



Pharr



POPULAR ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS:

A MESSAGE FROM THE MAYOR	1
ORGANIZATION CHART	2
ABOUT THIS REPORT	3
GOVERNMENTAL REVENUES-GENERAL FUND	4
GOVERNMENTAL EXPENDITURES-GENERAL FUND	5
GOVERNMENTAL FUNDS OVERALL FINANCES AND FUND BALANCE	6
ENTERPRISE FUNDS	7
GOVERNMENT-WIDE FINANCIAL ANALYSIS-NET ASSETS & LONG TERM DEBT	8
ECONOMIC OUTLOOK	9

**City of Pharr, Texas
Finance Department**



CITY OF PHARR

POPULAR ANNUAL FINANCIAL REPORT

A MESSAGE FROM THE MAYOR



Leopoldo "Polo" Palacios Jr.

Mayor
mayor@pharr-tx.gov

To The Citizens of the City of Pharr:

I am pleased to present you the City of Pharr's second Popular Annual Financial Report (PAFR) for the year ended September 30, 2012. This report is an easy-to-read version of the City's Comprehensive Annual Financial Report (CAFR) that is published on an annual basis.

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

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

Sincerely,

Leopoldo "Polo" Palacios Jr.
Mayor

ELECTED OFFICIALS

Leopoldo "Polo" Palacios Jr.-Mayor



Adan Farias
Mayor Pro Term



Arturo J. Cortez
Commissioner



Roberto Carrillo
Commissioner



Oscar Elizondo, Jr.
Commissioner



Eduardo "Eddie" Cantu
Commissioner



Aquiles "Jimmy" Garza
Commissioner



Juan G. Guerra
Chief Financial Officer



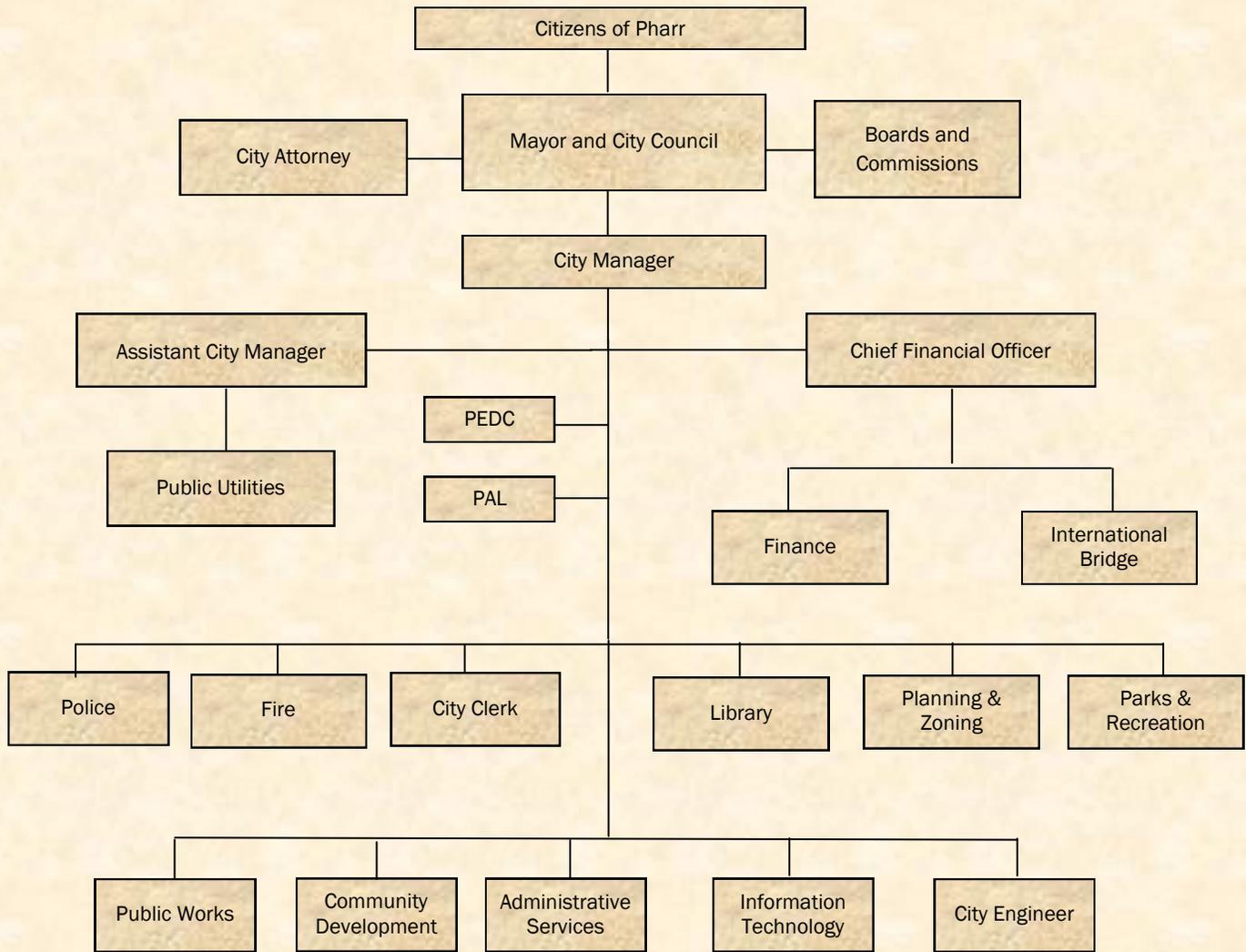
Fred Sandoval
City Manager



David Garza
Assit. City Manager

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

ORGANIZATION CHART-CITY OF PHARR



ABOUT THIS REPORT

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

The PAFR is a summary of the major financial activities of the City's Governmental and Enterprise funds and does not include component unit and non-major fund data.* The information in this report was drawn from information found in the audited 2012 Comprehensive Annual Financial Report (CAFR) of the City of Pharr. The CAFR report is prepared in accordance with generally accepted accounting principles (GAAP) and includes financial statements audited by Oscar R. Gonzalez, C.P.A. & Associates, P.L.L.C.

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

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



City of Pharr City Hall

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



City of Pharr Executives at City's new logo.

IMPORTANT PHONE NUMBERS

ADMINISTRATION
(956) 702-5335

POLICE DEPT.
(956) 784-7700

FIRE RESCUE
(956) 787-2761

PUBLIC WORKS
(956) 787-9772

PUBLIC UTILITIES
(956) 787-7951

MUNICIPAL COURT
(956) 784-7784

LIBRARY
(956) 787-3966

BRIDGE
(956) 781-1361

CODE ENFORCEMENT
(956) 702-5399

ANIMAL CONTROL
(956) 702-3647

RECYCLING CTR
(956) 223-2580

FINANCE
(956) 787-2703

PARKS & REC
(956) 787-5981

HUMAN RESOURCES
(956) 702-5335

ABOUT THE CITY OF PHARR

The City of Pharr was founded in 1909 and has an estimated population of 72,513 as of September 30, 2012. The City boasts of the largest International Bridge in the world and is the gateway to Latin America along U.S. 281. In 2006 the City was awarded the title of All America City.

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

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

All powers of the City are exercised in the manner prescribed by the City Charter, or if the manner be not prescribed, then in such manner as may be prescribed by ordinance, the State Constitution, or by the statutes of the State of Texas.

**PROPERTY TAX
STATISTICS** ^{(1) (2)}

**PRINCIPAL PROPERTY
TAXPAYERS**

<u>Taxpayer</u>	<u>Rank</u>
HEB Grocery	1
Capote Farms LTD	2
Wilder Corp of Delaware	3
AEP Texas Central Co.	4
Frank Smith Toyota	5
McAllen LEVCAL, LLC	6
OXY USA, Inc.	7
FJRS Investments LTD	8
Wayne Windle Enterprise, Inc.	9
Regal Beloit	10

**CITY OF PHARR
TAX RATE
2002-2011**

<u>FY ENDING</u>	<u>RATE</u>
2003	\$0.683
2004	0.683
2005	0.683
2006	0.683
2007	0.683
2008	0.682
2009	0.680
2010	0.680
2011	0.680
2012	\$0.680

REFERENCES:

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

WHERE GENERAL FUND MONEY COMES FROM

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

GOVERNMENTAL REVENUES

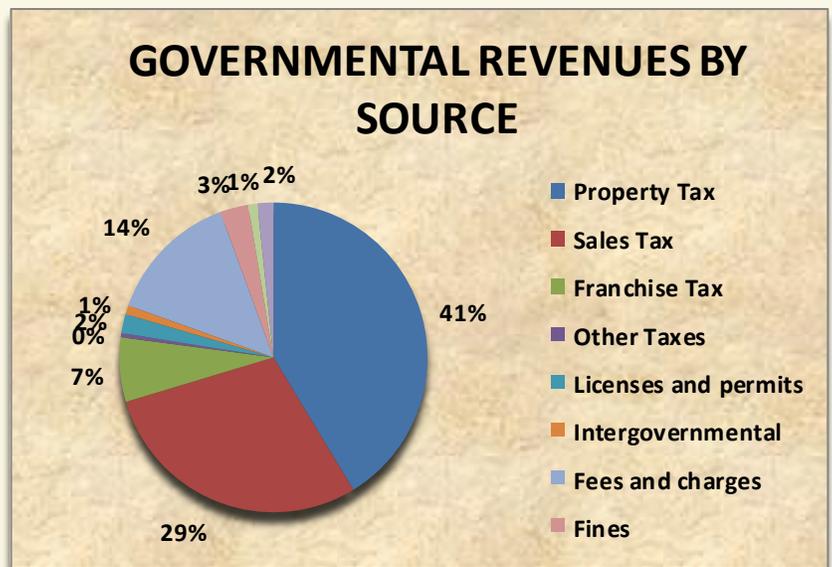
It is important to analyze the City's General fund when assessing the financial results of the City. The General fund is the general operating fund of the City and supports the day-to-day operations of the City, therefore our main focus will be the General Fund. This fund is used to account for all financial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

Total revenues of the governmental funds increased by \$1,801,768 or 5.4% over the prior year.

REVENUE SOURCE	2012	2011
Property Tax	\$ 13,644,916	\$ 13,448,557
Sales Tax	9,563,734	8,878,348
Franchise Tax	2,232,328	2,037,428
Other Taxes	144,683	163,482
Licenses and permits	664,280	762,292
Intergovernmental	306,758	331,409
Fees and charges	4,606,197	3,985,740
Fines	976,923	914,121
Interest income	313,206	337,483
Other	546,601	338,998
Total Revenues*	\$ 32,999,626	\$ 31,197,858

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

The graph on the right illustrates governmental revenues by source. Property taxes (41%) and Sales tax (29%) are the largest sources of funds followed by Fees and Charges (14%).



WHERE GENERAL FUND MONEY GOES

The money the City collects from all sources must be spent efficiently to provide services to the citizens and businesses of the City. The General fund finances the day-to-day operations of the City. General fund expenditures are categorized by the type of service provided. The different categories are General Government, Public Safety, Highways and Streets, Health and Welfare, and Culture and Recreation.

GOVERNMENTAL EXPENDITURES

During the years ended September 30, 2012 and 2011, the City expended funds as shown below.

EXPENDITURES	2012	2011
General Government	\$ 11,471,342	\$ 12,116,324
Public Safety	19,914,640	17,858,474
Highways and Streets	1,718,465	2,095,192
Health and Welfare	2,651,313	2,550,318
Culture and Recreation	3,689,390	3,446,095
Total Expenditures *	\$ 39,445,150	\$ 38,066,403

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

The City expended \$1.37 million more than it expended last year. The primary cause of the increase was an increase in Public Safety expenditures. This increase was mainly due to purchasing capital items and filling vacancies in the Police Department.

CITY'S CAPITAL ASSET

RECREATION AND PUBLIC SAFETY (2)

- Police Stations: 2
- Fire Stations: 3
- Police Units: 62
- Tennis Courts: 2
- Community and Convention Centers: 4
- International Bridge: 1
- Libraries: 1
- Golf Course: 1

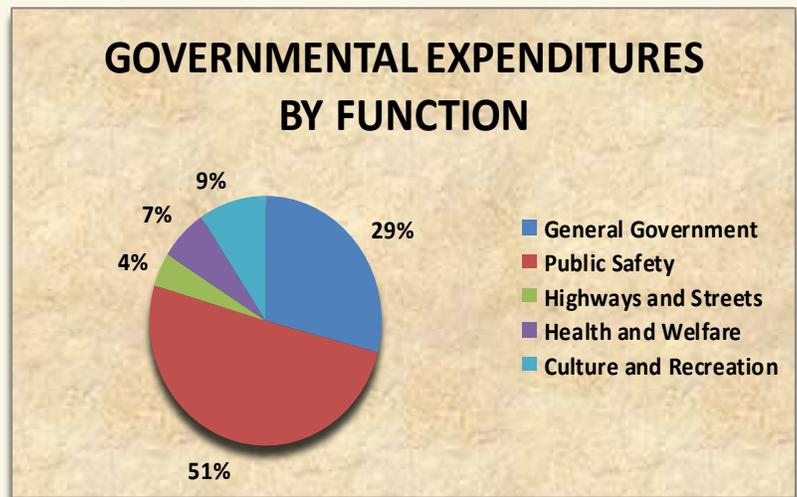
PUBLIC SCHOOLS (1)

- High School: 3
- Middle Schools: 4
- Elementary Schools: 14
- Special Purpose Schools: 2

REFERENCES:

- (1) 2011-2012 P.S.J.A. ISD School District Enrollment
- (2) Various City Departments

The graph on the right illustrates the General fund expenditures by function. Public Safety (51%) is the largest use of funds followed by General government (29%) and Culture and Recreation (9%).



OTHER NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

- Debt Service

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

- General Capital Projects

GOVERNMENTAL FUNDS OVERALL FINANCES

The 2012 financial results of the City of Pharr for general government purposes were as follows:

Revenues	\$32,999,626
Expenditures	<u>\$40,362,980</u>
Total	<u>\$ (7,363,354)</u>

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



Pharr Memorial Library

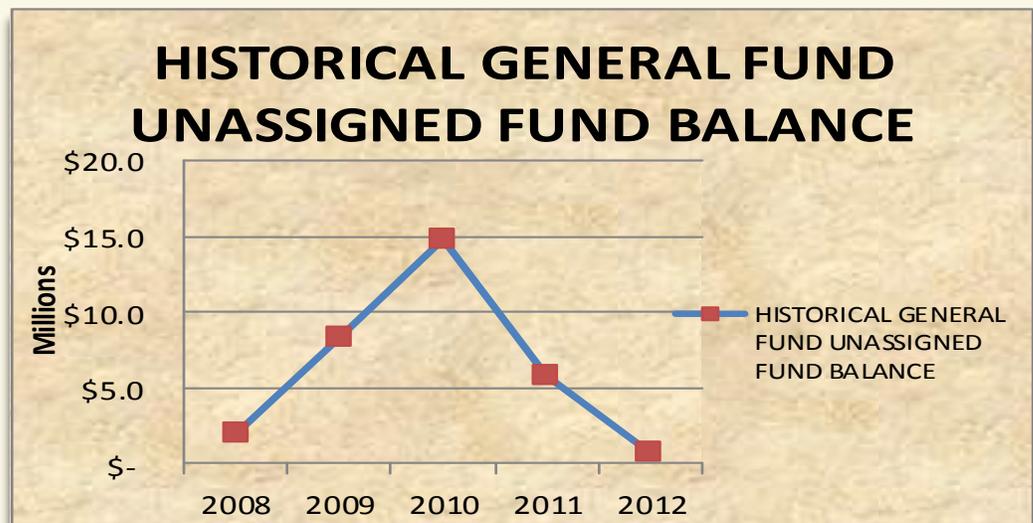
GENERAL FUND UNASSIGNED FUND BALANCE

At the end of the current fiscal year, the unassigned fund balance for the general fund decreased \$5.05 million from fiscal year 2011. The unassigned fund balance of the General Fund at the end of the year represents funds available that the city can use for any of its purposes. The reason for its significant decrease is the purchase of land and properties for the City's future economic development. This information does not include the City's Contingency Fund (an amount kept in reserve to guard against possible losses) of 25% of operating expenditures. At the end of 2011-2012 that amount equaled to \$8.3 million.

	<u>2012-2011</u>	<u>2010-2011</u>
Unassigned General Fund, Fund Balance	\$.75	\$5.8

(in millions)

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



ENTERPRISE FUNDS

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

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

The following chart shows operating income (loss) for enterprise funds for the year ended September 30, 2012.

	UTILITY FUND	BRIDGE FUND	GOLF FUND
Operating Revenues	\$ 13,814,288	\$ 11,002,041	\$ 775,956
Operating Expenses	10,260,945	2,652,396	1,103,801
Operating Income (Loss)	\$ 3,553,343	\$ 8,349,645	\$ (327,845)

2012 OPERATING INDICATORS BY FUNCTION

International Bridge

Car Crossings: 946,847
Truck Crossings: 935,626

Utilities

New Connections 304
Water main breaks 1,365

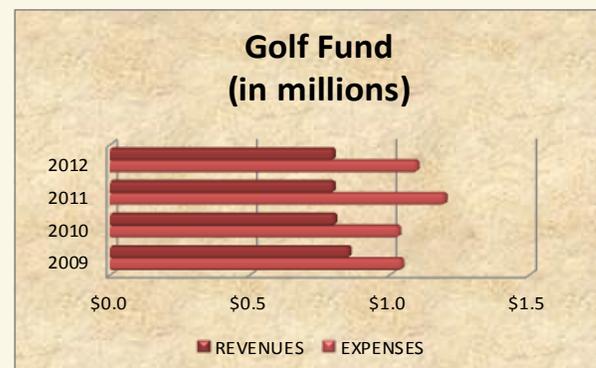
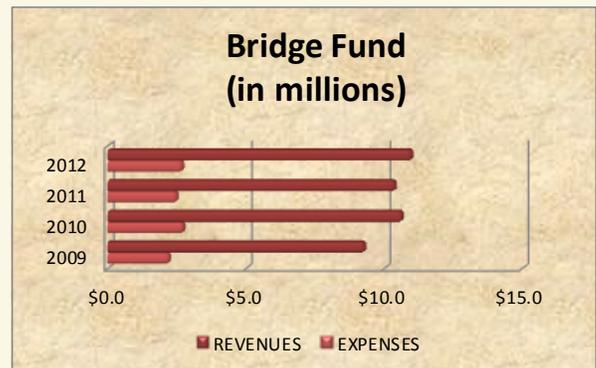
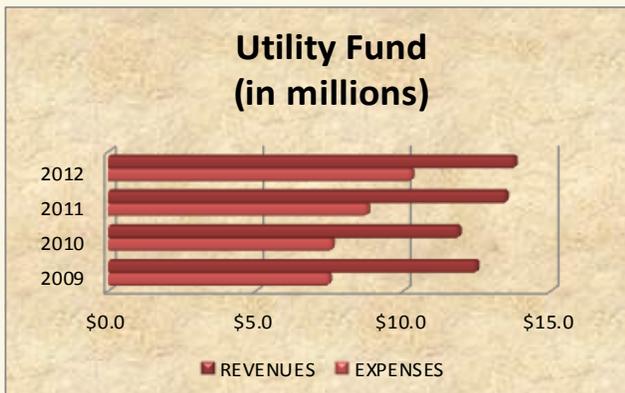
Avg. daily Consumption (millions of gallons) 7 MGD

Avg. daily Sewage treatment (thousands of gallons) 4.9 MGD

Water mains (miles) 325
Sanitary sewers (miles) 269
Storm sewers (miles) 97.2

SOURCE:
Various City Departments

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



**DEMOGRAPHIC
AND ECONOMIC
STATISTICS**

**POPULATION
STATISTICS**

Population:	72,513
% Female:	52.4% ⁽²⁾
% Male:	47.6% ⁽²⁾
% with Bachelor Degree or higher:	11.2% ⁽²⁾
Median Household Income:	30,486 ⁽¹⁾
Per Capita Income:	12,328 ⁽¹⁾
Median Age:	27.3 ⁽¹⁾
School Enrollment:	31,633 ⁽¹⁾

**POPULATION FOR THE
LAST 10 YEARS**

2003	54,452
2004	56,752
2005	59,029
2006	61,360
2007	64,318
2008	66,078
2009	66,874
2010	67,217
2011	70,400
2012	72,513

**UNEMPLOYMENT
RATE ⁽²⁾**

City:	8.4%
State:	8.3%
County:	10.3%

REFERENCES:

- (1) City of Pharr September 30, 2012 Comprehensive Annual Financial Report
- (2) 2010 Census
- (3) Texas Workforce Commission (Texas Labor Market Information)

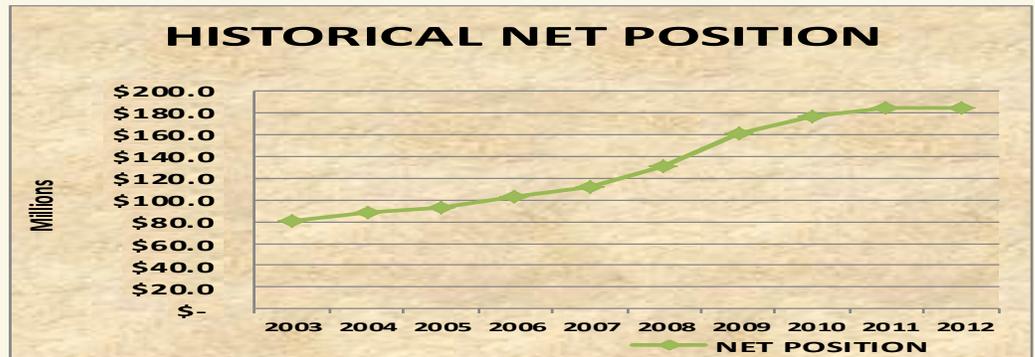
GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

Net position, the amount in which assets and deferred outflows (what we have) exceed liabilities and deferred inflows (what we owe), may serve as a useful indicator of a City's financial position. The City of Pharr's Net Position combined for fiscal year 2012 were \$185.3 million. Of this amount \$34.2 million are unrestricted net position which can be used to meet the government's ongoing obligations to citizens and creditors. The City's combined net position increased \$.4 million from last year which is a .22% increase over last year.

NET POSITION	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS AND DEFERRED OUTFLOWS						
Current and Other	\$ 65.9	\$ 31.2	\$ 32.9	\$ 19.0	\$ 98.8	\$ 50.2
Capital Assets	70.8	75.4	135.3	148.2	206.1	223.6
Total Assets	\$ 136.7	\$ 106.6	\$ 168.2	\$ 167.2	\$ 304.9	\$ 273.8
LIABILITIES AND DEFERRED INFLOWS						
Long-Term	\$ 47.9	\$ 20.1	\$ 53.6	\$ 55.0	\$ 101.5	\$ 75.1
Other Liabilities	10.7	6.5	7.4	7.2	18.1	13.7
Total Liabilities	\$ 58.6	\$ 26.6	\$ 61.0	\$ 62.2	\$ 119.6	\$ 88.8
NET POSITION						
Net Invested in Capital Assets, Restricted	\$ 36.2	\$ 56.4	\$ 82.8	\$ 82.3	\$ 119.0	\$ 138.7
Unrestricted	23.6	7.1	8.5	10.2	32.1	17.3
Total Net Position	\$ 78.1	\$ 80.0	\$ 107.2	\$ 104.9	\$ 185.3	\$ 184.9

*Includes all funds and component unit.



LONG-TERM DEBT

The City issues long term debt to finance long-term projects. At the end of the fiscal year, the City had a total of \$102.8 million contractually obligated long-term debt. Total Long-term debt increased by \$25.1 million from last year. The increase was due to the new notes, capital leases and a certificate of obligation issued.



In Millions (not including unamortized activity)

ECONOMIC OUTLOOK

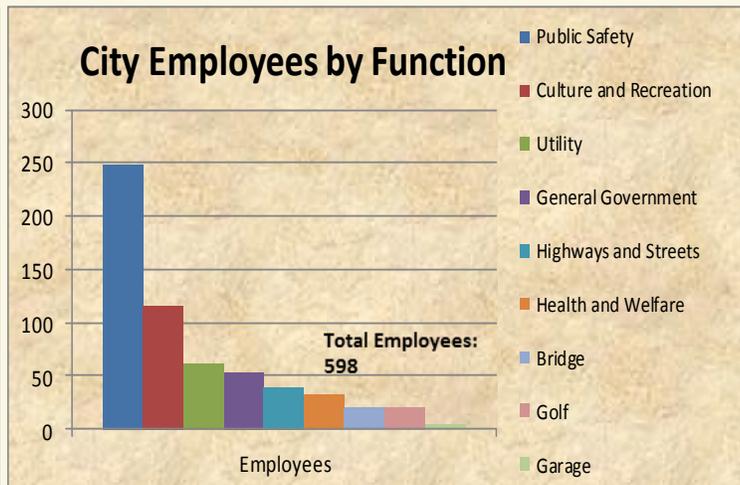
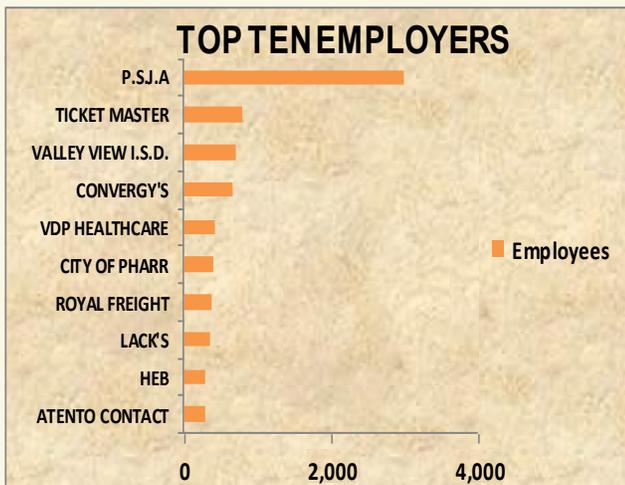
UPCOMING PROJECTS

- Completion of Aquatic Park
- Annexation plans and public hearing to increase current acreage area of the City
- Continued expansion of the Industrial area located close to the International Bridge
- Possible upgrade to the shopping mall area

SALES TAX TREND

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

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



FEDERAL AND STATE GRANTS RECEIVED

POLICE DEPARTMENT

\$1,050,170



FIRE DEPARTMENT

\$158,749

COMMUNITY PLANNING AND DEVELOPMENT

\$3,069,032

LIBRARY

\$11,000



PUBLIC UTILITIES

\$78,002

PUBLIC WORKS

\$1,128,458

