debt and new capital leases.

Long-term debt for the Business-Type activities decreased by a net \$3.47 million. This decrease was due to the standard retirement of debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The continued growth of bridge crossings are currently trending upward for commercial trucks.
- Weather conditions for potential droughts which affect the utility rates and operations as during times of droughts more water is used which strains utility infrastructure.
- The rate of property tax collection for current taxes which has grown consistently over several years.
- The rate of property tax collection for delinquent taxes which has been negative for two fiscal years, this trend must be reversed.
- Owners of the retail shopping mall have begun upgrading the area, they have already developed two major entertainment companies, additional development is expected.
- The need for a new comprehensive plan has been identified and is being pursued. This will allow for better management growth for the City.
- The City has begun the consolidation of land in a major retail corridor, this project is known as the Economic Revitalization Project. It is expected to increase retail opportunities, increase sales tax, and add jobs to the community.
- The City has completed the purchase of land and built needed infrastructure to the industrial area located close to the international bridge, this project is known as the Pharr Produce District Project. It is expected to increase the number of warehouses, businesses, jobs, and commercial crossings.

All of these factors were considered in preparing the City's budget for the 2014-15 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, Attn: Finance Department, P.O. Box 1729, Pharr, TX 78577.

BASIC FINANCIAL STATEMENTS

CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

ASSETS	Primary Government			Discrete	Total
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Current assets:					
Cash	\$ 22,672,549	\$ 18,373,513	\$ 41,046,062	\$ 77,007	\$ 41,123,069
Receivables (net of allowance for uncollectible)	13,275,238	2,710,206	15,985,444	833	15,986,277
Prepaid items	167,426	3,450,000	3,617,426	-	3,617,426
Internal balances	210,689	(210,689)	-	-	-
Inventories	457,508	159,324	616,832	-	616,832
Land available for sale	23,085,314	-	23,085,314	-	23,085,314
Restricted assets:					
Cash	8,740	21,158,315	21,167,055	-	21,167,055
Cash with Fiscal Agent	626,817	-	626,817	-	626,817
Intergovernmental receivable	1,191,172	-	1,191,172	-	1,191,172
Total current assets	<u>61,695,453</u>	<u>45,640,669</u>	<u>107,336,122</u>	<u>77,840</u>	<u>107,413,962</u>
Capital assets					
Land (nondepreciable)	6,060,011	2,656,024	8,716,035	-	8,716,035
Buildings (net of acc. depreciation)	29,521,541	15,133,247	44,654,788	-	44,654,788
Improvements other than buildings (net of acc. depreciation)	5,390,475	3,631,387	9,021,862	-	9,021,862
Machinery and equipment (net of acc. depreciation)	9,374,058	3,608,411	12,982,469	-	12,982,469
Infrastructure (net of acc. depreciation)	30,111,875	93,633,906	123,745,781	-	123,745,781
Construction in progress (nondepreciable)	3,406,409	15,048,271	18,454,680	-	18,454,680
Total capital assets	<u>83,864,369</u>	<u>133,711,246</u>	<u>217,575,615</u>	<u>-</u>	<u>217,575,615</u>
Total noncurrent assets	<u>83,864,369</u>	<u>133,711,246</u>	<u>217,575,615</u>	<u>-</u>	<u>217,575,615</u>
Total assets	<u>145,559,822</u>	<u>179,351,915</u>	<u>324,911,737</u>	<u>77,840</u>	<u>324,989,577</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>					
Unamortized loss on refunding of debt	353,870	323,095	676,965	-	676,965
Total deferred outflow of resources	<u>\$ 353,870</u>	<u>\$ 323,095</u>	<u>\$ 676,965</u>	<u>\$ -</u>	<u>\$ 676,965</u>
 <u>LIABILITIES</u>					
Current liabilities payable:					
Accounts payable and other current liabilities	\$ 4,456,873	\$ 959,523	\$ 5,416,396	\$ 17,158	\$ 5,433,554
Unearned revenue	1,324,973	3,120,863	4,445,836	48,933	4,494,769
Current portion debt payable	6,162,378	3,736,249	9,898,627	-	9,898,627
Liabilities from restricted assets	-	2,253,099	2,253,099	-	2,253,099
Total current liabilities	<u>11,944,224</u>	<u>10,069,734</u>	<u>22,013,958</u>	<u>66,091</u>	<u>22,080,049</u>
Noncurrent liabilities:					
Other post employment benefit	640,430	-	640,430	-	640,430
Due in more than one year, net	45,092,463	55,029,265	100,121,728	-	100,121,728
Total noncurrent liabilities	<u>45,732,893</u>	<u>55,029,265</u>	<u>100,762,158</u>	<u>-</u>	<u>100,762,158</u>
Total liabilities	<u>57,677,117</u>	<u>65,098,999</u>	<u>122,776,116</u>	<u>66,091</u>	<u>122,842,207</u>
 <u>NET POSITION</u>					
Net Invested in capital assets	64,273,515	85,303,600	149,577,115	-	149,577,115
Restricted for:					
Debt service	83,246	5,484,026	5,567,272	-	5,567,272
Capital projects	9,083,867	13,512,211	22,596,078	-	22,596,078
Economic development	351,406	-	351,406	-	351,406
Noncurrent advances	1,347,473	-	1,347,473	-	1,347,473
Encumbrances	-	-	-	-	-
Public safety	763,596	-	763,596	-	763,596
Other	3,382,158	-	3,382,158	-	3,382,158
Unrestricted	8,951,314	10,276,174	19,227,488	11,749	19,239,237
Total net position	<u>\$ 88,236,575</u>	<u>\$ 114,576,011</u>	<u>\$ 202,812,586</u>	<u>\$ 11,749</u>	<u>\$ 202,824,335</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, 2014**

Functions/Programs	<u>Net (Expense) Revenue and Changes in Net Position</u>								
	Expenses	Program Revenues			Primary Government			Discrete Component Unit	Total
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 12,144,232	\$ 1,645,580	\$ 525,748	\$ -	\$ (9,972,904)		\$ (9,972,904)	\$ -	\$ (9,972,904)
Public safety	21,354,586	1,354,800	2,084,624	97,525	(17,817,637)		(17,817,637)	-	(17,817,637)
Highways and streets	4,903,013	859,119	18,951	450,143	(3,574,800)		(3,574,800)	-	(3,574,800)
Health and welfare	2,866,638	3,825,067	-	-	958,429		958,429	-	958,429
Culture and recreation	6,155,185	1,629,258	502,494	887,272	(3,136,161)		(3,136,161)	-	(3,136,161)
Economic development	2,590,313	648,095	-	-	(1,942,218)		(1,942,218)	-	(1,942,218)
Interest on long-term debt	1,800,417	-	-	-	(1,800,417)		(1,800,417)	-	(1,800,417)
Total governmental activities	<u>51,814,384</u>	<u>9,961,919</u>	<u>3,131,817</u>	<u>1,434,940</u>	<u>(37,285,708)</u>		<u>(37,285,708)</u>	<u>-</u>	<u>(37,285,708)</u>
Business-type activities:									
Utility	13,619,066	13,670,175	-	919,262		970,371	970,371		970,371
Toll Bridge	4,822,455	12,572,173	-	-		7,749,718	7,749,718		7,749,718
Tierra Del Sol Golf Course	1,394,340	786,422	-	-		(607,918)	(607,918)		(607,918)
Total business-type activities	<u>19,835,861</u>	<u>27,028,770</u>	<u>-</u>	<u>919,262</u>		<u>8,112,171</u>	<u>8,112,171</u>		<u>8,112,171</u>
Total primary government	<u>\$ 71,650,245</u>	<u>\$ 36,990,689</u>	<u>\$ 3,131,817</u>	<u>\$ 2,354,202</u>	<u>\$ (37,285,708)</u>	<u>\$ 8,112,171</u>	<u>\$ (29,173,537)</u>	<u>\$ -</u>	<u>\$ (29,173,537)</u>
Component unit:									
Police Athletic League	\$ 401,252	\$ 155,467	\$ 31,579					\$ (214,206)	\$ (214,206)
General revenues:									
Property taxes					15,812,420	-	15,812,420	-	15,812,420
Sales taxes					14,557,081	-	14,557,081	-	14,557,081
Franchise taxes					2,272,994	-	2,272,994	-	2,272,994
Other taxes					1,359,494	-	1,359,494	-	1,359,494
Investment earnings					401,071	792,046	1,193,117	56	1,193,173
Gain on sale of assets					198,169	11,000	209,169	-	209,169
Other					-	55,990	55,990	83,477	139,467
Transfers					7,681,573	(7,849,369)	(167,796)	167,796	-
Total general revenues and transfers					<u>42,282,802</u>	<u>(6,990,333)</u>	<u>35,292,469</u>	<u>251,329</u>	<u>35,543,798</u>
Change in net position					4,997,094	1,121,838	6,118,932	37,123	6,156,055
Net position - beginning					83,190,327	113,418,460	196,608,787	(25,374)	196,583,413
Prior period adjustment					49,154	35,713	84,867	-	84,867
Net position - ending					<u>\$ 88,236,575</u>	<u>\$ 114,576,011</u>	<u>\$ 202,812,586</u>	<u>\$ 11,749</u>	<u>\$ 202,824,335</u>

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

**CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Pharr Economic Development Corporation, Inc.	Non-Major Governmental	Total Governmental
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
Cash	\$ 11,737,675	\$ 496,292	\$ 10,320,784	\$ 22,554,751
Receivables (net of allowance for uncollectible):				
Property taxes	1,550,404	-	197,760	1,748,164
Warrants	6,271,440	-	-	6,271,440
Sales tax	1,836,039	612,013	-	2,448,052
Notes	-	721,304	203,860	925,164
Accounts	679,086	-	137,659	816,745
Intergovernmental	108,587	-	258,654	367,241
Other	386,400	312,031	-	698,431
Prepaid Items	109,826	57,600	-	167,426
Inventories	434,027	-	-	434,027
Land Available for Sale	-	23,085,314	-	23,085,314
Due from other funds	2,474,082	-	55	2,474,137
Restricted assets:				
Cash	-	8,740	-	8,740
Cash with Fiscal Agent	624,951	-	-	624,951
Intergovernmental receivable	-	-	1,191,172	1,191,172
Total assets	\$ 26,212,517	\$ 25,293,294	\$ 12,309,944	\$ 63,815,755
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 3,223,224	\$ 114,516	\$ 839,645	\$ 4,177,385
Due to other funds	55	1,363,204	890,506	2,253,765
Escrow accounts	1,293,005	-	-	1,293,005
Unearned revenue	26,666	-	5,302	31,968
Total liabilities	4,542,950	1,477,720	1,735,453	7,756,123
Deferred Inflows of Resources:				
Deferred property tax	1,550,404	-	197,760	1,748,164
Deferred accounts	749,741	-	137,659	887,400
Deferred warrants	6,271,440	-	-	6,271,440
Deferred notes	-	721,304	55,172	776,476
Total deferred inflow of resources	8,571,585	721,304	390,591	9,683,480
Fund Balance:				
Nonspendable:				
Inventory	434,027	23,085,314	-	23,519,341
Noncurrent advances	1,347,473	-	-	1,347,473
Restricted:				
General government	-	-	169,858	169,858
Debt service	-	-	157,631	157,631
Street paving and drainage	-	-	373,191	373,191
Tourism	-	-	326,330	326,330
Public safety	-	-	763,596	763,596
Parkland	-	-	12,305	12,305
Community development	-	-	31,898	31,898
Economic development	-	8,956	-	8,956
Committed:				
Contingency	8,327,768	-	-	8,327,768
Assigned:				
General government	2,034,547	-	-	2,034,547
Capital outlay	734,776	-	8,349,091	9,083,867
Unassigned:	219,391	-	-	219,391
Total fund balances	13,097,982	23,094,270	10,183,900	46,376,152
Total liabilities, deferred inflows of resources and fund balance	\$ 26,212,517	\$ 25,293,294	\$ 12,309,944	\$ 63,815,755

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Total fund balances - governmental funds balance sheet		\$ 46,376,152
(1) When capital assets that are to be used in governmental activities are purchased the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the city as a whole	Cost of capital assets Accumulated depreciation	155,779,369 <u>(72,455,937)</u>
		83,323,432
(2) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% of the assets is allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position	Garage	<u>604,496</u>
		604,496
(3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position	Bonds/Certificates/Notes Current Long-term Capital leases Current Long-term Unamortized loss -Deferred outflow Unamortized debt activity	 (3,941,488) (38,442,539) (1,139,106) (2,913,875) 353,870 <u>(115,100)</u>
		(46,198,238)
(4) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Tax receivable Allowance	2,413,350 <u>(665,186)</u>
		1,748,164
(5) Because some sanitation, brush, and paving fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Sanitation Brush & Debris Paving Library Alarm permits	488,942 190,144 137,659 41,711 <u>28,944</u>
		887,400
(6) Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Bonds Certificates Notes	(67,922) (32,255) <u>(171,966)</u>
		(272,143)

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014-Continued

<p>(7) Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. The difference in compensated absences from last year to this year is recorded in the statement of activities:</p>	<p>Current (1,070,938) Long-term <u>(3,569,236)</u></p>	<p>(4,640,174)</p>
<p>(8) Because some warrants will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds</p>	<p>Warrants receivable 9,424,540 Allowance <u>(3,153,100)</u></p>	<p>6,271,440</p>
<p>(9) Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions</p>	<p>OPEB Liability - Prior Year (600,473) This fiscal year contribution (391,757) This fiscal year trust fund c <u>351,800</u></p>	<p>(640,430)</p>
<p>(10) Because some loan receivables will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds.</p>	<p><u>776,476</u></p>	<p><u>776,476</u></p>
<p>Net position of governmental activities - statement of net position</p>		<p><u>\$ 88,236,575</u></p>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	General	Pharr Economic Development Corporation, Inc.	Non-Major Governmental	Total Governmental
Taxes:				
Property	\$ 14,033,540	\$ -	\$ 1,754,858	\$ 15,788,398
Sales	10,917,821	3,639,260	-	14,557,081
Franchise	2,272,994	-	-	2,272,994
Other	188,597	191,099	979,798	1,359,494
Licenses and permits	761,980	-	-	761,980
Intergovernmental	554,945	-	3,912,575	4,467,520
Fees and charges:				
Sanitation	2,642,339	-	-	2,642,339
Brush	1,100,893	-	-	1,100,893
Other	1,701,124	-	881,882	2,583,006
Fines	1,085,589	-	-	1,085,589
Interest income	316,136	13,339	71,596	401,071
Other	926,990	-	17,531	944,521
Total revenues	<u>36,502,948</u>	<u>3,843,698</u>	<u>7,618,240</u>	<u>47,964,886</u>
EXPENDITURES				
Current:				
General government	9,207,787	-	2,725,347	11,933,134
Public safety	19,477,291	-	1,962,059	21,439,350
Highways and streets	4,296,700	-	715,675	5,012,375
Health and welfare	2,758,305	-	-	2,758,305
Culture and recreation	4,908,356	-	1,437,881	6,346,237
Economic development	-	2,101,945	672,807	2,774,752
Debt service:				
Principal	1,833,168	341,567	5,636,290	7,811,025
Interest	254,854	211,814	1,399,830	1,866,498
Total expenditures	<u>42,736,461</u>	<u>2,655,326</u>	<u>14,549,889</u>	<u>59,941,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,233,513)</u>	<u>1,188,372</u>	<u>(6,931,649)</u>	<u>(11,976,790)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,984,678	4,397,669	9,280,037	19,662,384
Transfers (out)	(3,419,386)	(3,311,554)	(5,249,871)	(11,980,811)
Proceeds from sale of assets	-	-	-	-
Gain/(Loss) on land available for sale valuation	-	198,169	-	198,169
Issuance of debt	2,380,700	-	-	2,380,700
Total other financing sources and uses	<u>4,945,992</u>	<u>1,284,284</u>	<u>4,030,166</u>	<u>10,260,442</u>
Net change in fund balance	<u>(1,287,521)</u>	<u>2,472,656</u>	<u>(2,901,483)</u>	<u>(1,716,348)</u>
Fund balance - beginning	14,345,870	20,621,614	13,085,383	48,052,867
Prior period adjustment	39,633	-	-	39,633
Fund balance - ending	<u>\$ 13,097,982</u>	<u>\$ 23,094,270</u>	<u>\$ 10,183,900</u>	<u>\$ 46,376,152</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, 2014

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

	Net change in fund balances - total governmental funds	\$(1,716,348)	
(1)	Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
	Capital assets purchases	6,273,884	
	Depreciation expense	<u>(5,686,068)</u>	
			587,816
(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 - streets	<u>99,238</u>	
			99,238
(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>60,643</u>	
			60,643
(4)	Repayment of bond principal is reported as an expenditure in governmental funds. For the city as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The city's bonded debt was reduced in due to principal payments made to bondholder's and the amortization of the debt issuance cost, premium/discount, and gain or loss on refunding, which results in an increase to interest expenses. Also, any new debt issuances are recorded as other financial sources but not counted as revenue in governmental activities. This is the result of debt activity		
	New lease/notes proceeds	(2,380,700)	
	Lease/Notes	1,802,970	
	Bond Principal Paid	1,840,000	
	Loan Principal Paid	4,169,948	
	Unamortized debt activity	<u>(34,055)</u>	
			5,398,163
(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		
	Tax levy	15,316,544	
	Collections	<u>(15,292,522)</u>	
			24,022
(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	27,019	
	Brush	8,720	
	Paving	26,897	
	Library	<u>28,265</u>	
			90,901

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, 2014 - Continued

(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	(272,145) <u>368,497</u>	96,352
(8)	Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. Compensated absences is recorded in the statement of assets	Current year Prior year	(4,640,174) <u>4,283,750</u>	(356,424)
(9)	Because some warrant fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Prior Year Warrant A/R Current Year Warrant A/R	(6,166,843) <u>6,271,440</u>	104,597
(10)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB expense/expenditures for their net required contributions to the plan	OPEB Liability - This fiscal year Trust fund contributions	(391,757) <u>351,800</u>	(39,957)
(12)	Loans issued to outside entities for Economic development are considered expenses governmental funds but not in the statement of activities.		<u>648,091</u>	<u>648,091</u>
	Change in net position of governmental activities			<u><u>\$4,997,094</u></u>

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



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**CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

ASSETS	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Current assets:					
Cash	\$ 7,935,126	\$ 10,048,520	\$ 389,868	\$ 18,373,514	\$ 117,798
Receivables (net of allowance for uncollectible):					
Accounts	2,566,061	131,500	9,173	2,706,734	-
Other	3,471	-	-	3,471	-
Prepayment	3,450,000	-	-	3,450,000	-
Inventories	137,581	-	21,743	159,324	23,480
Restricted assets:					
Cash	20,178,671	979,644	-	21,158,315	-
Cash with Fiscal Agent	-	-	-	-	1,866
Total current assets	34,270,910	11,159,664	420,784	45,851,358	143,144
Capital assets					
Land (nondepreciable)	837,036	819,645	999,342	2,656,023	-
Buildings (net of acc. depreciation)	13,168,446	1,599,826	364,974	15,133,246	422,883
Improvements other than buildings (net of acc. depreciation)	748,171	223,207	2,660,009	3,631,387	46,097
Machinery and equipment (net of acc. depreciation)	1,726,899	1,680,366	201,146	3,608,411	71,957
Infrastructure (net of acc. depreciation)	79,951,730	13,627,312	54,864	93,633,906	-
Construction in progress (nondepreciable)	14,635,883	412,388	-	15,048,271	-
Total capital assets	111,068,165	18,362,744	4,280,335	133,711,244	540,937
Total noncurrent assets	111,068,165	18,362,744	4,280,335	133,711,244	540,937
Total assets	145,339,075	29,522,408	4,701,119	179,562,602	684,081
DEFERRED OUTFLOW OF RESOURCES					
Unamortized loss on refunding of debt	123,909	199,186	-	323,095	-
Total deferred outflow of resources	\$ 123,909	\$ 199,186	\$ -	\$ 323,095	\$ -

	Business-type Enterprise Funds				Governmental
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	Activities - Internal Service Fund
<u>LIABILITIES</u>					
Current liabilities payable:					
Accounts payable	\$ 516,810	\$ 205,604	\$ 68,536	\$ 790,950	\$ 7,343
Accrued liabilities	133,243	35,330	-	168,573	-
Due to other funds	139,375	42,102	29,212	210,689	9,683
Unearned revenue	3,072,255	-	48,608	3,120,863	-
Total current liabilities payable	<u>3,861,683</u>	<u>283,036</u>	<u>146,356</u>	<u>4,291,075</u>	<u>17,026</u>
Current liabilities payable from restricted assets:					
Customer deposits payable	2,162,077	-	-	2,162,077	-
Escrow payable	91,022	-	-	91,022	-
Matured accrued compensation	123,372	84,375	21,233	228,980	3,583
Matured capital lease	31,666	-	75,603	107,269	7,263
Matured bonds/notes, net	2,870,000	530,000	-	3,400,000	-
Total current liabilities payable from restricted assets	<u>5,278,137</u>	<u>614,375</u>	<u>96,836</u>	<u>5,989,348</u>	<u>10,846</u>
Total current liabilities	<u>9,139,820</u>	<u>897,411</u>	<u>243,192</u>	<u>10,280,423</u>	<u>27,872</u>
Noncurrent liabilities:					
Accrued compensation	370,115	28,125	63,698	461,938	10,748
Capital lease payable	71,620	-	210,216	281,836	40,965
Bonds/notes principal payable	49,655,000	4,630,491	-	54,285,491	-
Total noncurrent liabilities	<u>50,096,735</u>	<u>4,658,616</u>	<u>273,914</u>	<u>55,029,265</u>	<u>51,713</u>
Total liabilities	<u>59,236,555</u>	<u>5,556,027</u>	<u>517,106</u>	<u>65,309,688</u>	<u>79,585</u>
<u>NET POSITION</u>					
Invested in capital assets, net of related debt	67,693,100	13,426,931	4,183,569	85,303,600	494,575
Restricted for:					
Debt service	4,504,382	979,644	-	5,484,026	-
Capital projects	13,512,211	-	-	13,512,211	-
Unrestricted	516,736	9,758,992	444	10,276,172	109,921
Total net position	<u>\$ 86,226,429</u>	<u>\$ 24,165,567</u>	<u>\$ 4,184,013</u>	<u>\$ 114,576,009</u>	<u>\$ 604,496</u>

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 7,591,266	\$ -	\$ -	\$ 7,591,266	\$ -
Sewer service	5,614,880	-	-	5,614,880	-
Tap fees	345,295	-	-	345,295	-
Toll fees	-	12,349,273	-	12,349,273	-
Golf services	-	-	659,967	659,967	-
Other	118,734	222,900	126,455	468,089	782,232
Total operating revenues	<u>13,670,175</u>	<u>12,572,173</u>	<u>786,422</u>	<u>27,028,770</u>	<u>782,232</u>
Operating expenses:					
Personnel services	3,154,671	849,929	656,857	4,661,457	194,515
Supplies and Materials	1,290,599	137,396	183,714	1,611,709	12,870
Contractual Services	3,416,986	2,527,795	228,396	6,173,177	478,903
Depreciation	4,046,909	879,483	315,366	5,241,758	34,705
Total operating expenses	<u>11,909,165</u>	<u>4,394,603</u>	<u>1,384,333</u>	<u>17,688,101</u>	<u>720,993</u>
Operating income (loss)	<u>1,761,010</u>	<u>8,177,570</u>	<u>(597,911)</u>	<u>9,340,669</u>	<u>61,239</u>
Nonoperating revenues (expenses):					
Investment earnings	574,853	216,416	775	792,044	-
Interest expense	(1,678,924)	(231,854)	(10,007)	(1,920,785)	(596)
Amortization expense	(30,977)	(195,998)	-	(226,975)	-
Intergovernmental	366,333	-	-	366,333	-
Gain on sale of asset	-	-	11,000	11,000	-
Other	54,738	450	801	55,989	-
Total nonoperating revenues (expenses)	<u>(713,977)</u>	<u>(210,986)</u>	<u>2,569</u>	<u>(922,394)</u>	<u>(596)</u>
Income before contributions and transfers	<u>1,047,033</u>	<u>7,966,584</u>	<u>(595,342)</u>	<u>8,418,275</u>	<u>60,643</u>
Transfers in	-	233,250	682,882	916,132	-
Transfers (out)	(404,900)	(8,360,600)	-	(8,765,500)	-
Capital contributions	552,929	-	-	552,929	-
Changes in net position	<u>1,195,062</u>	<u>(160,766)</u>	<u>87,540</u>	<u>1,121,836</u>	<u>60,643</u>
Total net position - beginning	85,021,075	24,321,530	4,075,855	113,418,460	534,336
Prior period adjustment	10,292	4,803	20,618	35,713	9,517
Total net position - ending	<u>\$ 86,226,429</u>	<u>\$ 24,165,567</u>	<u>\$ 4,184,013</u>	<u>\$ 114,576,009</u>	<u>\$ 604,496</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, 2014

	Business-type Enterprise Funds				Governmental Activities - Internal Service Fund
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 13,307,160	\$ 12,584,665	\$ 790,888	\$ 26,682,713	\$ 782,232
Payments to suppliers	(1,305,677)	(137,396)	(189,650)	(1,632,723)	(11,465)
Payments to employees	(2,958,910)	(816,806)	(692,601)	(4,468,317)	(196,720)
Payments for contractual services	(7,315,872)	(2,525,540)	(217,826)	(10,059,238)	(487,343)
Payments (to)/from others	168	-	-	168	-
Net cash flow (to)/from operating activities	<u>1,726,869</u>	<u>9,104,923</u>	<u>(309,189)</u>	<u>10,522,603</u>	<u>86,704</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from grants	366,333	-	-	366,333	-
Advances (to)/from other funds	17,168	8,491	2,592	28,251	1,573
Transfers in from other funds	-	233,250	682,882	916,132	-
Transfers out to other funds	(404,900)	(8,360,600)	-	(8,765,500)	-
Payments (to)/from others	54,738	450	801	55,989	-
Net cash provided/(used) by noncapital and related financing activities	<u>33,339</u>	<u>(8,118,409)</u>	<u>686,275</u>	<u>(7,398,795)</u>	<u>1,573</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(3,332,048)	(139,091)	(119,206)	(3,590,345)	(51,134)
Principal paid on long-term debt	(2,917,785)	(530,000)	(26,263)	(3,474,048)	48,228
Interest paid on long-term debt	(1,678,924)	(231,854)	(10,007)	(1,920,785)	(596)
Other	3,316	829	20,618	24,763	9,518
Net cash provided/(used) by capital and related financing activities	<u>(7,925,441)</u>	<u>(900,116)</u>	<u>(134,858)</u>	<u>(8,960,415)</u>	<u>6,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	574,853	216,416	775	792,044	-
Net cash provided/(used) by investing activities	<u>574,853</u>	<u>216,416</u>	<u>775</u>	<u>792,044</u>	<u>-</u>
NON CASH INVESTING/FINANCING ACTIVITIES					
Capital Contributions	552,929	-	-	552,929	-
Noncash provided/(used) by investing/financing	<u>552,929</u>	<u>-</u>	<u>-</u>	<u>552,929</u>	<u>-</u>
Net increase/(decrease) in cash	(5,037,451)	302,814	243,003	(4,491,634)	94,293
Cash beginning of fiscal year	33,151,248	10,725,350	146,865	44,023,463	25,371
Cash end of fiscal year	<u>\$ 28,113,797</u>	<u>\$ 11,028,164</u>	<u>\$ 389,868</u>	<u>\$ 39,531,829</u>	<u>\$ 119,664</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 (loss)	\$ <u>1,761,010</u>	\$ <u>8,177,570</u>	\$ <u>(597,911)</u>	\$ <u>9,340,669</u>	\$ <u>61,239</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	4,046,909	879,483	315,366	5,241,758	34,705
(Increase) Decrease in Accounts and Other Receivables, net	(50,123)	12,492	(2,920)	(40,551)	-
(Increase) Decrease in Inventories	(15,078)	-	(5,936)	(21,014)	1,405
(Increase) Decrease in Other Assets	(3,450,000)	-	-	(3,450,000)	-
Increase (Decrease) in Accounts Payable	(448,886)	2,255	10,570	(436,061)	(8,440)
Increase (Decrease) in Accrued Compensation	195,761	33,123	(35,744)	193,140	(2,205)
Increase (Decrease) in Deferred/Escrow Revenue	168	-	7,386	7,554	-
Increase (Decrease) in Customer Deposits	53,441	-	-	53,441	-
Increase (Decrease) in Other Liabilities	(366,333)	-	-	(366,333)	-
Total adjustments	<u>(34,141)</u>	<u>927,353</u>	<u>288,722</u>	<u>1,181,934</u>	<u>25,465</u>
Net cash provided (used) by operating activities	\$ <u><u>1,726,869</u></u>	\$ <u><u>9,104,923</u></u>	\$ <u><u>(309,189)</u></u>	\$ <u><u>10,522,603</u></u>	\$ <u><u>86,704</u></u>

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



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**DISCRETE COMPONENT UNIT
BASIC FINANCIAL STATEMENTS**

Police Athletic League

**CITY OF PHARR, TEXAS
DISCRETE COMPONENT UNIT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

		Police Athletic League
<u>ASSETS</u>		
Current assets:		
Cash		\$ 77,007
Receivables (net of allowance for uncollectible)		833
Total current assets		77,840
<u>LIABILITIES</u>		
Current liabilities payable:		
Accounts payable and other current liabilities		\$ 17,158
Unearned revenue		48,933
Total current liabilities payable		66,091
<u>NET POSITION</u>		
Unrestricted		11,749
Total net position		\$ 11,749

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, 2014**

<u>Functions/Programs</u> <u>Component Unit</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Component Unit</u>
Police Athletic League				
Culture and recreation	\$ 401,252	\$ 155,467	\$ 31,579	\$ (214,206)
Total component unit	401,252	155,467	31,579	(214,206)
Total component unit	\$ 401,252	\$ 155,467	\$ 31,579	\$ (214,206)
		<u>General revenues:</u>		
				56
				83,477
				167,796
				251,329
				37,123
				(25,374)
				\$ 11,749

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

NOTES TO THE FINANCIAL STATEMENTS

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Pharr

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

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

Blended Component Unit

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

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

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

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

Discretely Presented Component Unit

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

Police Athletic League- On October 2012, the City of Pharr Police Athletic League (PAL) was created as a nonprofit organization for the purpose of youth crime prevention that relies on providing civic, athletic, recreational, and educational opportunities and resources to cement a bond and create trust and understanding between police officers and youth. The City's Chief Financial Officer acts as Treasurer of PAL and City's Chief of Police acts as Board President. Separate financial statements issued by PAL can be obtained at the following address: *PAL- 413 East Clark, Pharr, Texas 78577.* PAL is considered a Discrete Component Unit based on the criteria established by GASB Statement No. 61.

C. Government-Wide and Fund Financial Statements

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increase (revenues) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

Proprietary Funds

The City reports the following major enterprise funds:

- *Utility Fund* – accounts for the provision of water and sewer services to the residents of the City.
- *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.

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

1. Cash and Investments

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

2. Property Taxes

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

2. Property Taxes - (continued)

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

3. Inventories

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

4. Receivables and Payables

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

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

5. Transactions between Funds

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

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

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

7. Compensated Absences

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

7. Compensated Absences - (continued)

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

8. Long-Term Obligations

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

9. Restricted Assets

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

10. Net Position / Fund Equity

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

11. Estimates

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

12. General Fund's Fund Balance Policy

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

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

The City shall strive to maintain the General Fund (not the combined reporting General Fund which consists of the Payroll, Contingency, and the General funds) committed fund balance at 90 days (25%) of the current year's original budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchase, debt service, annual economic incentives, and the annual transfer from the General Fund to the other funds (Charter mandated contingency funding will not take place so long as the contingency fund is fully funded). This amount changes slightly from year to year; for this fiscal year, the General Fund committed balance was under funded by \$61,854 since the requirement amount to be funded was \$8,389,622 and the City's General fund balance was \$8,327,768 at September 30, 2014. The contingency balance will be fully funded early in the upcoming fiscal year.

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

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

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

A. Budgetary Data-(continued)

1. Budget Policy and Practice-(continued)

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

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

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

At any time during the fiscal year, the City Manager can reallocate expenditures within a fund without the approval of the Board of Commissioners, up to \$10,000 per request. 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, they are indicated in the following chart:

	Budget Amendment - net Revenues/(Expenditures/Expenses)							
	#1		#2		#3		#4	
	Expenditures	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures	Revenues
General Fund	\$ 1,290,134	\$ 24,104	\$ 62,960	\$ 62,960	\$ 385,200	\$ 82,000	\$ 3,402,370	\$ 1,420,500
Hotel/Motel Fund	3,000	-	-	-	353,000	353,000	542,000	550,000
Asset Sharing Fund	-	-	-	-	-	-	295,000	600,000
Paving & Drainage Fund	-	-	-	-	-	-	642,000	693,000
Capital Projects Fund	-	-	-	-	-	-	-	236,000
Debt Service Fund	583,060	583,060	-	-	-	-	-	130,000
Garage Fund	-	-	-	-	-	-	67,780	67,780
Utility Fund	60,000	-	-	-	-	-	87,000	145,000
Bridge Fund	-	-	-	-	-	-	(50,709,040)	(52,758,080)
Golf Fund	36,613	-	-	-	-	-	-	105,000
PEDC Fund	-	-	53,460	53,460	-	-	2,219,000	4,700,000
PFC #1 Fund	-	-	-	-	-	-	1,950,000	1,950,000
TIRZ Fund	-	-	-	-	-	-	-	1,330
	<u>\$ 1,972,807</u>	<u>\$ 607,164</u>	<u>\$ 116,420</u>	<u>\$ 116,420</u>	<u>\$ 738,200</u>	<u>\$ 435,000</u>	<u>\$ (41,503,890)</u>	<u>\$ (42,159,470)</u>

The major reasons for the amendments are: partnership with promoters at the Pharr Events Center, additional overtime for police officers, property and sales tax growth, aquatic and athletic program funding, accelerated debt service payments, and the elimination of Bridge capital projects and their funding.

B. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which slightly differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are debt service transactions, capital outlay purchases, and the recording of bond/loan proceeds.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations for interest by \$1,194 and for transfers to Golf Course, Community Development, and Hotel/Motel by a total of \$279,441. The major reason for the material differences is due to the need to fund the Golf Course in order to ensure it does not have a negative fund balance.

D. Finance-Related Legal and Contractual Provisions

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

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

E. Deficit Fund Equity/Net Position

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

F. Prior Period Adjustment

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

Governmental Reports	
Purpose of Prior Period Adjustment	Amount
<u>General Fund:</u>	
To adjust prior year inventory	\$ (9,878)
To adjust prior year accounts payable	49,511
Total Governmental Fund Adjustment	\$ 39,633
<u>Enterprise Fund: Utility Fund:</u>	
To adjust prior year compensated absences	\$ 10,292
<u>Enterprise Fund: Bridge Fund:</u>	
To adjust prior year compensated absences	4,803
<u>Enterprise Fund: Golf Fund:</u>	
To adjust prior year compensated absences	38,566
To adjust prior year equipment & lease payable	(17,948)
<u>Internal Service Fund: Garage Fund:</u>	
To adjust prior year compensated absences	9,517
Total Proprietary Fund Adjustment	\$ 45,230
Total City-Wide PPA	\$ 84,863

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014, the carrying amount of all of the City's deposits was \$63,081,334. The City has one depository account: LoneStar National Bank (LSNB).

<u>LSNB Depository Account</u>	<u>Balance September 30, 2014</u>
Insured	\$ 737,958
Security collateral issued by pledging bank's trust department in the City's name	67,330,356
(Over-insured)/over-collateralized	(4,986,981)
Total Deposits	\$ 63,081,333

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, 2014, the City's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized.

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

- a. Depository: LSNB.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$79,965,905.
- c. The highest combined balances of cash accounts amounted to \$79,965,905 and occurred during April 2014.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$738,010 during September 2014.

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Cash with fiscal agents of \$626,817 on September 30, 2014, was covered by collateral held in the fiscal agents' trust departments, but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds. U.S. Bancorp is the fiscal agent for the City.

2. Investments

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

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

Due to the extremely low interest rates, the City does not have any investments other than savings accounts in LSNB at September 30, 2014. The City's depository provides a greater savings rate (a floor of 2%) according to the depository contract entered into. The funds are available immediately as needed.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

A. Deposits and Investments - (continued)

2. Investments – (continued)

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

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

b. Credit Risk

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

c. Custodial Credit Risk

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

d. Concentration of Credit Risk

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

e. Foreign Currency Risk

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

B. Receivables

Receivables for the City at September 30, 2014, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Other	Total	Utility	Bridge & Golf	Total
Property taxes	\$ 2,122,239	\$ 291,111	\$ 2,413,350	\$ -	\$ -	\$ -
Warrants	9,424,540	-	9,424,540	-	-	-
Sales Tax	1,836,039	612,013	2,448,052	-	-	-
Notes	-	925,164	925,164	-	-	-
Accounts	693,909	140,229	834,138	2,617,913	140,673	2,758,586
Intergovernmental	108,587	258,654	367,241	-	-	-
Franchise taxes	262,256	-	262,256	-	-	-
Other	217,499	312,031	529,530	3,471	-	3,471
Gross receivables	14,665,069	2,539,202	17,204,271	2,621,384	140,673	2,762,057
Less: allowance for uncollectible	(3,833,113)	(95,921)	(3,929,034)	(51,852)	-	(51,852)
Net total receivable	<u>\$ 10,831,956</u>	<u>\$ 2,443,281</u>	<u>\$ 13,275,237</u>	<u>\$ 2,569,532</u>	<u>\$ 140,673</u>	<u>\$ 2,710,205</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

C. Payables

Payables for the City at September 30, 2014, were as follows:

	Governmental Activities	Business-Type Activities				Total
	Governmental	Utility	Bridge	Golf	Business- Type Total	
Vendors	\$ 2,418,438	\$ 516,810	\$ 205,604	\$ 67,667	\$ 790,081	\$ 3,208,519
Salaries & benefits	1,535,614	-	-	-	-	1,535,614
Retainage fees	77,927	-	-	-	-	77,927
Accrued interest	272,145	133,243	35,330	-	168,573	440,718
Due to state	152,749	-	-	869	869	153,618
Total payables	\$ 4,456,873	\$ 650,053	\$ 240,934	\$ 68,536	\$ 959,523	\$ 5,416,396

D. Unearned Revenue

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

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

	Governmental Activities	Business-Type	Discrete Component Unit	Total
Unearned golf revenue	\$ -	\$ 48,608	\$ -	\$ 48,608.00
TWDB Forgiveness Loan Grant	-	3,072,255	-	3,072,255
Restricted revenues (Escrows)-other	1,293,005	-	-	1,293,005
Event Center Revenue	31,968	-	-	31,968
PAL Sports Fee	-	-	48,933	48,933
	\$ 1,324,973	\$ 3,120,863	\$ 48,933	\$ 4,494,769

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014 consisted of the following:

GENERAL FUND	PURPOSE	
DUE FROM:		
<u>Governmental</u>		
PEDC	\$ 1,363,204	Economic Development
Community Development	347,884	Loan due to grant timing issue
Grant Fund	523,035	Loan due to grant timing issue
Hotel/Motel	19,587	Payroll management timing
	2,253,710	
<u>Enterprise Funds:</u>		
Utility	139,375	Payroll management timing
Bridge	42,102	Payroll management timing
Golf	29,212	Payroll management timing
	210,689	
<u>Internal Service Funds:</u>		
Garage	9,683	Payroll management timing
	9,683	
 <u>COMMUNITY DEVELOPMENT</u>		
DUE FROM:		
<u>Governmental</u>		
General	55	Miscellaneous
Grand Total	\$ 2,474,137	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 5,332,637	\$ 247,312	\$ -	\$ 5,579,949
Construction in Progress	1,436,340	2,575,611	605,542	3,406,409
Total capital assets, not being depreciated	<u>6,768,977</u>	<u>2,822,923</u>	<u>605,542</u>	<u>8,986,358</u>
<i>Capital assets, being depreciated:</i>				
Buildings	39,543,289	495,373	-	40,038,662
Machinery and equipment	18,846,848	2,893,324	-	21,740,172
Improvements other than buildings	7,413,442	331,148	-	7,744,590
Infrastructure	76,289,029	209,407	-	76,498,436
Total capital assets, being depreciated	<u>142,092,608</u>	<u>3,929,252</u>	<u>-</u>	<u>146,021,860</u>
Less accumulated depreciation for:				
Buildings	10,470,714	858,484	-	11,329,198
Machinery and equipment	10,280,381	2,148,902	-	12,429,283
Improvements other than buildings	2,598,223	317,138	-	2,915,361
Infrastructure	44,079,283	2,307,278	-	46,386,561
Total accumulated depreciation	<u>67,428,601</u>	<u>5,631,802</u>	<u>-</u>	<u>73,060,403</u>
Total capital assets, being depreciated, net	<u>74,664,007</u>	<u>(1,702,550)</u>	<u>-</u>	<u>72,961,457</u>
Governmental activities capital assets, net	<u><u>\$ 81,432,984</u></u>	<u><u>\$ 1,120,373</u></u>	<u><u>\$ 605,542</u></u>	<u><u>\$ 81,947,815</u></u>
Business-Type Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,656,024	\$ -	\$ -	\$ 2,656,024
Construction in Progress	15,475,191	2,483,596	2,910,516	15,048,271
Total capital assets, not being depreciated	<u>18,131,215</u>	<u>2,483,596</u>	<u>2,910,516</u>	<u>17,704,295</u>
<i>Capital assets, being depreciated:</i>				
Buildings	28,321,676	398,579	-	28,720,255
Machinery and equipment	14,701,088	153,199	-	14,854,287
Improvements other than buildings	5,284,104	340,033	-	5,624,137
Infrastructure	117,198,757	3,112,654	-	120,311,411
Total capital assets, being depreciated	<u>165,505,625</u>	<u>4,004,465</u>	<u>-</u>	<u>169,510,090</u>
Less accumulated depreciation for:				
Buildings	12,952,999	634,008	-	13,587,007
Machinery and equipment	10,467,490	802,183	23,800	11,245,873
Improvements other than buildings	1,710,668	282,084	-	1,992,752
Infrastructure	23,154,025	3,523,482	-	26,677,507
Total accumulated depreciation	<u>48,285,182</u>	<u>5,241,757</u>	<u>23,800</u>	<u>53,503,139</u>
Total capital assets, being depreciated, net	<u>117,220,443</u>	<u>(1,237,292)</u>	<u>(23,800)</u>	<u>116,006,951</u>
Business-Type activities capital assets, net	<u><u>135,351,658</u></u>	<u><u>1,246,304</u></u>	<u><u>2,886,716</u></u>	<u><u>133,711,246</u></u>
Total Primary Government	<u><u>\$ 216,784,642</u></u>	<u><u>\$ 2,366,677</u></u>	<u><u>\$ 3,492,258</u></u>	<u><u>\$ 215,659,061</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

F. Capital Assets-(continued)

Component Unit-Blended	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 480,062	\$ -	\$ -	\$ 480,062
Total capital assets, not being depreciated	480,062	-	-	480,062
<i>Capital assets, being depreciated:</i>				
Buildings	1,328,356	-	-	1,328,356
Machinery and equipment	144,340	-	-	144,340
Improvement other than buildings	343,952	277,623	-	621,575
Total capital assets, being depreciated	1,816,648	277,623	-	2,094,271
Less Accumulated Depreciation				
Buildings	468,817	47,462	-	516,279
Machinery and equipment	73,239	7,932	-	81,171
Improvement other than buildings	26,750	33,579	-	60,329
Total Accumulated Depreciation	568,806	88,973	-	657,779
Total Capital assets, being depreciated, net	1,247,842	188,650	-	1,436,492
Component Unit-Blended capital assets, net	<u>1,727,904</u>	<u>188,650</u>	<u>-</u>	<u>1,916,554</u>
 City-Wide capital assets, net	 <u>\$ 218,512,546</u>	 <u>\$ 2,555,327</u>	 <u>\$ 3,492,258</u>	 <u>\$ 217,575,615</u>

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

Governmental Activities:

General Government	\$ 590,177
Public Safety	1,571,908
Highway & Streets	2,734,406
Sanitation	108,333
Culture & Recreation	626,978
Sub-Total Governmental Activities	<u>5,631,802</u>

Component Unit - Blended:

Economic Development	88,973
Total Governmental Activities	<u>\$ 5,720,775</u>

Business-Type Activities

Utility	\$ 4,046,909
Bridge	879,483
Golf	315,365
Total Business-Type Activities	<u>\$ 5,241,757</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Refunding Bonds Payable	\$12,830,000	\$ -	1,535,000	\$ -	\$ 11,295,000	\$ 1,585,000
Certificates of Obligation	7,330,000	-	305,000	-	7,025,000	305,000
CDBG Section 108	5,306,000	-	294,000	-	5,012,000	294,000
LSNB Note Payable-City	5,077,582	-	1,356,369	-	3,721,213	552,644
LSNB Note Payable-PEDC	4,642,500	-	341,567	-	4,300,933	704,844
Note Payable-PFC	13,500,000	-	2,470,119	-	11,029,881	500,000
Other Post Employment Benefits	600,473	39,957	-	-	640,430	-
Accrued Compensated Absences-PEDC	18,757	13,601	9,587	-	22,771	5,693
Accrued Compensated Absences	4,264,994	1,827,632	1,418,320	(56,903) A	4,617,403	1,065,245
Accrued Compensated Absences -City Ga	16,536	10,008	2,696	(9,517) A	14,331	3,583
Capital Leases	3,183,145	2,380,700	1,510,864	-	4,052,981	1,139,106
Capital Leases-Garage	-	53,000	4,772	-	48,228	7,263
Unamortized Premium/(Discount)	161,241	-	46,141	-	115,100	-
Total	<u>\$ 56,931,228</u>	<u>\$ 4,324,898</u>	<u>\$ 9,294,435</u>	<u>\$ (66,420)</u>	<u>\$ 51,895,271</u>	<u>\$ 6,162,378</u>
Business-Type						
Revenue Bonds Payable	\$52,545,000	-	2,110,000	-	\$50,435,000	2,110,000
Refunding Revenue Bonds Payable	8,515,000	-	1,290,000	-	7,225,000	1,290,000
Capital Leases	463,154	-	187,258	113,209 B	389,105	107,269
Accrued Compensated Absences	497,778	269,032	22,232	(53,660) A	690,918	228,980
Unamortized Premium/(Discount)	28,679	-	3,188	-	25,491	-
Total	<u>\$62,049,611</u>	<u>269,032</u>	<u>3,612,678</u>	<u>59,549</u>	<u>58,765,514</u>	<u>3,736,249</u>

A Long-Term Obligation Schedule Adjustment for Accrued Compensated Absences Balance

B Long-Term Obligation Schedule Adjustment for Golf Cart Capital Lease Balance

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014 is comprised of the following:

	Original Issuance	Series	Type	Name	Payment Installments	Installments		Interest Rates		Payment Through	Current Balance
						Lowest	Highest	Lowest	Highest		
Governmental Activities	\$ 16,110,000	2005B	Refunding Bonds	GO	Annual	\$ 905,000	\$ 1,535,000	3.75%	5.00%	8/15/2021	\$ 10,715,000
	2,220,000	2011	Refunding Bonds	GO	Annual	\$ 530,000	\$ 580,000	2.00%	4.00%	8/15/2015	580,000
	Subtotal-Refunding Bonds										\$ 11,295,000
	\$ 7,625,000	2012	Certificate of Obligation	GO	Annual	\$ 295,000	\$ 535,000	0.60%	4.98%	8/15/2032	\$ 7,025,000
	Subtotal-Certificate of Obligation										\$ 7,025,000
Governmental Total										\$ 18,320,000	
Business-Type Activities	\$ 29,000,000	2007	Revenue Bonds-CWSRF	WW & SS	Annual	\$ 790,000	\$ 2,480,000	2.90%	3.50%	9/1/2027	\$ 23,470,000
	\$ 13,310,000	2007A	Revenue Bonds-DWSRF	WW & SS	Annual	\$ 380,000	\$ 1,075,000	2.35%	3.50%	9/1/2027	11,265,000
	\$ 10,000,000	2007B	Revenue Bonds-NADBANK	WW & SS	Annual	\$ 385,000	\$ 685,000	3.75%	3.75%	9/1/2027	7,230,000
	\$ 8,725,000	2013	Revenue Bonds-DWSRF	WW & SS	Annual	\$ 255,000	\$ 400,000	0.00%	2.71%	91/1/2042	8,470,000
	Subtotal-Revenue Bonds										\$ 50,435,000
	\$ 9,755,000	2005A	Refunding Bonds	CT & IBR	Annual	\$ 510,000	\$ 740,000	3.63%	4.50%	8/15/2022	\$ 5,135,000
	\$ 6,430,000	2008	Refunding Bonds	WW & SS	Annual	\$ 75,000	\$ 815,000	3.60%	3.60%	9/1/2018	2,090,000
Subtotal-Refunding Bonds										\$ 7,225,000	
Business-Type Total										\$ 57,660,000	

CT&IBR=Combination Tax & International Bridge Revenue

CWSRF=Clean Water State Revolving Fund

DWSRF=Drinking Water State Revolving Fund

NADBank=North American Development Bank

WW&SS=Waterworks & Sewer System

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

G. Long-Term Obligations – (continued)

1. Bonds Payable

Debt service requirements of bonds payable at September 30, 2014 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,585,000	\$ 490,318	\$ 2,075,318	\$ 3,505,000	\$ 1,810,892	\$ 5,315,892
2016	1,675,000	427,928	2,102,928	3,615,000	1,699,672	5,314,672
2017	1,760,000	344,178	2,104,178	3,725,000	1,586,592	5,311,592
2018	1,850,000	256,178	2,106,178	3,840,000	1,472,945	5,312,945
2019	1,415,000	182,178	1,597,178	4,015,000	1,354,178	5,369,178
2020-2024	3,010,000	187,481	3,197,481	20,745,000	4,785,117	25,530,117
2025-2029	-	-	--	13,720,000	1,502,350	15,222,350
2030-2034	-	-	--	1,560,000	499,356	2,059,356
2035-2040	-	-	--	1,765,000	298,406	2,063,406
2041-2046	-	-	--	1,170,000	63,764	1,233,764
	<u>\$ 11,295,000</u>	<u>\$ 1,888,261</u>	<u>\$ 13,183,261</u>	<u>\$ 57,660,000</u>	<u>\$ 15,073,272</u>	<u>\$ 72,733,272</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2014 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 305,000	\$ 255,774	\$ 560,774
2016	305,000	252,541	557,541
2017	315,000	248,363	563,363
2018	320,000	242,598	562,598
2019	325,000	235,750	560,750
2020-2024	1,780,000	1,030,604	2,810,604
2025-2029	2,145,000	663,409	2,808,409
2030-2034	1,530,000	152,699	1,682,699
	<u>\$ 7,025,000</u>	<u>\$ 3,081,738</u>	<u>\$ 10,106,738</u>

3. Capital Leases Payable

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense. Debt service requirements of capital leases obligations at September 30, 2014 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,146,369	\$ 61,641	\$ 1,208,010	\$ 171,441	\$ 6,415	\$ 177,856
2016	932,298	44,545	976,843	108,232	3,468	111,700
2017	806,935	28,987	835,922	90,239	1,427	91,666
2018	464,429	16,884	481,313	19,193	95	19,288
2019	331,485	10,369	341,854	-	-	--
2020-2025	419,693	5,236	424,929	-	-	-
	<u>\$ 4,101,209</u>	<u>\$ 167,662</u>	<u>\$ 4,268,871</u>	<u>\$ 389,105</u>	<u>\$ 11,405</u>	<u>\$ 400,510</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

G. Long-Term Obligations – (continued)

3. Capital Leases Payable – (continued)

Capital Leases	Governmental	Business-Type	Total
\$2,322,000 lease payable; due in monthly installments of \$31,600, including interest, through November 14, 2014; interest at 3.87%. All funds used to purchase Machinery & Equipment.	\$ 62,110	\$ 1,172	\$ 63,282
\$2,9221,720 lease payable, due in quarterly installments starting with \$167,702, including interest, through May 20, 2014; interest at 2.42%. All funds used to purchase Machinery & Equipment.	696,860	171,104	867,964
\$405,000 lease payable, due in monthly installments of \$11,537, including interest, through February 28, 2015; interest at 1.64%. Police equipment purchased.	57,448	-	57,448
\$1,100,150 lease payable, due in monthly installments of \$19,099 including interest, through February 28, 2017; interest at 1.61%. All funds used to purchased equipment.	424,028	81,836	505,864
\$832,120 lease payable, due in monthly installments of \$14,229.07 including interest, through December 31, 2017; interest at 1.01%. General and Golf Fund equipment purchased.	474,841	70,821	545,662
\$439,750 lease payable, due in monthly installments of \$12,377.91 including interest, through December 31, 2015; interest at .86% Police equipment purchased.	184,607	-	184,607
\$2,097,840 lease payable, due in monthly installments of \$26,558 including interest, through January 2021; interest at 1.75% General Fund and City Garage equipment purchased.	1,908,955	-	1,908,955
\$335,860 lease payable, due in monthly installments of \$5,789 including interest, through January 2019 at 1.33% Police equipment purchased.	292,360	-	292,360
\$238,000.50 lease payable, due in monthly installments of \$4,520 including interest, through December 2014 at 3.3% Golf carts were purchased.	-	64,172	64,172
	<u>\$ 4,101,209</u>	<u>\$ 389,105</u>	<u>\$ 4,490,314</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

G. Long-Term Obligations – (continued)

4. Notes Payable

Long-term notes payable outstanding at September 30, 2014 is comprised of the following:

Original Issuance	Issuer	Name	Payment Installments	Installments		Interest Rates		Payment Through	Current Balance
				Lowest	Highest	Lowest	Highest		
\$ 5,600,000	Housing and Urban Development	CDBGHUD Section 108	Annual	\$ 2,994,000	\$ 295,000	0.49%	1.73%	8/1/2031	\$ 5,012,000
\$ 4,250,000	LoneStar National Bank	Whitney Elementary Building	Semi-Annual	\$ 358,107	\$ 358,107	4.50%	4.50%	4/15/2020	3,721,213
								Subtotal-City of Pharr Governmental	\$ 8,733,213
\$ 4,642,500	LoneStar National Bank	Industrial Park	Annual	\$ 446,604	\$ 446,604	4.50%	4.50%	11/15/2019	\$ 4,300,933
								Subtotal-PEDC	\$ 4,300,933
\$ 15,000,000	Frost National Bank	PPFC # 1 Promissory Note	Annual	\$ 500,000	\$ 700,000	3.25%	3.25%	9/30/2016	\$ 11,029,881
								Subtotal-PPFC # 1	\$ 11,029,881
								Governmental Total	\$ 24,064,027

Debt service requirements of notes payable at September 30, 2014 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 2,051,488	\$ 935,458	\$ 2,986,946
2016	2,208,752	867,781	3,076,533
2017	11,600,066	771,440	12,371,506
2018	1,734,690	287,408	2,022,098
2019	1,801,125	215,751	2,016,876
2020-2024	2,602,906	489,792	3,092,698
2025-2029	1,475,000	241,104	1,716,104
2030-2034	590,000	30,326	620,326
	<u>\$ 24,064,027</u>	<u>\$ 3,839,060</u>	<u>\$ 27,903,087</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

G. Long-Term Obligations – (continued)

5. Debt Disclosure and Currently Defeased Debt

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Commission. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005, 2008 and 2011 the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2014, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	5.00% - 5.53%	
Series	1998, 1999, 2001	\$ 10,645,000
Interest rate:	5.00%	
Series	2001	605,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.30% - 6.74%	
Series	1996, 1996A, 1997B, 1997C, 1998	3,548,000
Bridge Revenue Bonds		
Interest rates:	4.25%	
Series	2003	<u>410,000</u>
Bonds legally defeased		<u><u>\$ 15,208,000</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, 2014, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 4,569,388
PEDC 4B	22,771
Community Development	48,015
Garage	14,331
Utility	493,487
Bridge	112,500
Golf	<u>84,931</u>
	<u><u>\$ 5,345,034</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, 2014, 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, 2014

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, 2014, consisted of the following:

	TRANSFER FROM							
	Governmental Funds							
	<u>General</u>	<u>PEDC</u>	<u>Community Development</u>	<u>Hotel/ Motel</u>	<u>Parkland Dedication</u>	<u>CIP</u>	<u>Debt Service</u>	<u>Total Governmental</u>
General	\$ -	\$ 152,300	\$ -	\$ -	\$ 5,200	\$ -	\$ -	\$ 157,500
Capital Projects	-	-	616,458	-	-	-	-	616,458
PFC #1	947,510	1,949,923	-	-	-	-	-	2,897,433
Debt Service	-	1,209,331	-	-	-	-	-	1,209,331
Community Development	18,534	-	-	-	-	-	-	18,534
TIRZ	92,836	-	-	-	-	-	-	92,836
PEDC	2,705	-	-	-	4,394,963	-	-	4,397,668
Hotel/Motel	752,445	-	-	-	-	-	-	752,445
Paving & Drainage	693,000	-	-	-	-	-	-	693,000
Total governmental	<u>2,507,030</u>	<u>3,311,554</u>	<u>616,458</u>	<u>-</u>	<u>5,200</u>	<u>4,394,963</u>	<u>-</u>	<u>10,835,205</u>
Bridge	-	-	-	-	-	233,250	-	233,250
Golf	682,882	-	-	-	-	-	-	682,882
Total enterprise	<u>682,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,250</u>	<u>916,132</u>
PAL	229,474	-	-	-	-	-	-	229,474
Total discrete component units	<u>229,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,474</u>
Total	<u>\$ 3,419,386</u>	<u>\$ 3,311,554</u>	<u>\$ 616,458</u>	<u>\$ -</u>	<u>\$ 5,200</u>	<u>\$ 4,394,963</u>	<u>\$ 233,250</u>	<u>\$ 11,980,811</u>

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

The transfers on this page are related to Governmental transactions.

- The transfer from General to Community Development, PAL, PEDC, and Golf was to cover operations
- The transfer from General to Hotel/Motel was to cover partnership agreements for the Pharr Events Center with promoters
- The transfer from General to TIRZ was to pay the City's portion of the TIRZ contribution from property taxes
- The transfer from General to PFC #1 was to pay for debt service associated with Pharr Commercial Park development
- The transfer from PEDC to General are for reimbursements in the use of General assets and for payroll related charges, the reimbursement transfer is expected to continue in future years
- The transfer from PEDC to PFC #1 was for to pay for debt service associated with Pharr Commercial Park development, the funds were from the sale of land
- The transfer from PEDC to Debt Service was to pay for debt service associated with the Pharr Produce Park development
- The transfer from Community Development to Capital Projects was to help develop a special-needs park
- The transfer from Parkland Dedication to General Fund was to assist with park developments
- The transfer from Debt Service to Bridge is to provide tax proceeds for the payment of general obligation debt accounted for in the bridge fund, this transfer will continue as long as excess debt related tax proceeds are collected

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

H. Interfund Transfers - (continued)

The following transfers are related to Enterprise Funds transactions

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

The following transfers are related to Discretely Presented Component Unit transactions

- The transfer from PAL to General are to reimburse the General Fund for salary costs for an employee, the costs for the employee were now paid by a grant

	TRANSFER FROM			TRANSFER FROM		Grand Total	
	Enterprise Funds			Discretely Presented Component Unit			
	Utility	Bridge	Total Enterprise	PAL	Total		
TRANSFERS TO	General	\$ 404,900	\$ 5,360,600	\$ 5,765,500	\$ 61,678	\$ 61,678	\$ 5,984,678
	Capital Projects	-	3,000,000	3,000,000	-	-	3,616,458
	PFC #1	-	-	-	-	-	2,897,433
	Debt Service	-	-	-	-	-	1,209,331
	Community Development	-	-	-	-	-	18,534
	TIRZ	-	-	-	-	-	92,836
	PEDC	-	-	-	-	-	4,397,668
	Hotel/Motel	-	-	-	-	-	752,445
	Paving & Drainage	-	-	-	-	-	693,000
	Total governmental	404,900	8,360,600	8,765,500	61,678	61,678	19,662,383
	Bridge	-	-	-	-	-	233,250
	Golf	-	-	-	-	-	682,882
	Total enterprise	-	-	-	-	-	916,132
	PAL	-	-	-	-	-	229,474
	Total discrete component units	-	-	-	-	-	229,474
	Total	<u>\$ 404,900</u>	<u>\$ 8,360,600</u>	<u>\$ 8,765,500</u>	<u>\$ 61,678</u>	<u>\$ 61,678</u>	<u>\$ 20,807,989</u>

I. Restricted Assets

The balances of restricted asset as of September 30, 2014 are as follows:

<u>Governmental Funds</u>	
Capital project grant	\$ 368,392
Grant restrictions	831,520
Capital outlay reserves	626,817
Total restricted assets-governmental funds	<u>1,826,729</u>
 <u>Business-Type Funds</u>	
Capital financing-Utility	\$ 13,512,211
Customer deposits-Utility	2,162,077
Debt reserves-Utility	4,504,383
Debt reserves-Bridge	979,644
Total restricted assets-business-type funds	<u>\$ 21,158,315</u>
Total restricted assets	<u>\$ 22,985,044</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION

A. Risk Management

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

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

1. Health Care Coverage

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

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

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

2. Post-Retirement Health Care Benefits

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

B. Deferred Compensation Plan

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

C. Pension Plan

1. Plan Description

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.1%	7.1%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (express as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

2. Contributions

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

	2013	2012	2011
Net pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	3,107,500	2,985,232	3,236,159
Contributions Made	3,107,500	2,985,232	3,236,159
Net Pension Obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

C. Pension Plan-(continued)

2. Contributions-(continued)

The required contribution rates for this fiscal year 2014 were determined as part of the December 31, 2013 and 2012 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2013, also follows:

General System-wide Actuarial Assumptions

Valuation Date	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Gain/Losses	27 Years-Closed Period	26.1 Years	24.9 Years	20.0 Years
Amortization Period for new Gain/Losses	30 years	26.1 Years	24.9 years	25 years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:				
Investment rate of return*	7.0%	6.8%	7.1%	7.1%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation At	3.0%	3.0%	3.0%	3.0%
Cost-of-living Adjustments	0.0%	0.0%	0.0%	0.0%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$ 28,465,143	\$ 37,276,917	76.4%	\$ 8,811,774	\$ 17,729,336	49.70%
12/31/2010 ⁽¹⁾	\$ 31,719,659	\$ 40,488,486	78.3%	\$ 8,768,827	\$ 17,770,636	49.34%
12/31/2010 ⁽²⁾	\$ 41,686,353	\$ 46,768,782	89.1%	\$ 5,082,429	\$ 17,770,636	28.60%
12/31/2011	\$ 45,864,221	\$ 49,965,141	91.8%	\$ 4,100,920	\$ 19,519,197	21.01%
12/31/2012	\$ 49,962,459	\$ 53,717,387	93.0%	\$ 3,754,928	\$ 20,588,476	18.24%
12/31/2013	\$ 54,346,139	\$ 61,820,357	87.9%	\$ 7,474,218	\$ 21,980,889	34.00%

1 Actuarial valuation performed under the original fund structure.

2 Actuarial valuation performed under the new fund structure.

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

C. Pension Plan-(continued)

2. Contributions-(continued)

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

D. Other Post Employment Benefit (OPEB) Programs

1. Supplemental Death Benefits Plan Description

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

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

2. Supplemental Death Benefits (SDBF) Plan Contributions

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

The City’s contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$2,061 \$1,903, and \$1,903 respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (ARC) (Rate)	Supplemental Death Benefit (Rate)	Actual Contribution Made (Rate)	Percentage of ARC
2010	10.58%	0.16%	10.58%	100.00%
2011	10.14%	0.16%	10.14%	100.00%
2012	7.16%	0.13%	7.16%	100.00%
2013	6.92%	0.13%	6.92%	100.00%
2014	7.10%	0.13%	7.10%	100.00%

3. Retiree Health Insurance Benefit Plan Description

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

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

Current Pre-65 Retirees

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

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

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

Current Post-65 Retirees

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

Current Employees Who Retire In The Future

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

4. Retiree Health Insurance Benefit Plan Funding Policy

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

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

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

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

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

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

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

Annual OPEB Cost, Contribution, and Change in OPEB-FYE 09/30/14

Annual required contribution prior to adjustments	\$	401,241
Interest on net OPEB obligation at 4.5%		26,042
Adjustment to annual required contribution		(35,526)
Annual OPEB cost		391,757
Contributions made		(351,800)
Increase in net OPEB obligation		39,957
Net OPEB obligation beginning of year		600,473
Net OPEB obligation end of year	\$	640,430

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

Year Ended September 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contribution
2012	\$ 412,886	\$ 195,115	47.3%
2013	\$ 391,757	\$ 370,000	94.4%
2014	\$ 391,757	\$ 351,800	89.8%

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

Actuarial valuation Date	1/1/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Period	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	N/A
Healthcare Inflation Rate	8% initial. 4.5% ultimate

6. OPEB Irrevocable Trust Fund

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

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

The balance of the trust at September 30, 2014 was \$998,998.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

E. Commitments

1. Grant Programs

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

2. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2014.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2014, they are as follows:

	<u>Project Amount</u>	<u>Expensed To Date</u>	<u>Remaining Cost</u>
Sam Houston	\$ 787,269	\$ 551,682	\$ 235,587
Owassa Road	1,057,089	666,394	390,695
Pharr Commercial Park	1,000,000	940,432	59,568
Bike Path Stripping	200,000	46,101	153,899
North Side Park	708,150	654,668	53,482
Dome Civic Center	1,800,000	15,300	1,784,700
Transmaritime Subdivision	405,414	155,374	250,040
Dora Park	200,000	153,739	46,261
South Side Thomas	242,403	56,549	185,854
Fire Station Shelter	1,800,000	68,500	1,731,500
Jones Box Shelter	1,800,000	97,670	1,702,330
Total Governmental	\$ 10,000,325	\$ 3,406,409	\$ 6,593,916
Water Transmission	14,084,900	14,069,768	15,132
Port of entry modernization	11,685,590	566,115	11,119,475
Bridge Lane Improvements	1,465,144	300,856	1,164,288
	2,381,723	111,532	2,270,191
Total Business-Type	\$ 29,617,357	\$ 15,048,271	\$ 14,569,086
Total	<u>\$ 39,617,682</u>	<u>\$ 18,454,680</u>	<u>\$ 21,163,002</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

IV. OTHER INFORMATION - (continued)

E. Commitments-(continued)

4. Economic Development Commitments

The PEDC, TIRZ, and the City have the following outstanding commitments as of September 30, 2014:

<u>Program Commitment To</u>	<u>Amount Pending</u>	<u>Obligator</u>	<u>Purpose</u>	<u>Length of Time</u>
Universal Metal Products	\$ 15,726	PEDC	Training	Unlimited
City of Pharr	varies	TIRZ	Infrastructure development	20 Years
BEBO Distributing Comp., Inc.*	362,565	TIRZ	Infrastructure development	20 Years
Pappadeaux Seafood Kitchen	varies**	City of Pharr	Commercial development	6-10 Years
HEB Grocery Comp., LP	varies***	City of Pharr	Commercial development	5 Years
Point Blank Sporting Goods	50,000	City of Pharr	Shooting range development	3 Years
Costco Wholesale Corp.	1,500,000	City of Pharr	Commercial development	3 Years
Total	\$ 1,928,291			

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

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

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

F. Land available for sale

During FY 2011-2012, the City and PEDC entered into an agreement to buy land for economic development purposes. As of September 30, 2014, the City has purchased a total of \$31,392,239 in land with \$280,799 in demolition cost. On February 2012, the City Commission approved to contribute all land that has been purchased to the PEDC, the transfer of all land titles were completed as of September 30, 2013. As of September 30, 2014, the cost plus improvements on land purchased for this purpose totaled \$31,673,038. Per GASB standards, land available for sale should be recorded at the lower of cost or net realizable value (NRV). The City obtained appraisals for the land during as of September 30, 2013 which indicated that the land was worth \$6,370,697 less than the original purchase price, a loss of this amount was reported on the financial statements as a special item. The balance of land available for development is recorded as Land Available for Sale in the PEDC fund. Appraisal of land will be done every two years, which began in the September 30, 2013 fiscal year.

The details of the land transactions are stated on the following table:

<u>Date of Purchase</u>	<u>Payee</u>	<u>Appraised Value</u>	<u>Acquired Price</u>	<u>Recorded Amount 9/30/2013*</u>	<u>Purchase/(Sold) 9.30.14</u>	<u>Remaining Balance</u>	<u>Actual Selling Price</u>	<u>Gain/(Loss)</u>	<u>Land Available 9.30.14</u>
9/30/2011	Edward Abstract Title	\$ 4,125,000	\$ 7,279,011	\$ 6,884,600	\$ 3,404,420	\$ 10,289,020	\$ -	\$ -	\$ 10,289,020
10/12/2011	Jay Palmer	3,360,000	6,896,724	3,360,000	-	3,360,000	-	-	3,360,000
1/10/2012	Edward Abstract Title	475,000	1,010,789	475,000	-	475,000	-	-	475,000
2/10/2012	Edward Abstract Title	2,545,000	4,443,850	2,545,000	-	2,545,000	-	-	2,545,000
9/12/2012	Edward Abstract Title	1,910,000	837,372	837,372	(837,372)	-	-	-	-
8/21/2012	Valley Land Title	1,700,000	1,379,655	1,379,655	(1,379,655)	-	2,415,196	198,169	-
6/26/2012	Hidalgo County Irrigation	309,541	314,464	309,541	-	309,541	-	-	309,541
10/3/2012	PSJA	5,650,000	4,925,460	4,925,460	-	4,925,460	-	-	4,925,460
FY 10-11	Various (Demolition expenses)	370,000	280,799	280,799	-	280,799	-	-	280,799
3/10/2014	Ellis, Koenke & Ramirez, LLP	-	-	-	900,494	900,494	-	-	900,494
		\$ 20,444,541	\$ 27,368,124	\$ 20,997,427	\$ 2,087,887	\$ 23,085,314	\$ 2,415,196	\$ 198,169	\$ 23,085,314

*A loss of \$6,370,697 was recorded on September 30, 2013

G. Related Party

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

H. New Accounting Principles

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

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

The GASB has issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. However, earlier application of the Statement is encouraged.

The GASB has issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013.

I. Subsequent Events

For the purpose of reporting subsequent events, management has considered events occurring through February 5, 2015, the date the report was available to be issued, and none have been noted.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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

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

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 13,966,100	\$ 14,186,100	\$ 14,033,540	\$ (152,560)
Sales	9,947,600	10,190,560	10,917,821	727,261
Franchise	2,200,000	2,200,000	2,272,994	72,994
Other	150,000	150,000	188,597	38,597
Licenses and permits	685,000	692,500	761,980	69,480
Intergovernmental	470,040	580,040	554,945	(25,095)
Fees and charges:				
Sanitation	2,560,000	2,620,000	2,642,339	22,339
Brush	1,100,000	1,100,000	1,100,893	893
Other	1,624,720	1,963,220	1,701,124	(262,096)
Fines	1,105,000	1,235,000	1,085,589	(149,411)
Interest income	311,000	311,000	316,136	5,136
Other	131,290	811,790	926,990	115,200
Total revenues	<u>34,250,750</u>	<u>36,040,210</u>	<u>36,502,948</u>	<u>462,738</u>
EXPENDITURES				
Current:				
General government	8,768,850	9,660,935	9,207,787	453,148
Public safety	18,860,220	19,966,461	19,477,291	489,170
Highways and streets	4,507,900	4,383,860	4,296,700	87,160
Health and welfare	2,690,160	2,782,160	2,758,305	23,855
Culture and recreation	3,696,924	5,030,428	4,908,356	122,072
Debt service:				
Principal	1,951,870	1,837,200	1,833,168	4,032
Interest	298,680	253,660	254,854	(1,194)
Total expenditures	<u>40,774,604</u>	<u>43,914,704</u>	<u>42,736,461</u>	<u>1,178,243</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(6,523,854)</u>	<u>(7,874,494)</u>	<u>(6,233,513)</u>	<u>1,640,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,768,574	4,784,678	5,984,678	1,200,000
Transfers (out)	(1,339,020)	(3,164,494)	(3,419,386)	(254,892)
Issuance of debt	2,380,700	2,380,700	2,380,700	-
Total other financing sources and uses	<u>5,810,254</u>	<u>4,000,884</u>	<u>4,945,992</u>	<u>945,108</u>
Net change in fund balance	(713,600)	(3,873,610)	(1,287,521)	2,586,089
Fund balance - beginning	14,345,870	14,345,870	14,345,870	-
Prior period adjustment	-	-	39,633	39,633
Fund balance - ending	<u>\$ 13,632,270</u>	<u>\$ 10,472,260</u>	<u>\$ 13,097,982</u>	<u>\$ 2,625,722</u>

CITY OF PHARR, TEXAS
PHARR ECONOMIC DEVELOPMENT CORPORATION, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 3,315,900	\$ 3,369,360	\$ 3,639,260	\$ 269,900
Other	30,000	30,000	191,099	161,099
Interest income	25,010	25,010	13,339	(11,671)
Total revenues	<u>3,370,910</u>	<u>3,424,370</u>	<u>3,843,698</u>	<u>419,328</u>
EXPENDITURES				
Current:				
Economic development	1,363,920	2,195,880	2,101,945	93,935
Debt service:				
Principal	904,300	599,300	341,567	257,733
Interest	453,150	45,090	211,814	(166,724)
Total expenditures	<u>2,721,370</u>	<u>2,840,270</u>	<u>2,655,326</u>	<u>184,944</u>
Excess (deficiency) of revenues over (under) expenditures:	<u>649,540</u>	<u>584,100</u>	<u>1,188,372</u>	<u>604,272</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,500,000	4,397,669	(102,331)
Transfers (out)	(649,540)	(3,312,600)	(3,311,554)	1,046
Gain on land available for sale valuation	-	200,000	198,169	(1,831)
Total other financing sources and uses	<u>(649,540)</u>	<u>1,387,400</u>	<u>1,284,284</u>	<u>(103,116)</u>
Net change in fund balance	-	1,971,500	2,472,656	501,156
Fund balance - beginning	<u>20,621,614</u>	<u>20,621,614</u>	<u>20,621,614</u>	<u>-</u>
Fund balance - ending	<u>\$ 20,621,614</u>	<u>\$ 22,593,114</u>	<u>\$ 23,094,270</u>	<u>\$ 501,156</u>

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

Non-Major Governmental Funds Combining Financial Statements

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

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

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

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

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

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

Grants – This fund accounts for general grant revenues awarded to the City.

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

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

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, 2014**

	Special Revenue Funds				
	<u>Asset Sharing</u>	<u>Community Development</u>	<u>Hotel/Motel</u>	<u>Parkland Dedication</u>	<u>Paving & Drainage</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>					
Cash	\$ 818,402	\$ 170,289	\$ 25,581	\$ 12,305	\$ 413,182
Receivables (net of allowance for uncollectible):					
Property taxes	-	-	-	-	-
Notes	-	55,172	148,688	-	-
Accounts	-	-	-	-	137,659
Other	-	-	258,654	-	-
Due from other funds	-	55	-	-	-
Restricted assets:					
Intergovernmental receivable	-	298,909	-	-	-
Total assets	<u>\$ 818,402</u>	<u>\$ 524,425</u>	<u>\$ 432,923</u>	<u>\$ 12,305</u>	<u>\$ 550,841</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 54,806	\$ 89,471	\$ 81,704	\$ -	\$ 39,991
Due to other funds	-	347,884	19,587	-	-
Unearned revenue	-	-	5,302	-	-
Total liabilities	<u>54,806</u>	<u>437,355</u>	<u>106,593</u>	<u>-</u>	<u>39,991</u>
Deferred Inflows of Resources:					
Deferred property tax	-	-	-	-	-
Deferred accounts	-	-	-	-	137,659
Deferred notes	-	55,172	-	-	-
Total deferred inflows	<u>-</u>	<u>55,172</u>	<u>-</u>	<u>-</u>	<u>137,659</u>
Fund balances:					
Restricted:					
General Government	-	-	-	-	-
Debt service	-	-	-	-	-
Street paving and drainage	-	-	-	-	373,191
Tourism	-	-	326,330	-	-
Public safety	763,596	-	-	-	-
Parkland	-	-	-	12,305	-
Community development	-	31,898	-	-	-
Assigned:					
Capital outlay	-	-	-	-	-
Total fund balances	<u>763,596</u>	<u>31,898</u>	<u>326,330</u>	<u>12,305</u>	<u>373,191</u>
Total liabilities and fund balances	<u>\$ 818,402</u>	<u>\$ 524,425</u>	<u>\$ 432,923</u>	<u>\$ 12,305</u>	<u>\$ 550,841</u>

<u>Grants</u>	<u>PFC # 1</u>	<u>TIRZ</u>	<u>Total</u>	<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 45,845	\$ 49,978	\$ 119,880	\$ 1,655,462	\$ 8,507,691	\$ 157,631	\$ 10,320,784
-	-	-	-	-	197,760	197,760
-	-	-	203,860	-	-	203,860
-	-	-	137,659	-	-	137,659
-	-	-	258,654	-	-	258,654
-	-	-	55	-	-	55
<u>523,871</u>	<u>-</u>	<u>-</u>	<u>822,780</u>	<u>368,392</u>	<u>-</u>	<u>1,191,172</u>
\$ <u><u>569,716</u></u>	\$ <u><u>49,978</u></u>	\$ <u><u>119,880</u></u>	\$ <u><u>3,078,470</u></u>	\$ <u><u>8,876,083</u></u>	\$ <u><u>355,391</u></u>	\$ <u><u>12,309,944</u></u>
\$ 46,681	\$ -	\$ -	\$ 312,653	\$ 526,992	\$ -	\$ 839,645
523,035	-	-	890,506	-	-	890,506
-	-	-	5,302	-	-	5,302
<u>569,716</u>	<u>-</u>	<u>-</u>	<u>1,208,461</u>	<u>526,992</u>	<u>-</u>	<u>1,735,453</u>
-	-	-	-	-	197,760	197,760
-	-	-	137,659	-	-	137,659
-	-	-	55,172	-	-	55,172
<u>-</u>	<u>-</u>	<u>-</u>	<u>192,831</u>	<u>-</u>	<u>197,760</u>	<u>390,591</u>
-	49,978	119,880	169,858	-	-	169,858
-	-	-	-	-	157,631	157,631
-	-	-	373,191	-	-	373,191
-	-	-	326,330	-	-	326,330
-	-	-	763,596	-	-	763,596
-	-	-	12,305	-	-	12,305
-	-	-	31,898	-	-	31,898
-	-	-	-	8,349,091	-	8,349,091
<u>-</u>	<u>49,978</u>	<u>119,880</u>	<u>1,677,178</u>	<u>8,349,091</u>	<u>157,631</u>	<u>10,183,900</u>
\$ <u><u>569,716</u></u>	\$ <u><u>49,978</u></u>	\$ <u><u>119,880</u></u>	\$ <u><u>3,078,470</u></u>	\$ <u><u>8,876,083</u></u>	\$ <u><u>355,391</u></u>	\$ <u><u>12,309,944</u></u>

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds				
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication	Paving & Drainage
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	979,798	-	-
Intergovernmental	625,358	1,874,134	-	-	-
Fees and charges:					
Other	-	-	34,660	15,000	832,222
Interest income	16,253	633	1,074	624	16,181
Other	15,973	1,112	446	-	-
Total revenues	<u>657,584</u>	<u>1,875,879</u>	<u>1,015,978</u>	<u>15,624</u>	<u>848,403</u>
EXPENDITURES					
Current:					
General government	-	522,647	1,673,680	-	-
Public safety	481,358	6,000	-	-	376,641
Highways and streets	-	246,338	-	-	-
Culture and recreation	-	78,000	10,000	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	294,000	-	-	1,032,171
Interest	-	130,494	-	-	40,588
Total expenditures	<u>481,358</u>	<u>1,277,479</u>	<u>1,683,680</u>	<u>-</u>	<u>1,449,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,226</u>	<u>598,400</u>	<u>(667,702)</u>	<u>15,624</u>	<u>(600,997)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	18,534	752,445	-	693,000
Transfers (out)	-	(616,458)	-	(5,200)	-
Total other financing sources and uses	<u>-</u>	<u>(597,924)</u>	<u>752,445</u>	<u>(5,200)</u>	<u>693,000</u>
Net change in fund balances	176,226	476	84,743	10,424	92,003
Fund balance - beginning	<u>587,370</u>	<u>31,422</u>	<u>241,587</u>	<u>1,881</u>	<u>281,188</u>
Fund balance - ending	<u>\$ 763,596</u>	<u>\$ 31,898</u>	<u>\$ 326,330</u>	<u>\$ 12,305</u>	<u>\$ 373,191</u>

<u>Grants</u>	<u>PFC # 1</u>	<u>TIRZ</u>	<u>Total</u>	<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	-	\$ -	\$ 1,754,858	\$ 1,754,858
-	-	-	979,798	-	-	979,798
1,064,624	-	7,783	3,571,899	340,676	-	3,912,575
-	-	-	881,882	-	-	881,882
-	15	1,137	35,917	-	35,679	71,596
-	-	-	17,531	-	-	17,531
<u>1,064,624</u>	<u>15</u>	<u>8,920</u>	<u>5,487,027</u>	<u>340,676</u>	<u>1,790,537</u>	<u>7,618,240</u>
-	36	-	2,196,363	524,284	4,700	2,725,347
1,010,967	-	-	1,874,966	87,093	-	1,962,059
53,657	-	-	299,995	415,680	-	715,675
-	-	-	88,000	1,349,881	-	1,437,881
-	-	-	-	672,807	-	672,807
-	2,470,119	-	3,796,290	-	1,840,000	5,636,290
-	427,314	-	598,396	-	801,434	1,399,830
<u>1,064,624</u>	<u>2,897,469</u>	<u>-</u>	<u>8,854,010</u>	<u>3,049,745</u>	<u>2,646,134</u>	<u>14,549,889</u>
<u>-</u>	<u>(2,897,454)</u>	<u>8,920</u>	<u>(3,366,983)</u>	<u>(2,709,069)</u>	<u>(855,597)</u>	<u>(6,931,649)</u>
-	2,897,433	92,836	4,454,248	3,616,458	1,209,331	9,280,037
<u>-</u>	<u>-</u>	<u>-</u>	<u>(621,658)</u>	<u>(4,394,963)</u>	<u>(233,250)</u>	<u>(5,249,871)</u>
<u>-</u>	<u>2,897,433</u>	<u>92,836</u>	<u>3,832,590</u>	<u>(778,505)</u>	<u>976,081</u>	<u>4,030,166</u>
-	(21)	101,756	465,607	(3,487,574)	120,484	(2,901,483)
<u>-</u>	<u>49,999</u>	<u>18,124</u>	<u>1,211,571</u>	<u>11,836,665</u>	<u>37,147</u>	<u>13,085,383</u>
\$ <u>-</u>	\$ <u>49,978</u>	\$ <u>119,880</u>	\$ <u>1,677,178</u>	\$ <u>8,349,091</u>	\$ <u>157,631</u>	\$ <u>10,183,900</u>



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Governmental Funds

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

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

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

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

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

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

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

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

Grants – This fund accounts for general grant revenues awarded to the City.

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

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

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

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

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

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

**CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Taxes:				
Property				
Current	\$ 12,566,100	\$ 13,066,100	\$ 13,017,110	\$ (48,990)
Delinquent	850,000	570,000	568,398	(1,602)
Penalty & interest	550,000	550,000	448,032	(101,968)
Total property taxes	<u>13,966,100</u>	<u>14,186,100</u>	<u>14,033,540</u>	<u>(152,560)</u>
Sales	9,947,600	10,190,560	10,917,821	727,261
Franchise				
Telephone	270,000	270,000	232,374	(37,626)
Electric	1,550,000	1,550,000	1,634,577	84,577
Cable	290,000	290,000	296,606	6,606
Gas	90,000	90,000	109,437	19,437
Total franchise taxes	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,272,994</u>	<u>72,994</u>
Other	150,000	150,000	188,597	38,597
Total taxes	<u>26,263,700</u>	<u>26,726,660</u>	<u>27,412,952</u>	<u>686,292</u>
Licenses and permits				
Building	450,000	450,000	484,833	34,833
Vocational	130,000	130,000	153,179	23,179
Other	105,000	112,500	123,968	11,468
Total licenses & permits	<u>685,000</u>	<u>692,500</u>	<u>761,980</u>	<u>69,480</u>
Intergovernmental				
Local school districts	260,540	370,540	357,528	(13,012)
County	20,000	20,000	-	(20,000)
Other	189,500	189,500	197,417	7,917
Total intergovernmental	<u>470,040</u>	<u>580,040</u>	<u>554,945</u>	<u>(25,095)</u>
Fees and charges:				
Sanitation	2,560,000	2,620,000	2,642,339	22,339
Brush	1,100,000	1,100,000	1,100,893	893
Other	1,624,720	1,963,220	1,701,124	(262,096)
Total fees & charges	<u>5,284,720</u>	<u>5,683,220</u>	<u>5,444,356</u>	<u>(238,864)</u>
Fines				
Court	900,000	900,000	783,919	(116,081)
Other	205,000	335,000	301,670	(33,330)
Total fines	<u>1,105,000</u>	<u>1,235,000</u>	<u>1,085,589</u>	<u>(149,411)</u>
Interest income	311,000	311,000	316,136	5,136
Other	131,290	811,790	926,990	115,200
Total revenues	\$ <u>34,250,750</u>	\$ <u>36,040,210</u>	\$ <u>36,502,948</u>	\$ <u>462,738</u>

**CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXPENDITURES

Current:

General government				
City manager	1,105,000	1,104,280	1,035,509	68,771
Finance	949,740	1,039,740	1,010,983	28,757
IT	1,192,510	1,443,865	1,400,360	43,505
Planning	1,062,120	1,064,570	1,054,411	10,159
Engineering	385,770	359,770	321,394	38,376
Non-departmental	4,073,710	4,648,710	4,385,130	263,580
Total general government	<u>8,768,850</u>	<u>9,660,935</u>	<u>9,207,787</u>	<u>453,148</u>
Public safety				
Police	11,872,200	12,927,841	12,759,031	168,810
Court	466,520	512,520	487,284	25,236
Fire	6,521,500	6,526,100	6,230,976	295,124
Total public safety	<u>18,860,220</u>	<u>19,966,461</u>	<u>19,477,291</u>	<u>489,170</u>
Highways and streets	4,507,900	4,383,860	4,296,700	87,160
Health and welfare				
Sanitation	1,788,000	1,858,000	1,853,332	4,668
Brush	588,000	610,000	608,137	1,863
Animal control	314,160	314,160	296,836	17,324
Total health and welfare	<u>2,690,160</u>	<u>2,782,160</u>	<u>2,758,305</u>	<u>23,855</u>
Culture and recreation				
Library	1,148,010	1,148,010	1,060,257	87,753
PAL	432,524	854,728	850,745	3,983
Parks	2,116,390	3,027,690	2,997,354	30,336
Total culture and recreation	<u>3,696,924</u>	<u>5,030,428</u>	<u>4,908,356</u>	<u>122,072</u>
Debt service:				
Principal	1,951,870	1,837,200	1,833,168	4,032
Interest	298,680	253,660	254,854	(1,194)
	<u>2,250,550</u>	<u>2,090,860</u>	<u>2,088,022</u>	<u>2,838</u>
Total expenditures	<u>40,774,604</u>	<u>43,914,704</u>	<u>42,736,461</u>	<u>1,178,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,523,854)</u>	<u>(7,874,494)</u>	<u>(6,233,513)</u>	<u>1,640,981</u>

OTHER FINANCING SOURCES (USES)

Transfers in				
Bridge	4,160,600	4,160,600	5,360,600	1,200,000
Utility	404,900	404,900	404,900	-
PEDC	152,300	152,300	152,300	-
Parkland	5,200	5,200	5,200	-
PAL	45,574	61,678	61,678	-
Total transfers in	<u>4,768,574</u>	<u>4,784,678</u>	<u>5,984,678</u>	<u>1,200,000</u>
Transfers (out)				
Golf	(318,200)	(423,200)	(682,882)	(259,682)
Community Development	-	-	(18,534)	(18,534)
Hotel/Motel	(48,220)	(751,220)	(752,445)	(1,225)
Paving & Drainage	-	(695,000)	(693,000)	2,000
TIRZ	-	(93,000)	(92,836)	164
PAL	-	(229,474)	(229,474)	-
PEDC	-	-	(2,705)	(2,705)
PFC #1	(972,600)	(972,600)	(947,510)	25,090
Total transfers (out)	<u>(1,339,020)</u>	<u>(3,164,494)</u>	<u>(3,419,386)</u>	<u>(254,892)</u>
Bond/loan proceeds				
	<u>2,380,700</u>	<u>2,380,700</u>	<u>2,380,700</u>	-
Total	2,380,700	2,380,700	2,380,700	-
Total other financing sources and uses				
	<u>5,810,254</u>	<u>4,000,884</u>	<u>4,945,992</u>	<u>945,108</u>
Net change in fund balance	(713,600)	(3,873,610)	(1,287,521)	2,586,089
Fund balance - beginning	14,345,870	14,345,870	14,345,870	-
Prior period adjustment	-	-	39,633	39,633
Fund balance - ending	<u>\$ 13,632,270</u>	<u>\$ 10,472,260</u>	<u>\$ 13,097,982</u>	<u>\$ 2,625,722</u>

CITY OF PHARR, TEXAS
ASSET SHARING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	\$ 750,000	\$ 625,358	\$ (124,642)
Interest income	10,000	10,000	16,253	6,253
Other	-	-	15,973	15,973
Total revenues	<u>160,000</u>	<u>760,000</u>	<u>657,584</u>	<u>(102,416)</u>
EXPENDITURES				
Current:				
Public safety	<u>213,000</u>	<u>508,000</u>	<u>481,358</u>	<u>26,642</u>
Total expenditures	<u>213,000</u>	<u>508,000</u>	<u>481,358</u>	<u>26,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,000)</u>	<u>252,000</u>	<u>176,226</u>	<u>(75,774)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(53,000)</u>	<u>252,000</u>	<u>176,226</u>	<u>(75,774)</u>
Fund balance - beginning	<u>587,370</u>	<u>587,370</u>	<u>587,370</u>	<u>-</u>
Fund balance - ending	<u>\$ 534,370</u>	<u>\$ 839,370</u>	<u>\$ 763,596</u>	<u>\$ (75,774)</u>

**CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 2,229,180	\$ 2,229,180	\$ 1,874,134	\$ (355,046)
Interest income	-	-	633	633
Other	-	-	1,112	1,112
Total revenues	<u>2,229,180</u>	<u>2,229,180</u>	<u>1,875,879</u>	<u>(353,301)</u>
EXPENDITURES				
Current:				
General government	595,380	595,380	522,647	72,733
Public Safety	51,000	51,000	6,000	45,000
Highways and streets	618,840	618,840	246,338	372,502
Culture and recreation	539,460	303,460	78,000	225,460
Debt service:				
Principal	294,000	294,000	294,000	-
Interest	130,500	130,500	130,494	6
Total expenditures	<u>2,229,180</u>	<u>1,993,180</u>	<u>1,277,479</u>	<u>715,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>236,000</u>	<u>598,400</u>	<u>362,400</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	18,534	(18,534)
Transfers (out)	-	(236,000)	(616,458)	(380,458)
Total other financing sources and uses	<u>-</u>	<u>(236,000)</u>	<u>(597,924)</u>	<u>(398,992)</u>
Net change in fund balance	-	-	476	(36,592)
Fund balance - beginning	<u>31,422</u>	<u>31,422</u>	<u>31,422</u>	<u>-</u>
Fund balance - ending	<u>\$ 31,422</u>	<u>\$ 31,422</u>	<u>\$ 31,898</u>	<u>\$ (36,592)</u>

CITY OF PHARR, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Other	\$ 782,740	\$ 982,740	\$ 979,798	\$ (2,942)
Fees and charges:				
Other	-	-	34,660	34,660
Interest income	500	500	1,074	574
Other	-	-	446	446
Total revenues	<u>783,240</u>	<u>983,240</u>	<u>1,015,978</u>	<u>32,738</u>
EXPENDITURES				
Current:				
General government	821,460	1,719,460	1,673,680	45,780
Culture and recreation	10,000	10,000	10,000	-
Total expenditures	<u>831,460</u>	<u>1,729,460</u>	<u>1,683,680</u>	<u>45,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,220)</u>	<u>(746,220)</u>	<u>(667,702)</u>	<u>78,518</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	48,220	751,220	752,445	1,225
Total other financing sources and uses	<u>48,220</u>	<u>751,220</u>	<u>752,445</u>	<u>1,225</u>
Net change in fund balance	-	5,000	84,743	79,743
Fund balance - beginning	<u>241,587</u>	<u>241,587</u>	<u>241,587</u>	<u>-</u>
Fund balance - ending	<u>\$ 241,587</u>	<u>\$ 246,587</u>	<u>\$ 326,330</u>	<u>\$ 79,743</u>

CITY OF PHARR, TEXAS
PARKLAND DEDICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees and charges:				
Other	\$ 5,000	\$ 5,000	\$ 15,000	\$ 10,000
Interest Income	200	200	624	424
Total revenues	<u>5,200</u>	<u>5,200</u>	<u>15,624</u>	<u>10,424</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,200</u>	<u>5,200</u>	<u>15,624</u>	<u>10,424</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(5,200)</u>	<u>(5,200)</u>	<u>(5,200)</u>	<u>-</u>
Total other financing sources and uses	<u>(5,200)</u>	<u>(5,200)</u>	<u>(5,200)</u>	<u>-</u>
Net change in fund balance	-	-	10,424	10,424
Fund balance - beginning	<u>1,881</u>	<u>1,881</u>	<u>1,881</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,881</u>	<u>\$ 1,881</u>	<u>\$ 12,305</u>	<u>\$ 10,424</u>

CITY OF PHARR, TEXAS
PAVING & DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	\$ 816,000	\$ 816,000	\$ 832,222	\$ 16,222
Interest income	4,000	4,000	16,181	12,181
Total revenues	<u>820,000</u>	<u>820,000</u>	<u>848,403</u>	<u>28,403</u>
EXPENDITURES				
Current:				
Highways and streets	445,430	382,970	376,641	6,329
Debt service:				
Principal	329,220	1,033,680	1,032,171	1,509
Interest	45,350	45,350	40,588	4,762
Total expenditures	<u>820,000</u>	<u>1,462,000</u>	<u>1,449,400</u>	<u>12,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(642,000)</u>	<u>(600,997)</u>	<u>41,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>693,000</u>	<u>693,000</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>693,000</u>	<u>693,000</u>	<u>-</u>
Net change in fund balance	-	51,000	92,003	41,003
Fund balance - beginning	<u>281,188</u>	<u>281,188</u>	<u>281,188</u>	<u>-</u>
Fund balance - ending	<u>\$ 281,188</u>	<u>\$ 332,188</u>	<u>\$ 373,191</u>	<u>\$ 41,003</u>

CITY OF PHARR, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 978,910	\$ 978,910	\$ 1,064,624	85,714
Total revenues	<u>978,910</u>	<u>978,910</u>	<u>1,064,624</u>	<u>\$ 85,714</u>
EXPENDITURES				
Current:				
Public safety	902,510	902,510	1,010,967	(108,457)
Highways and streets	20,000	20,000	53,657	(33,657)
Culture and recreation	56,400	56,400	-	56,400
Total expenditures	<u>978,910</u>	<u>978,910</u>	<u>1,064,624</u>	<u>(85,714)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PHARR, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 5,620,140	\$ 5,620,140	\$ 340,676	\$ (5,279,464)
Total revenues	<u>5,620,140</u>	<u>5,620,140</u>	<u>340,676</u>	<u>(5,279,464)</u>
EXPENDITURES				
Current:				
General government	8,662,330	8,662,330	524,284	8,138,046
Public safety	170,000	170,000	87,093	82,907
Highways and streets	1,100,000	1,100,000	415,680	684,320
Culture and recreation	1,155,140	1,155,140	1,349,881	(194,741)
Economic development	8,372,420	8,372,420	672,807	3,199,613
Total expenditures	<u>19,459,890</u>	<u>14,959,890</u>	<u>3,049,745</u>	<u>11,910,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,839,750)</u>	<u>(9,339,750)</u>	<u>(2,709,069)</u>	<u>6,630,681</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000,000	3,236,000	3,616,458	380,458
Transfers out	<u>-</u>	<u>(4,500,000)</u>	<u>(4,394,963)</u>	<u>105,037</u>
Total other financing sources and uses	<u>3,000,000</u>	<u>(1,264,000)</u>	<u>(778,505)</u>	<u>485,495</u>
Net change in fund balance	<u>(10,839,750)</u>	<u>(10,603,750)</u>	<u>(3,487,574)</u>	<u>7,116,176</u>
Fund balance - beginning	<u>-</u>	<u>11,836,665</u>	<u>11,836,665</u>	<u>-</u>
Fund balance - ending	<u>\$ (10,839,750)</u>	<u>\$ 1,232,915</u>	<u>\$ 8,349,091</u>	<u>\$ 7,116,176</u>

CITY OF PHARR, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,790,400	\$ 1,790,400	\$ 1,754,858	\$ (35,542)
Interest income	30,000	30,000	35,679	5,679
Total revenues	<u>1,820,400</u>	<u>1,820,400</u>	<u>1,790,537</u>	<u>(29,863)</u>
EXPENDITURES				
Current:				
General government	6,000	6,000	4,700	1,300
Debt service:				
Principal	1,535,000	1,840,000	1,840,000	-
Interest	543,390	821,450	801,434	20,016
Total expenditures	<u>2,084,390</u>	<u>2,667,450</u>	<u>2,646,134</u>	<u>21,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(263,990)</u>	<u>(847,050)</u>	<u>(855,597)</u>	<u>(8,547)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	497,240	1,210,300	1,209,331	(969.00)
Transfers (out)	<u>(233,250)</u>	<u>(233,250)</u>	<u>(233,250)</u>	<u>-</u>
Total other financing sources and uses	<u>263,990</u>	<u>977,050</u>	<u>976,081</u>	<u>(969)</u>
Net change in fund balance	-	130,000	120,484	(9,516)
Fund balance - beginning	<u>-</u>	<u>37,147</u>	<u>37,147</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 167,147</u>	<u>\$ 157,631</u>	<u>\$ (9,516)</u>



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Proprietary Funds

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

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

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

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

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

CITY OF PHARR, TEXAS
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	\$ 7,400,000	\$ 7,400,000	\$ 7,591,266	\$ 191,266
Sewer service	5,500,000	5,500,000	5,614,880	114,880
Tap fees	300,000	300,000	345,295	45,295
Other	99,000	99,000	118,734	19,734
Total operating revenues	<u>13,299,000</u>	<u>13,299,000</u>	<u>13,670,175</u>	<u>371,175</u>
OPERATING EXPENSES				
Personnel services	3,063,880	3,192,430	3,154,671	37,759
Supplies and Materials	2,378,680	2,168,020	1,290,599	877,421
Contractual Services	23,636,350	23,865,490	3,416,986	20,448,504
Depreciation	-	-	4,046,909	(4,046,909)
Total operating expenses	<u>29,078,910</u>	<u>29,225,940</u>	<u>11,909,165</u>	<u>17,316,775</u>
Operating income (loss)	<u>(15,779,910)</u>	<u>(15,926,940)</u>	<u>1,761,010</u>	<u>17,687,950</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	410,600	555,600	574,853	19,253
Interest expense	(1,685,960)	(1,685,960)	(1,678,924)	7,036
Amortization expense	-	-	(30,977)	(30,977)
Intergovernmental	3,681,690	3,681,690	366,333	(3,315,357)
Other	8,778,480	8,778,480	54,738	(8,723,742)
Total nonoperating revenues/ (expenses)	<u>11,184,810</u>	<u>11,329,810</u>	<u>(713,977)</u>	<u>(12,043,787)</u>
Income before contributions and transfers	<u>(4,595,100)</u>	<u>(4,597,130)</u>	<u>1,047,033</u>	<u>5,644,163</u>
Transfers (out)	(404,900)	(404,900)	(404,900)	-
Capital contributions	-	-	552,929	552,929
Changes in net position	<u>(5,000,000)</u>	<u>(5,002,030)</u>	<u>1,195,062</u>	<u>6,197,092</u>
Total net position - beginning	85,021,075	85,021,075	85,021,075	-
Prior period adjustment	-	-	10,292	10,292
Total net position - ending	<u>\$ 80,021,075</u>	<u>\$ 80,019,045</u>	<u>\$ 86,226,429</u>	<u>\$ 6,207,384</u>

CITY OF PHARR, TEXAS
BRIDGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for sales and services:				
Toll fees	\$ 10,992,500	\$ 12,392,500	\$ 12,349,273	\$ (43,227)
Other	205,000	205,000	222,900	17,900
Total operating revenues	<u>11,197,500</u>	<u>12,597,500</u>	<u>12,572,173</u>	<u>(25,327)</u>
OPERATING EXPENSES				
Personnel services	870,900	875,850	849,929	25,921
Supplies and Materials	125,350	157,100	137,396	19,704
Contractual Services	37,863,070	14,196,370	2,527,795	11,668,575
Depreciation	-	-	879,483	(879,483)
Total operating expenses	<u>38,859,320</u>	<u>15,229,320</u>	<u>4,394,603</u>	<u>10,834,717</u>
Operating income (loss)	<u>(27,661,820)</u>	<u>(2,631,820)</u>	<u>8,177,570</u>	<u>10,809,390</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	190,000	190,000	216,416	26,416
Interest expense	(235,830)	(235,830)	(231,854)	3,976
Amortization expense	-	-	(195,998)	(195,998)
Intergovernmental	4,090,960	4,090,960	-	(4,090,960)
Other	27,079,040	-	450	450
Total nonoperating revenues/ (expenses)	<u>31,124,170</u>	<u>4,045,130</u>	<u>(210,986)</u>	<u>(4,256,116)</u>
Income before contributions and transfers	<u>3,462,350</u>	<u>1,413,310</u>	<u>7,966,584</u>	<u>6,553,274</u>
Transfers in	233,250	233,250	233,250	-
Transfers (out)	(7,160,600)	(7,160,600)	(8,360,600)	(1,200,000)
Changes in net position	<u>(3,465,000)</u>	<u>(5,514,040)</u>	<u>(160,766)</u>	<u>5,353,274</u>
Total net position - beginning	24,321,530	24,321,530	24,321,530	-
Prior period adjustment	-	-	4,803	4,803
Total net position - ending	<u>\$ 20,856,530</u>	<u>\$ 18,807,490</u>	<u>\$ 24,165,567</u>	<u>\$ 5,358,077</u>

**CITY OF PHARR, TEXAS
GOLF FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 838,000	\$ 838,000	\$ 659,967	\$ (178,033)
Other	190,750	190,750	126,455	(64,295)
Total operating revenues	<u>1,028,750</u>	<u>1,028,750</u>	<u>786,422</u>	<u>(242,328)</u>
OPERATING EXPENSES				
Personnel services	715,330	698,543	656,857	41,686
Supplies and Materials	346,130	343,630	183,714	159,916
Contractual Services	286,720	342,620	228,396	114,224
Depreciation	-	-	315,366	(315,366)
Total operating expenses	<u>1,348,180</u>	<u>1,384,793</u>	<u>1,384,333</u>	<u>460</u>
Operating income (loss)	<u>(319,430)</u>	<u>(356,043)</u>	<u>(597,911)</u>	<u>(241,868)</u>
NON OPERATING REVENUES/(EXPENSES):				
Investment earnings	5,890	5,890	775	(5,115)
Interest expense	(4,660)	(4,660)	(10,007)	(5,347)
Gain on sale of asset	-	-	11,000	11,000
Other	-	-	801	801
Total nonoperating revenues/(expenses)	<u>1,230</u>	<u>1,230</u>	<u>2,569</u>	<u>1,339</u>
Income before contributions and transfers	<u>(318,200)</u>	<u>(354,813)</u>	<u>(595,342)</u>	<u>(240,529)</u>
Transfers in	<u>318,200</u>	<u>423,200</u>	<u>682,882</u>	<u>259,682</u>
Changes in net position	-	68,387	87,540	19,153
Total net position - beginning	4,075,855	4,075,855	4,075,855	-
Prior period adjustment	-	-	20,618	20,618
Total net position - ending	<u>\$ 4,075,855</u>	<u>\$ 4,144,242</u>	<u>\$ 4,184,013</u>	<u>\$ 39,771</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
GARAGE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 684,860	\$ 752,640	\$ 782,232	\$ 29,592
Total operating revenues	<u>684,860</u>	<u>752,640</u>	<u>782,232</u>	<u>29,592</u>
OPERATING EXPENSES				
Personnel services	197,350	197,350	194,515	2,835
Supplies and Materials	63,740	63,740	12,870	50,870
Contractual Services	414,000	481,780	478,903	2,877
Depreciation	-	-	34,705	(34,705)
Total operating expenses	<u>675,090</u>	<u>742,870</u>	<u>720,993</u>	<u>21,877</u>
Operating income (loss)	<u>9,770</u>	<u>9,770</u>	<u>61,239</u>	<u>51,469</u>
NON OPERATING REVENUES/(EXPENSES):				
Interest expense	(9,770)	(5,400)	(596)	(4,804)
Total nonoperating revenues/(expenses)	<u>(9,770)</u>	<u>(5,400)</u>	<u>(596)</u>	<u>4,804</u>
Income before contributions and transfers	<u>-</u>	<u>4,370</u>	<u>60,643</u>	<u>56,273</u>
Transfers (out)	-	-	-	-
Changes in net position	<u>-</u>	<u>4,370</u>	<u>60,643</u>	<u>56,273</u>
Total net position - beginning	534,336	534,336	534,336	-
Prior period adjustment	-	-	9,517	9,517
Total net position - ending	<u>\$ 534,336</u>	<u>\$ 538,706</u>	<u>\$ 604,496</u>	<u>\$ 65,790</u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

		<u>City Garage</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$	117,798
Inventories		23,480
Restricted assets:		
Cash with Fiscal Agent		1,866
Total current assets		<u>143,144</u>
Noncurrent assets:		
Capital assets (net of accumulated: depreciation):		
Buildings		422,883
Improvements other than buildings		46,097
Machinery and equipment		<u>71,957</u>
Total capital assets, net of accumulated depreciation		<u>540,937</u>
Total noncurrent assets		<u>540,937</u>
Total assets		<u>684,081</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable		7,343
Due to other funds		<u>9,683</u>
Total current liabilities		<u>17,026</u>
Current liabilities payable from restricted assets:		
Matured accrued compensation		3,583
Matured capital lease		<u>7,263</u>
Total current liabilities payable from restricted assets		<u>10,846</u>
Noncurrent liabilities:		
Accrued compensation		10,748
Capital lease payable		<u>40,965</u>
Total noncurrent liabilities		<u>51,713</u>
Total liabilities		<u>79,585</u>
<u>NET POSITION</u>		
Net assets:		
Invested in capital assets, net of related debt		494,575
Unrestricted		<u>109,921</u>
Total net position	\$	<u><u>604,496</u></u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

		City Garage
Operating revenues:		
Charges for sales and services:		
Other	\$	782,232
Total operating revenues		782,232
Operating expenses:		
Personnel services		194,515
Supplies and Materials		12,870
Contractual Services		478,903
Depreciation		34,705
Total operating expenses		720,993
Operating income (loss)		61,239
Nonoperating revenues (expenses):		
Interest expense		(596)
Total nonoperating revenues (expenses)		(596)
Income before contributions and transfers		60,643
Transfers out		-
Changes in net position		60,643
Total net position- beginning		534,336
Prior period adjustment		9,517
Total net position - ending	\$	604,496

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	City Garage
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 782,232
Payments to suppliers	(11,465)
Payments to employees	(196,720)
Payments for contractual services	(487,343)
Net cash flow provided by operating activities	86,704
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advance from other funds	1,573
Net cash provided (used) by noncapital and related financing activities	1,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(51,134)
Principal paid on long-term debt	48,228
Interest paid on long-term debt	(596)
Other	9,518
Net cash provided (used) by capital and related financing activities	6,016
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash provided (used) by investing activities	-
Net increase/(decrease) in cash	94,293
Cash beginning of fiscal year	25,371
Cash end of fiscal year	\$ 119,664
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 61,239
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	34,705
(Increase) in Inventories	1,405
Increase in Accounts Payable	(8,440)
(Decrease) in Accrued Compensation	(2,205)
Total adjustments	25,465
Net cash provided by operating activities	\$ 86,704



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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.	-91-
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	-96-
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.	-100-
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	-105-
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.	-107-

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net Invested in capital assets	\$ 28,230	\$ 28,849	\$ 40,172	\$ 50,941	\$ 50,764	\$ 53,417	\$ 36,205	\$ 36,205	\$ 39,362	\$ 64,274
Restricted	6,490	6,763	14,781	8,115	7,904	5,234	7,159	23,652	35,796	15,012
Unrestricted	5,147	8,067	2,620	4,822	13,275	18,999	16,463	18,274	8,032	8,951
Total governmental activities net position	<u>\$ 39,867</u>	<u>\$ 43,679</u>	<u>\$ 57,573</u>	<u>\$ 63,878</u>	<u>\$ 71,943</u>	<u>\$ 77,650</u>	<u>\$ 59,827</u>	<u>\$ 78,131</u>	<u>\$ 83,190</u>	<u>\$ 88,237</u>
Business-type activities										
Net Invested in capital assets	\$ 39,635	\$ 38,336	\$ 46,566	\$ 59,224	\$ 78,359	\$ 82,609	\$ 82,300	\$ 82,757	\$ 86,011	\$ 85,304
Restricted	2,943	1,950	3,018	5,762	7,759	7,375	10,195	8,529	21,394	18,996
Unrestricted	3,390	11,401	4,593	2,568	2,572	9,691	12,435	15,940	6,013	10,276
Total business-type activities net position	<u>\$ 51,687</u>	<u>\$ 54,177</u>	<u>\$ 67,554</u>	<u>\$ 88,690</u>	<u>\$ 99,675</u>	<u>\$ 104,930</u>	<u>\$ 107,226</u>	<u>\$ 113,418</u>	<u>\$ 114,576</u>	
Primary government										
Net Invested in capital assets	\$ 66,865	\$ 67,185	\$ 86,738	\$ 110,165	\$ 129,123	\$ 136,026	\$ 118,505	\$ 118,962	\$ 125,374	\$ 149,577
Restricted	9,433	8,713	17,799	13,877	15,663	12,609	17,354	32,181	57,191	34,008
Unrestricted	8,537	19,468	7,213	7,390	15,847	28,690	28,898	34,214	14,044	19,227
Total primary government net position	<u>\$ 84,835</u>	<u>\$ 95,366</u>	<u>\$111,750</u>	<u>\$ 131,432</u>	<u>\$ 160,633</u>	<u>\$ 177,325</u>	<u>\$ 164,757</u>	<u>\$ 185,357</u>	<u>\$ 196,609</u>	<u>\$ 202,813</u>

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

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

Expenses	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:									
General government	\$ 7,181	\$ 8,178	\$ 8,265	\$ 7,594	\$ 8,061	\$ 10,917	\$ 16,251	\$ 9,970	\$ 12,144
Public safety	15,000	16,504	18,495	19,177	19,775	21,546	22,427	22,700	21,355
Streets	2,361	2,442	2,114	2,268	3,102	3,757	4,490	5,330	4,903
Sanitation	3,227	3,518	4,537	2,312	2,008	2,749	2,699	1,880	2,867
Culture and recreation	3,253	3,340	3,831	3,563	3,890	3,239	4,133	4,306	6,155
Economic development	1,754	2,653	-	-	-	-	-	8,085	2,590
Debt service	1,365	1,433	1,122	1,041	885	736	1,293	1,926	1,800
Total governmental activities expenses	34,141	38,068	38,364	35,955	37,721	42,944	51,293	54,196	51,814
Business-type activities:									
Utility	7,576	7,879	9,291	9,125	9,140	10,382	11,829	12,241	13,619
Toll Bridge	3,156	3,454	3,300	2,975	3,428	3,082	3,137	3,413	4,822
Tierra Del Sol Golf Course	1,054	1,241	1,171	1,047	1,035	1,236	1,110	1,279	1,394
Total business-type activities expenses	11,786	12,574	13,762	13,147	13,603	14,700	16,076	16,933	19,836
Total primary government expenses	\$ 45,927	\$ 50,642	\$ 52,126	\$ 49,102	\$ 51,324	\$ 57,644	\$ 67,369	\$ 71,128	\$ 71,650
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 208	\$ 1,790	\$ 2,375	\$ 1,970	\$ 1,734	\$ 1,962	\$ 2,014	\$ 1,980	\$ 1,646
Public Safety	571	1,908	1,662	3,841	999	1,184	1,180	1,210	1,355
Streets	85	472	67	3	1,093	782	807	878	859
Sanitation	3,006	3,274	4,969	3,256	3,347	3,560	3,585	3,658	3,825
Culture and recreation	131	911	372	131	128	257	665	579	1,629
Economic development	-	-	-	-	-	-	-	-	648
Debt service	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,648	1,867	2,465	2,448	4,227	3,451	6,221	9,493	3,132
Capital grants and contributions	1,094	0	1,481	256	508	25	59	1,111	1,435
Total governmental activities program revenues	6,743	10,222	13,391	11,905	12,036	11,221	14,531	18,910	14,529
Business-type activities:									
Charges for services:									
Utility	11,200	10,851	12,483	12,461	11,892	13,553	13,814	13,977	13,670
Toll Bridge	7,714	8,058	8,281	9,301	10,660	10,415	11,002	11,915	12,572
Tierra Del Sol Golf Course	350	631	766	856	805	812	776	597	786
Operating grants and contributions	-	-	-	-	-	-	17	314	-
Capital grants and contributions	-	-	6,940	13,899	2,512	548	316	1,686	919
Total business-type activities program revenues	19,264	19,540	28,470	36,517	25,869	25,328	25,926	28,489	27,948
Total primary government program revenues	\$ 26,007	\$ 29,762	\$ 41,861	\$ 48,422	\$ 37,905	\$ 36,549	\$ 40,456	\$ 47,398	\$ 42,477

Net (expense)/revenue									
Governmental activities	\$ (27,398)	\$ (27,846)	\$ (24,973)	\$ (24,050)	\$ (25,685)	\$ (31,723)	\$ (36,762)	\$ (35,286)	\$ (37,286)
Business-type activities	7,478	6,966	14,708	23,370	12,266	10,628	9,850	11,556	8,112
Total primary government net expense	<u>\$ (19,920)</u>	<u>\$ (20,880)</u>	<u>\$ (10,265)</u>	<u>\$ (680)</u>	<u>\$ (13,419)</u>	<u>\$ (21,095)</u>	<u>\$ (26,913)</u>	<u>\$ (23,730)</u>	<u>\$ (29,174)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 10,475	\$ 11,276	\$ 13,082	\$ 14,900	\$ 15,265	\$ 14,984	\$ 15,221	\$ 15,186	\$ 15,812
Sales taxes	11,346	11,160	11,305	10,558	10,289	11,838	12,801	13,079	14,557
Other Taxes	2,543	2,912	3,087	2,807	3,152	2,844	2,232	3,129	3,632
Investment earnings	419	445	357	296	361	440	415	473	401
Grants, Donations, and Miscellaneous	3,854	2,159	365	458	105	763	1,048	421	198
Transfers	2,288	8,655	2,190	3,182	1,841	7,214	6,702	6,317	7,682
Total governmental activities	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>	<u>32,201</u>	<u>31,013</u>	<u>38,083</u>	<u>38,420</u>	<u>38,605</u>	<u>42,283</u>
Business-type activities:									
Investment earnings	1,011	866	1,451	877	1,008	795	705	848	792
Grants, Donations, and Miscellaneous	-	495	218	107	131	135	22	21	67
Transfers	(2,288)	(8,655)	(2,190)	(3,182)	(1,841)	-	(6,702)	(6,466)	(7,849)
Total business-type activities	<u>(1,277)</u>	<u>(7,294)</u>	<u>(521)</u>	<u>(2,198)</u>	<u>(702)</u>	<u>930</u>	<u>(5,975)</u>	<u>(5,598)</u>	<u>(6,990)</u>
Total primary government	<u>\$ 29,648</u>	<u>\$ 29,313</u>	<u>\$ 29,865</u>	<u>\$ 30,003</u>	<u>\$ 30,311</u>	<u>\$ 39,013</u>	<u>\$ 32,445</u>	<u>\$ 33,008</u>	<u>\$ 35,292</u>
Change in Net Position									
Governmental activities	\$ 3,527	\$ 8,761	\$ 5,413	\$ 8,151	\$ 5,328	\$ 6,360	\$ 1,658	\$ 3,320	\$ 4,997
Business-type activities	6,201	(328)	14,187	21,172	11,564	4,344	3,875	5,958	1,122
Total primary government	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,600</u>	<u>\$ 29,323</u>	<u>\$ 16,892</u>	<u>\$ 10,704</u>	<u>\$ 5,532</u>	<u>\$ 9,278</u>	<u>\$ 6,119</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Reserved, Nonspendable, Restricted	\$ 3,903	\$ 7,405	\$ 11,002	\$ 1,049	\$ 102	\$ 231	\$ 3,354	\$ 20,807	\$ 1,999	\$ 1,782
Unreserved, undesignated, unassigned	602	195	(6,402)	2,081	8,338	14,901	5,809	748	3,593	219
Designated, Committed, Assigned	1,327	-	-	756	-	-	8,054	9,046	8,753	11,097
Total general fund	<u>\$ 5,832</u>	<u>\$ 7,600</u>	<u>\$ 4,600</u>	<u>\$ 3,886</u>	<u>\$ 8,440</u>	<u>\$ 15,132</u>	<u>\$ 17,217</u>	<u>\$ 30,601</u>	<u>\$ 14,346</u>	<u>\$ 13,098</u>
All other governmental funds										
Reserved, Nonspendable, Restricted, reported in:	\$ 2,894	\$ 5,447	\$ 7,572	\$ 4,718	\$ 6,407	\$ 2,501	\$ -	\$ (1,611)	\$ 1,212	\$ 1,677
Special revenue funds	-	-	-	-	-	-	387	1,339	-	-
Debt service fund	-	-	-	-	-	-	63	20	-	-
Economic Development fund	-	-	-	-	-	-	3,197	3,085	20,622	23,094
Unreserved, unassigned, reported in:										
Special revenue funds	3,573	142	2,425	3,238	1,333	1,086	(2,929)	-	-	-
Capital projects funds	-	(2,590)	(1,508)	-	-	1,251	-	-	-	-
Debt service funds	-	1,044	-	-	-	-	-	-	37	157
Assigned	-	-	-	-	-	-	1,943	17,392	11,837	8,349
Total all other governmental funds	<u>\$ 6,467</u>	<u>\$ 4,043</u>	<u>\$ 8,489</u>	<u>\$ 7,956</u>	<u>\$ 7,740</u>	<u>\$ 4,838</u>	<u>\$ 2,661</u>	<u>\$ 20,224</u>	<u>\$ 33,708</u>	<u>\$ 33,278</u>
Total governmental fund balances	<u>\$ 12,299</u>	<u>\$ 11,642</u>	<u>\$ 13,089</u>	<u>\$ 11,842</u>	<u>\$ 16,180</u>	<u>\$ 19,970</u>	<u>\$ 19,878</u>	<u>\$ 50,825</u>	<u>\$ 48,054</u>	<u>\$ 46,376</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 21,929	\$ 24,350	\$ 25,972	\$ 27,370	\$ 28,215	\$ 28,707	\$ 29,814	\$ 31,391	\$ 31,504	\$ 33,978
Licenses and permits	681	1,468	886	685	682	550	762	664	818	762
Intergovernmental	2,296	1,178	1,751	2,455	2,448	4,579	3,451	6,221	9,521	4,468
Charges for services	3,971	4,287	5,073	6,382	4,468	5,226	5,010	5,525	5,778	6,326
Fines	1,415	968	800	880	1,122	1,107	914	977	936	1,086
Investment earnings	306	419	445	349	296	361	440	415	474	401
Miscellaneous	1,481	2,127	1,970	644	254	533	375	692	644	945
Total Revenues	<u>32,079</u>	<u>34,797</u>	<u>36,897</u>	<u>38,765</u>	<u>37,486</u>	<u>41,064</u>	<u>40,766</u>	<u>45,885</u>	<u>49,675</u>	<u>47,965</u>
Expenditures										
General government	6,985	14,218	12,943	6,034	6,220	6,609	14,398	13,336	10,337	11,933
Public safety	13,452	15,391	15,642	19,392	18,846	18,522	19,963	22,058	22,253	21,439
Highways and streets	5,351	2,542	2,121	4,443	2,499	4,012	4,404	7,401	7,056	5,012
Sanitation	-	3,021	3,483	4,306	2,318	2,423	2,555	2,654	2,371	2,758
Culture and recreation	3,323	977	3,422	5,661	3,472	3,664	6,010	5,524	12,999	6,346
Economic development	2,109	3,120	5,757	2,067	2,165	1,360	1,538	2,677	1,163	2,775
Debt service - Principal	1,554	1,912	3,904	3,371	3,335	1,781	1,635	2,588	9,339	7,811
Debt service - Interest	1,657	891	1,225	1,009	978	819	712	1,156	1,750	1,866
Total expenditures	<u>34,431</u>	<u>42,072</u>	<u>48,497</u>	<u>46,283</u>	<u>39,833</u>	<u>39,191</u>	<u>51,215</u>	<u>57,393</u>	<u>67,269</u>	<u>59,942</u>
Excess of revenues over (under) expenditures	(2,352)	(7,275)	(11,600)	(7,518)	(2,347)	1,872	(10,449)	(11,508)	(17,594)	(11,977)
Other financing sources (uses)										
Transfers in	10,721	4,044	9,298	16,941	6,066	9,951	11,615	42,210	34,633	19,662
Transfers out	(4,359)	(1,756)	(669)	(14,415)	(2,882)	(8,110)	(4,393)	(35,508)	(28,316)	(11,981)
Proceeds from sale of assets	16,567	3,120	2,480	2,877	-	-	805	120	551	198
Issuance of debt	(15,149)	979	3,479	1,819	3,587	245	2,372	30,572	14,306	2,381
Total other financing sources (uses)	<u>7,780</u>	<u>6,387</u>	<u>14,588</u>	<u>7,222</u>	<u>6,771</u>	<u>2,086</u>	<u>10,399</u>	<u>37,395</u>	<u>21,175</u>	<u>10,260</u>
Special Items										
Loss on land available for sale valuation	-	-	-	-	-	-	-	-	6,370	-
Total special items	-	-	-	-	-	-	-	-	6,370	-
Net change in fund balances	<u>\$ 5,428</u>	<u>\$ (888)</u>	<u>\$ 2,988</u>	<u>\$ (297)</u>	<u>\$ 4,424</u>	<u>\$ 3,959</u>	<u>\$ (50)</u>	<u>\$ 25,887</u>	<u>\$ (2,817)</u>	<u>\$ (1,716)</u>
Debt service as a percentage of noncapital expenditures	10.3%	7.1%	11.8%	10.5%	12.1%	7.1%	4.8%	7.0%	19.7%	19.3%

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

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Minerals</u>	<u>Other</u>	<u>Total Assessed</u>	<u>Less: Ag Loss & Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value¹ as a Percentage of Actual Value</u>
2005	2004	\$ 1,142,164	\$ 310,068	\$ 12,810	\$ 49,042	\$ 165,457	\$ 1,679,541	\$ 328,030	\$ 1,351,511	\$ 0.68	\$ 1,351,511	124.27%
2006	2005	1,217,836	327,593	13,845	52,742	162,458	1,774,474	332,328	1,442,146	1	1,442,146	123.04%
2007	2006	1,383,161	362,968	14,996	54,079	172,167	1,987,371	332,328	1,655,043	1	1,655,043	120.08%
2008	2007	1,549,417	397,886	14,537	51,312	195,896	2,209,035	412,202	1,796,833	1	1,796,833	122.94%
2009	2008	1,831,559	496,061	15,957	52,232	213,847	2,609,655	506,079	2,103,576	1	2,103,576	124.06%
2010	2009	1,852,609	528,963	16,672	49,303	242,187	2,689,735	527,968	2,161,766	1	2,161,766	124.42%
2011	2010	1,903,835	561,456	14,999	16,865	265,722	2,762,876	591,022	2,171,854	1	2,171,854	127.21%
2012	2011	1,913,524	574,336	13,337	11,027	256,980	2,769,204	604,760	2,164,444	1	2,164,444	127.94%
2013	2012	1,198,825	591,866	12,310	11,038	265,359	2,858,847	662,530	2,196,317	1	2,196,317	130.17%
2014	2013	1,202,156	623,074	12,350	9,132	320,085	2,953,655	687,001	2,266,654	1	2,266,654	130.31%

Source: Hidalgo County Central Appraisal District

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

¹Includes tax-exempt property.

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

Fiscal Year Ending	City of Pharr Tax Rate			Overlapping Tax Rates								
				Drainage District #1			Hidalgo County			P.S.J.A ISD		
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total
2005	\$ 0.59	\$ 0.09	\$ 0.68	\$ 0.04	\$ -	\$ 0.04	\$ 0.53	\$ 0.06	\$ 0.59	\$ 1.50	\$ 0.11	\$ 1.61
2006	0.59	0.09	0.68	0.04	-	0.04	0.52	0.07	0.59	1.50	0.11	1.61
2007	0.60	0.09	0.68	0.04	0.01	0.05	0.52	0.08	0.59	1.04	0.17	1.21
2008	0.60	0.08	0.68	0.04	0.03	0.07	0.52	0.07	0.59	1.04	0.23	1.27
2009	0.60	0.08	0.68	0.04	0.03	0.07	0.51	0.08	0.59	1.04	0.26	1.30
2010	0.60	0.08	0.68	0.04	0.03	0.07	0.51	0.08	0.59	1.04	0.17	1.21
2011	0.60	0.08	0.68	0.04	0.03	0.07	0.52	0.07	0.59	1.17	0.19	1.36
2012	0.60	0.08	0.68	0.05	0.03	0.08	0.52	0.07	0.59	1.17	0.19	1.36
2013	0.60	0.08	0.68	0.06	0.04	0.10	0.52	0.07	0.59	1.17	0.19	1.36
2014	0.61	0.07	0.68	0.05	0.05	0.10	0.53	0.06	0.59	1.17	0.19	1.36

Fiscal Year Ending	Overlapping Tax Rates						Total Direct & Overlapping Rates
	South Texas ISD			South Texas College			
	Operating	Debt Service	Total	Operating	Debt Service	Total	
2005	\$ 0.04	\$ -	\$ 0.04	\$ 0.11	\$ 0.05	\$ 0.16	\$ 3.13
2006	0.04	-	0.04	0.11	0.04	0.15	3.12
2007	0.05	-	0.05	0.11	0.04	0.15	2.74
2008	0.05	-	0.05	0.11	0.04	0.15	2.81
2009	0.05	-	0.05	0.11	0.04	0.15	2.84
2010	0.05	-	0.05	0.11	0.04	0.15	2.76
2011	0.05	-	0.05	0.11	0.04	0.15	2.90
2012	0.05	-	0.05	0.11	0.04	0.15	2.90
2013	0.05	-	0.05	0.11	0.04	0.15	2.92
2014	0.05	-	0.05	0.19	0.04	0.23	3.00

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 2014 and 2004
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>2014</u>			<u>2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
HEB GROCERY COMPANY LP	\$ 18,771	1	0.83%	\$ -		-
MCALLEN LEVCAL INC	14,691	2	0.65%	-		-
CAPOTE FARMS LTD	24,427	3	1.08%	-		-
WILDER CORP OF DELAWARE	13,002	4	0.57%	13,453	1	1.12%
COSTCO WHOLESALE CORP	12,475	5	0.55%	-		-
AEP TEXAS CENTRAL COMPANY	10,635	6	0.47%	10,862	3	0.90%
FJRS INVESTMENTS LTD	10,470	7	0.46%	-		-
COSTCO WHOLE SALE CORP	9,587	8	0.42%	-		-
MCALLEN LEVCAL LLC	9,326	9	0.41%	-		-
DMJ REAL ESTATE LP & OBK FAM	8,883	10	0.39%	-		-
TOTALFINAELE E&P USA INC	-		-	12,429	2	1.03%
SOUTHWESTERN BELL TELE	-		-	9,237	4	0.77%
CENTRAL POWER & LIGHT	-		-	8,617	5	0.72%
EL CENTRO MALL LTD	-		-	7,999	6	0.66%
LOWE'S HOME CENTER INC	-		-	2,306	7	0.19%
LACK'S	-		-	6,092	8	0.51%
HOME DEPOT, THE	-		-	5,928	9	0.49%
LOWE'S HOME CENTER INC	-		-	2,558	10	0.21%
	-		-	-		-
Totals	<u>\$ 132,268</u>		5.8%	<u>\$ 79,481</u>		6.6%
Assessed Taxable Value	\$ 2,266,654			\$ 1,203,205		

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	
			Fiscal Year of the Levy	Percentage		Collections in	Percentage
Ended	Year	Levy* for	Amount	of Levy	Subsequent Years	Amount	of Levy
		Fiscal Year					
2005	2004	\$ 9,233	\$ 8,335	90.3%	\$ 804	\$ 9,139	99.0%
2006	2005	9,831	8,980	91.3%	747	9,727	98.9%
2007	2006	11,014	10,094	91.6%	802	10,896	98.9%
2008	2007	12,275	11,231	91.5%	902	12,133	98.8%
2009	2008	14,567	13,391	91.9%	967	14,358	98.6%
2010	2009	14,824	13,673	92.2%	860	14,532	98.0%
2011	2010	14,674	13,559	92.4%	706	14,265	97.2%
2012	2011	14,576	13,771	94.5%	1,050	14,821	101.7%
2013	2012	14,821	14,049	94.8%	732	14,781	99.7%
2014	2013	15,317	14,631	95.5%	640	15,271	99.7%

*Tax Levy including modifications throughout the year

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

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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes			
2005	\$ 16,110	\$ 7,085	\$ 4,683	\$ 698	\$ 21,444	\$ 86	\$ -	\$ 50,106	0.08%	\$ 849
2006	16,025	6,070	5,746	1,544	20,042	246	-	49,673	0.08%	810
2007	15,935	5,000	4,962	1,550	61,711	815	5,995	95,968	0.04%	1,492
2008	15,840	3,885	2,801	3,550	66,975	337	4,590	97,978	0.04%	1,483
2009	15,130	3,330	731	2,503	64,510	1,016	3,125	90,345	0.04%	1,351
2010	14,395	2,745	270	1,621	61,345	713	1,595	82,684	0.03%	1,230
2011	15,750	-	-	2,738	58,415	952	-	77,855	0.04%	1,106
2012	14,300	7,600	21,500	3,405	55,385	537	-	102,726	0.03%	1,417
2013	12,800	7,300	28,500	3,200	61,000	463	-	113,263	0.03%	1,562
2014	11,295	7,025	24,064	4,101	57,760	389	-	104,634	0.03%	1,443

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2005	\$ 16,110	1.15%	\$ 272.9
2006	16,025	1.08%	261
2007	15,935	0.96%	248
2008	15,840	0.86%	240
2009	15,130	0.70%	226
2010	14,395	0.54%	214
2011	15,750	0.57%	224
2012	14,300	0.52%	197
2013	12,800	0.46%	177
2014	11,295	0.38%	154

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, 2014
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 162,885	5.2%	\$ 8,475
Hidalgo Irrigation District #1	-	0.0%	-
South Texas College	44,385	53.1%	23,574
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	358,390	61.0%	218,447
Overlapping debt			<u>250,496</u>
City of Pharr direct debt	25,825	100.0%	<u>25,825</u>
Total direct and overlapping debt			<u><u>276,321</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment.
Debt outstanding data provided by the county. Data as of 12/31/2014.

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

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

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	139,673	148,988	166,146	184,767	260,966	268,973	276,288	276,920	285,885	354,845
Total net debt applicable to limit	<u>23,195</u>	<u>22,095</u>	<u>20,935</u>	<u>19,725</u>	<u>15,130</u>	<u>14,395</u>	<u>15,750</u>	<u>21,940</u>	<u>12,800</u>	<u>11,295</u>
Legal debt margin	<u>\$ 116,478</u>	<u>\$ 126,893</u>	<u>\$ 145,211</u>	<u>\$ 165,042</u>	<u>\$ 245,836</u>	<u>\$ 254,578</u>	<u>\$ 260,538</u>	<u>\$ 254,980</u>	<u>\$ 273,085</u>	<u>\$ 343,550</u>
Total net debt applicable to the limit as a percentage of debt limit	16.6%	14.8%	12.6%	10.7%	5.8%	5.4%	5.70%	7.9%	4.5%	3.2%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 2,962,853
Add Back: exempt property	<u>585,595</u>
Total Assessed Value	\$ 3,548,448
Debt limit (10% of total assessed value)	354,845
Debt applicable to limit:	
General obligation bonds	<u>11,295</u>
Legal debt margin	<u>\$ 343,550</u>

Note: State statute do not prescribe debt limit, however, by custom, a practical economic debt limit of 10% of the assessed valuation is used.

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

Water & Sewer Revenue Bonds

Fiscal Year	Utility Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 7,829	\$ 4,881	\$ 2,948	\$ 1,291	\$ 604	1.56
2006	11,594	5,695	5,899	937	542	3.99
2007	11,954	5,427	6,527	851	595	4.51
2008	13,820	5,910	7,910	2,265	1,872	1.91
2009	13,259	5,714	7,545	2,330	1,807	1.82
2010	12,473	5,750	6,723	2,385	1,749	1.63
2011	13,553	6,946	6,607	2,465	1,670	1.60
2012	13,814	7,465	6,349	2,540	1,598	1.53
2013	13,977	7,043	6,934	2,540	1,618	1.67
2014	13,670	7,862	5,808	2,870	1,675	1.28

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

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

Fiscal Year	Population¹	Median Household Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling²	School Enrollment³	Unemployment Rate⁴
2005	59,029	38,967*	9,462*	27.4*	47.3%*	27,338	5.8%
2006	61,360	38,967*	9,462*	27.8*	47.3%*	28,088	5.7%
2007	64,318	38,967*	9,462*	27.8*	47.3%*	28,868	5.5%
2008	66,078	38,967*	9,462*	27.8*	47.3%*	29,999	7.2%
2009	66,874	38,967*	9,462*	27.8*	47.3%*	30,618	11.2%
2010	67,217	28,000	11,421	27.1	58.1%	31,329	10.5%
2011	70,400	28,000	11,420	27.1	58.1%	31,508	10.7%
2012	72,513	30,486	12,328	27.3	59.7%	31,633	8.4%
2013	73,138	30,486	12,328	28.0	59.7%	32,050	9.3%
2014	73,138	32,087	12,964	28.3	61.3%	32,287	7.9%

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

¹Population data from 2011 taken from the US Census Bureau for 2011

Census Bureau totals for 2008 through 2014. 2011 population estimate based on percentage increase of US Census Bureau totals for 2009 and 2010. 2012 population estimate based on percentage increase of US Census Bureau totals for 2010 and 2011. 2013 population estimate based on percentage increase of US Census Bureau totals for 2011 and 2012.

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

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

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

* Data Not Available

City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2014 and 2005

2014			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment¹</u>
Pharr-San Juan-Alamo ISD	4,325	1	18.73%
Valley View ISD	706	2	3.06%
City of Pharr	560	3	2.43%
Ticketmaster	480	4	2.08%
Convergy's	430	5	1.86%
VDP Healthcare	417	6	1.81%
Royal Freight	380	7	1.65%
Lack's Valley Store Ltd	361	8	1.56%
HEB	290	9	1.26%
Atento Contract US Teleservices	280	10	1.21%
Total	<u>8,229</u>		<u>35.64%</u>
2005*			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergy's	Unknown	-	0.00%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	<u>0.00%</u>
Total	<u>-</u>		<u>0.00%</u>

Source: EMSI Dec. 2013, Workforce Solutions Lower RGV

* Information was not tracked to provide stated information.

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

	Budgeted Full-time Equivalent Employees as of September 30, 2014									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL FUND										
City Manager	9.0	9.0	9.0	9.0	9.0	8.0	7.5	9.5	8.5	15.0
Finance	12.0	12.5	13.5	14.0	5.5	9.0	9.0	14.0	14.0	14.0
Police Department	134.0	146.0	155.0	167.0	161.0	160.0	172.0	174.5	176.5	186.5
Traffic Safety	16.0	13.0	16.0	17.0	16.0	16.0	16.0	17.0	17.0	0.0
Municipal Court	6.0	6.0	6.0	6.0	5.0	6.5	7.5	7.5	8.0	7.0
Fire Protection	57.0	57.0	65.0	68.0	66.0	65.0	74.0	73.0	78.0	82.0
Administrative Services	0.0	0.0	0.0	0.0	7.0	7.5	7.0	0.0	0.0	0.0
Street Maintenance	25.0	28.0	30.0	29.0	29.0	31.0	33.0	32.0	32.0	48.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.0	5.0	10.0
Municipal Library	23.0	25.0	26.0	26.0	26.0	22.5	22.5	22.5	23.5	25.0
Parks & Recreation	70.0	71.0	73.0	73.0	102.0	102.0	64.3	68.1	62.1	56.8
Planning & Community Dev	22.0	20.0	23.0	23.0	22.0	18.5	18.5	18.5	20.0	22.5
Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	5.5	4.5
Total General Fund	374.0	387.5	416.5	432.0	448.5	446.0	433.8	442.6	450.1	471.3
UTILITY FUND										
Administrative	9.0	9.5	10.5	11.0	12.5	9.5	9.0	9.0	9.0	9.0
Water Production	9.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	13.0	15.0
Water Distribution	23.0	25.0	26.0	26.0	23.0	23.5	24.0	26.5	27.0	30.5
Water Treatment Plant	11.0	11.0	13.0	13.0	13.0	13.0	13.0	17.0	18.0	19.0
Lift Station	4.0	4.0	4.0	4.0	3.0	1.0	1.0	0.0	0.0	0.0
Total Utility Fund	56.0	58.5	63.5	64.0	61.5	57.0	57.0	62.5	67.0	73.5
INTERNAL SERVICE FUND										
Chief Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laborers	3.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0
Total Internal Svc Fund	4.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	5.0	5.0
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	25.0	26.0	26.0	28.0	24.0	24.5	24.0	22.0	22.0	27.0
Total Int'l Bridge	26.0	27.0	27.0	29.0	25.0	25.5	25.0	23.0	23.0	28.0
OTHER										
CDBG	6.0	6.0	6.0	5.0	4.0	5.5	5.5	4.5	3.5	4
Golf Course	18.0	15.0	15.0	17.0	15.5	15.0	15.5	15.5	17.0	23.5
Events Center	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	8.0	17.5
Total Other	24.0	21.0	21.0	22.0	19.5	20.5	21.0	26.4	28.5	45.0
GRAND TOTAL	484.0	499.0	533.0	552.0	559.5	553.0	540.8	558.5	573.6	622.8

Source: City of Pharr Budget Reports

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

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Physical arrests	3,857	2,858	2,808	2,944	4,839	15,660	3,395	3,477	2,197	3,573
Parking & Traffic Violations	15,983	13,742	12,742	15,194	25,689	12,556	10,742	9,654	12,607	12,893
Fire										
Number of calls answered	1,624	1,701	1,794	2,238	2,148	2,144	2,018	1,850	2,491	2,488
Inspections	877	809	1,108	1,344	1,325	1,160	1,842	2,620	2,263	2,942
Highways and streets										
Street resurfacing (miles)	unknown	2	7	2	7	9	9	7	6.44	7.31
Potholes repaired	unknown	unknown	unknown	137	825	775	4000	1500	545	1297
International Bridge										
Car Crossings	1,780,599	1,716,751	1,683,048	1,649,983	1,444,912	1,264,573	1,038,430	946,847	937,829	866,328
Truck Crossings	384,572	404,103	433,880	461,559	409,336	447,122	440,705	463,714	485,299	508,180
Culture and recreation										
Pharr Events Center	95	86	95	216	84	50	20	72	60	91
Other Community Center Events	231	206	268	597	414	378	329	703	442	unknown
Water										
New connections	832	1,204	638	324	220	278	428	304	372	256
Water mains breaks	unknown	3,948	4,156	578	445	711	768	~1365	~1625	~1642
Average daily consumption (millions of gallons)	6.1 MGD	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD	6.3 MGD	6.6 MGD	7.0 MGD	6.9 MGD	7.1 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	5.0 MGD	5.0 MGD	4.94 MGD	4.8 MGD	4.76MGD	4.9 MGD	4.9MGD	4.8 MGD	5.1 MGD

Sources: Various City Departments

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	76	82	84	90	93	128	125	62	61	68
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	180	213	213	213	214	214	214	214	214	214
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	47	51	51	51	55	56	58	61	68	72
Culture and recreation										
Parks Acreage (Developed)	41	57	57	57	57	57	57	79	46	57
Swimming pools	2	2	2	2	2	-	-	-	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community and Convention Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water mains (miles)	~182	~190	191.6	~313.4	315	313	325	~304	~304	~304
Fire hydrants	1,820	1,918	2,010	2,030	1,896	1,946	1,946	~2,214	~2,214	~2,214
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	10.0 MGD	8.28 MGD	12.01 MGD	9.9 MGD	10.0 MGD	10.0 MGD	10.0 MGD	20 MGD
Sewer										
Sanitary sewers (miles)	~224	~246	~262	~265	265	266	269	267	~267	~267
Storm sewers (miles)	unknown	unknown	unknown	57	82	94.43	97.2	Unknown	96.63	96.63
Maximum daily treatment capacity (thousands of gallons)	4.19 MGD	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD	5.3 MGD	8 MGD	8 MGD	7.4 MGD	6.4 MGD

Sources: Various City Departments



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Single Audit Section



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Email: org110n@aol.com

Oscar R. González
Melissa González

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

To Honorable Mayor and City Commission
City of Pharr, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Pharr, Texas's basic financial statements and have issued our report thereon dated February 5, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pharr, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

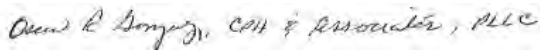
financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-2, 2014-3 and 2014-4.

City of Pharr, Texas’s Response to Findings

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

Purpose of this Report

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



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountant

Pharr, Texas
February 5, 2015

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

To Honorable Mayor and City Commission
City of Pharr, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Pharr, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Pharr, Texas's major federal programs for the year ended September 30, 2014. City of Pharr, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Pharr, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-4. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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

Oscar R. Gonzalez, CPA & Associates, PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountant

Pharr, Texas
February 5, 2015

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Governor's Division of Emergency Management:			
Operation Stonegarden	97.067	EMW-2012-SS-0018-01	\$ 374,851
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>374,851</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-10-MC-48-0507	65,358
Community Development Block Grant	14.218	B-12-MC-48-0507	498,815
Community Development Block Grant	14.218	B-13-MC-48-0507	1,308,449
Community Development Block Grant	14.218	B-14-MC-48-0507	1,511
Total Passed Through Direct Programs			<u>1,874,133</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,874,133</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Direct Programs:			
COPS Hiring Grant Program	16.710	2010-UM-WX-0306	204,601
SMART Policing Initiative	16.738	2011-DB-BX-0030	32,533
Total Passed Through Direct Programs			<u>237,134</u>
Passed Through Governor's Division of Criminal Justice:			
Human Trafficking Liaison Grant 13/14	16.575	VA-10-V30-24305-04	34,161
Total Passed Through Governor's Division of Criminal Justice			<u>34,161</u>
<u>AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)</u>			
Passed Through Direct Programs:			
ARRA - Domestic Violence Coordinator Project	16.575	WF-11-V30-22994-03	27,113
Total AMERICAN RECOVERY AND REINVESTMENT ACT			<u>27,113</u>
Total U.S. DEPARTMENT OF JUSTICE			<u>298,409</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	112SA1599	38,380
Total U.S. DEPARTMENT OF TREASURY			<u>38,380</u>
<u>U.S. GENERAL SERVICES ADMINISTRATION</u>			
Passed Through Texas Facilities Commission			
Federal Surplus Property Proram	39.003	13480	46,454
Total U.S. GENERAL SERVICES ADMINISTRATION			<u>46,454</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,632,227</u></u>

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Grantor/ Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>OFFICE OF THE ATTORNEY GENERAL</u>		
Victim Coordinator Liaison Grant 12/13	1332931	34,636
Total OFFICE OF THE ATTORNEY GENERAL		<u>34,636</u>
<u>STATE CRIMINAL JUSTICE PLANNING</u>		
STOP Failure to Attend School FY 13/14	SF-14-J20-2546802	21,419
Total STATE CRIMINAL JUSTICE PLANNING		<u>21,419</u>
<u>TEXAS DEPARTMENT OF MOTOR VEHICLES</u>		
South Texas Auto Theft Enforcement Task Force 11/12	SA-T01-10041-13	86,587
Total TEXAS DEPARTMENT OF TRANSPORTATION		<u>86,587</u>
<u>TEXAS WATER DEVELOPMENT BOARD</u>		
Regional Water and Wastewater Facilities Planning	1004831080	1,350
Total TEXAS WATER DEVELOPMENT BOARD		<u>1,350</u>
<u>TEXAS DEPARTMEN OF PUBLIC SAFETY</u>		
Local Border Security Program	LBSP 2014-0058	156,687
Total TEXAS DEPARTMENT OF PUBLIC SAFETY		<u>156,687</u>
<u>LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL</u>		
Regional Solid Waste Grant Program	12-21-G02	30,855
South Pharr Sidewalk Improvements Project		53,722
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		<u>84,577</u>
<u>BORDER ENVIROMENT COOPERATION COMMISSION</u>		
Keeping Pharr Beautifull...Starts at Home Program	20243	21,451
Total BORDER ENVIROMENT COOPERATION COMMISSION		<u>21,451</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>406,706</u>
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		<u>\$ 3,038,933</u>

City of Pharr, Texas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2014

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, 2014. The reporting entity consists of the primary government, organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

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

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

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

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

3. Basis of Presentation

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

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I - SUMMARY OF AUDITOR RESULTS - CURRENT FISCAL YEAR

A. Summary of Auditor's Results

1. Financial Statements

UNMODIFIED

Type of auditor's report issued

Internal control over financial reporting:

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

Noncompliance material to financial statements notes? YES X NO

2. Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
97.067	Governor Division of Emergency ManagementHomeland Security Grant Program
16.575	ARRA-Crime Victim Assistance - Domestic Violence Coordinator Project

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

Auditee qualified as low-risk auditee? X YES NO

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

A. Summary of Auditor's Results - Continued

3. State Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
L BSP-11-0032	Local Border Security Program

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

Schedule Reference: (2014-1) Purchasing Policies

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

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

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

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

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

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

Questioned Costs: Unknown

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

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

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

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

Effect: Violation of Texas Local Government Chapter 252.

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

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

Questioned Costs: Unknown

Schedule Reference: (2014-3) Pharr Events Center

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

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

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

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

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

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

Questioned Costs: \$295,751

Federal Awards Findings:

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

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

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

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

Effect: Violation of Texas Local Government Chapter 252.

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

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

Questioned Costs: \$295,368.88

CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Schedule Reference: (2014-1): Purchasing Policies

Purchasing Policies will be reviewed and updated to coincide with internal operations while to maintain strong internal controls.

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

Training will take place to ensure all individuals in the purchasing procedures are knowledgeable and follow the local and state government codes and policies.

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

Current Resolution R-2012-02 is being reevaluated to ensure it falls in line with the Chapter 252 of the Texas Local Government Code

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

Training will take place to ensure all departments are aware of local and state laws concerning competitive bidding. Monitoring of all bids will take place more frequently to ensure we are always in compliance.

Contact Persons responsible for corrective action:

Primary Government-City of Pharr, Texas

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

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

Component Units-Pharr Economic Development Corporation, Inc. (PEDC 4B), Pharr Public Facilities Corporation # 1

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

CITY OF PHARR, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2014

SUMMARY OF AUDITOR RESULTS – PRIOR FISCAL YEAR

A . Financial Statement Findings – Prior Fiscal Year

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

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

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

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

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

Questioned Cost: None

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

Status: Corrected

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

Major Program: 14.218 Community Development Block Grant

Schedule Reference: (2013-2): Subrecipient Agreements

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

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

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

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

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

Questioned Costs: None

Auditee's Response: Auditee Concur

Status: Corrected

Major Program: 11.307 Economic Adjustment Assistance

Schedule Reference: (2013-3): Cash Management

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

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

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

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

CITY OF PHARR, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

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

Questioned Cost: None

Auditee's Response: Auditee concurs. Staff will be more diligent in reviewing invoices and submitting grant draw down request on a timely manner.

Status: Corrected

Schedule Reference: (2013-4): Reporting

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

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

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

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

Recommendation: We recommend that controls be placed to ensure reports are filed.

Questioned Cost: None

Auditee's Response: Auditee Concur

Status: Corrected