



# CITY OF PHARR, TX



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2010

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RECIPIENTS OF:



**City of Pharr, TX**

**Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
September 30, 2010

ELECTED OFFICIALS

Leo "Polo" Palacios, Jr. - Mayor

Adan Farias  
Arturo J. Cortez  
Aquiles Garza

Bobby Carrillo  
Eduardo Cantu  
Oscar Elizondo, Jr.

CITY MANAGER

Fred Sandoval

FINANCE DIRECTOR

Juan G. Guerra, CPA

INDEPENDENT AUDITORS

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

*Prepared by the Finance Department*

**CITY OF PHARR, TX**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2010**

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## **INTRODUCTORY SECTION**



MAYOR  
Leo "Polo" Palacios, Jr.

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

CITY MANAGER  
Fred Sandoval



February 1, 2011

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

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of Pharr, Texas.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

The Pharr Economic Development Corporation (PEDC 4a) was formed to administer a special .5% sales tax for economic development. It is a non-profit, industrial development corporation. PEDC 4a stopped receiving sales tax revenue after May 2009. Voted by the citizens of Pharr on November 4, 2008 and ratified by the City Commission on November 10, 2008 via ordinance O-2008-49, the PEDC 4a was dissolved and the PEDC 4b (same mission as the 4a but with a wider range of possible uses of sales tax funds) was authorized to receive the sales tax revenues. PEDC 4a will remain active until all assets and liabilities are liquidated to the General Fund. PEDC 4b will begin operating once all legal processes are completed. Since the City appoints all board members, the City can remove board members at will, and must approve PEDC's budget and plan of work, City management has included PEDC 4a and 4b in its financial reports as a blended component unit.

## **PROFILE OF THE GOVERNMENT**

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

Pharr, served by two state highways and the St. Louis, Brownsville and Mexico Railway Company, became a hub and a natural shipping center for the transportation and produce industries. By the early 1950's, Pharr was home to 22 processing and shipping businesses including the Valley Fruit and Vegetable Company, the largest packing facility in the world. Pharr is situated along a 43-mile corridor, U.S Business 83, once known as the longest Main Street in America. The City's image as the Hub City was firmly established when the Texas Highway Department chose Pharr as its District 21 Headquarters in 1932. The 13,869 Sq mile district is composed of Ten counties and is larger than the District of Columbia, Delaware, Connecticut and Massachusetts combined. Since the early days, Pharr sat at the cross-roads of the two most important highways in the Valley: Highways 4 and 66, known today as Memorial Highway U.S 281 and U.S Business 83 respectively. They intersect Pharr's historical Main Street District and are the basis for Hidalgo County's historical trails, making Pharr the region's historical hub as well. Pharr is also a center for international trade. The City boasts of the largest International Bridge in the world and is the gateway to Latin America along U.S 281. Pharr will be the terminus for Interstate Highway 69, NAFTA Corridor, linking Mexico, United States and Canada. In 2006, the city of Pharr was awarded the title of All American City.

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

## **ECONOMIC CONDITION AND OUTLOOK**

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

Over the last 10 years, Pharr has experienced unprecedented growth and economic development, and increase of over 50% in sales tax collections. Its population has steadily increased to over 75,000 people. The housing industry has slowed but is still increasing, businesses continue to look at Pharr and the Pharr-Reynosa International Bridge traffic is still producing positive changes in net assets. The sales tax base has shown good signs of reversing its negative trend and is expected to have a positive outcome in the upcoming year, thereby potentially creating more jobs. The economic future looks bright for Pharr. A few of the upcoming projects include:

- Major commercial development projects
- Healthcare area
- Additional industrial warehouses
- Redevelopment of local mall

## **MAJOR INITIATIVES**

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

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

**Property Tax:** Tax year 2010, which will be in effect during next fiscal year, is expected to see a minor decrease in tax appraisals that will provide the City with levies slightly less than this fiscal year. A strong indicator of the City's fiscal health is the ability to keep the same tax rate as tax year 2009 during this current economic slow-down.

**Sales Tax:** Sales tax revenue is used by the City as an economic indicator. This fiscal year, sales tax revenues were budgeted at a 4% decrease from last fiscal year, and reduced another 6.25% in a mid-year budget amendment, however, the last four months showed a positive trend that is believed will continue. Out of the twelve months of sales tax revenues, eight of them were positive growth from the previous fiscal year, including the last five months in a row. What that means is that the City received less sales tax revenues in this fiscal year than the previous one, but is expected to end in a positive growth rate in the next fiscal year. A positive result of this year's sales tax collection is that the City met the amended budgeted expectations by more than \$420 thousand.

**Fully Fund Reserves:** During the annual audit ending September 30, 2007, the General Fund was identified as having a negative \$6.4 million unreserved fund balance. This major deficiency was in need of immediate attention and an action plan to correct it was approved by the City Commission September 16, 2008. One of the main corrective actions was to separate the contingency funding from the General Fund into an identifiable emergency-type account, in order to force the funding of the unreserved fund balance. Another corrective action was to strive to provide funding in addition to the contingency funds to speed up the reversal of the negative balance. Both of these major steps in the corrective plan are in place this fiscal year. The fund balance is fully funded to three months of operating expenditures as of September 30, 2010. Also, the Bridge Fund reserve fund, which consists of one full year of operating expenses and one full year of the highest debt service balance, has also been fully funded as of September 30, 2010.

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

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

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

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

**Utility Infrastructure:** The utility capital projects expenditures for the upcoming fiscal year are budgeted at \$29,210,000. Prior year's net revenues/fund balance will be used up almost in its entirety. For this fiscal year, there are eleven utility capital projects: water tower rehab; wastewater collection system improvements (6); a wastewater and a water treatment plant construction; and two waterline relocation projects.

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

## FINANCIAL INFORMATION

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

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

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

	<u>2009 - 10</u>	<u>2008 - 09</u>	<u>2007 - 08</u>
Unreserved, Undesignated General Fund, Fund Balance (in millions)	\$ 14.9	\$ 8.3	\$ 2.1
Days Expenditure	191	102	23

The total General Fund fund balance is \$15.1 million; the unreserved, undesignated fund balance is \$14.9 million and is equal to 191 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. As of September 30, 2010, there is nearly \$8 million set aside in a separate bank account that is only to be used for emergency purchases (General Fund Contingency Bank Account). The City's General Fund is fiscally stable.

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

	<b>Fiscal Year</b>		
	<u>2009 - 10</u>	<u>2008 - 09</u>	<u>2007 - 08</u>
Unrestricted, Available Assets (in millions)	\$ 1.5	\$ 0.1	\$ 1.5
Days Expense	98	3	91

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

General obligation bonds are backed by the full faith and credit of the City of Pharr and are used to finance permanent public improvements. They are repaid through an apportionment of the ad valorem tax. Last fiscal year, our rating was upgraded for outstanding tax supported debt of the City to "A" by Standard and Poor's Ratings Services. This rating was upgraded three steps and placed an outlook of the City as "stable" reflecting their view of "the City's improved financial position and management's commitment to maintaining adequate reserve levels."

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

Cash not required for operations is invested according to the City's written investment policy. The policy emphasizes safety and liquidity in investing public funds. As of September 30, 2010, all of the City's funds were available within one day. Investments consisted of demand deposit accounts in our financial institution due to its interest floor of 2.02%, far greater than anything in the investment market.

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

### **OTHER INFORMATION**

**INDEPENDENT AUDIT:** The City's financial statements have been audited by Oscar R. Gonzalez, CPA, a firm of a licensed certified public accountant and his degreed accounting staff. As a result of the audit, the City's financial statements have received an unqualified opinion. This indicates that there was no limitation on the scope of the auditor's examination, that the financial statements conform to generally accepted accounting principles and that the statements present fairly, in all material respects, the financial position of the City at September 30, 2010.

**AWARDS:** The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended September 30, 2009. This was the City's second straight award from GFOA for financial reporting. In order to be awarded a Certificate of Achievement, a government unit published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

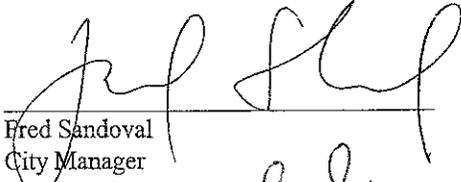
A Certificate of Achievement is valid for a period of only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2009. This was the City's second budget award from GFOA. The budget for October 1, 2010 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget

Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

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

Respectfully Submitted,



Fred Sandoval  
City Manager



Juan G Guerra, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pharr  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

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



President

Executive Director

## CURRENT CITY OFFICIALS

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### Elected Officials

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

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### Appointed Officials

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City Manager	Fred Sandoval
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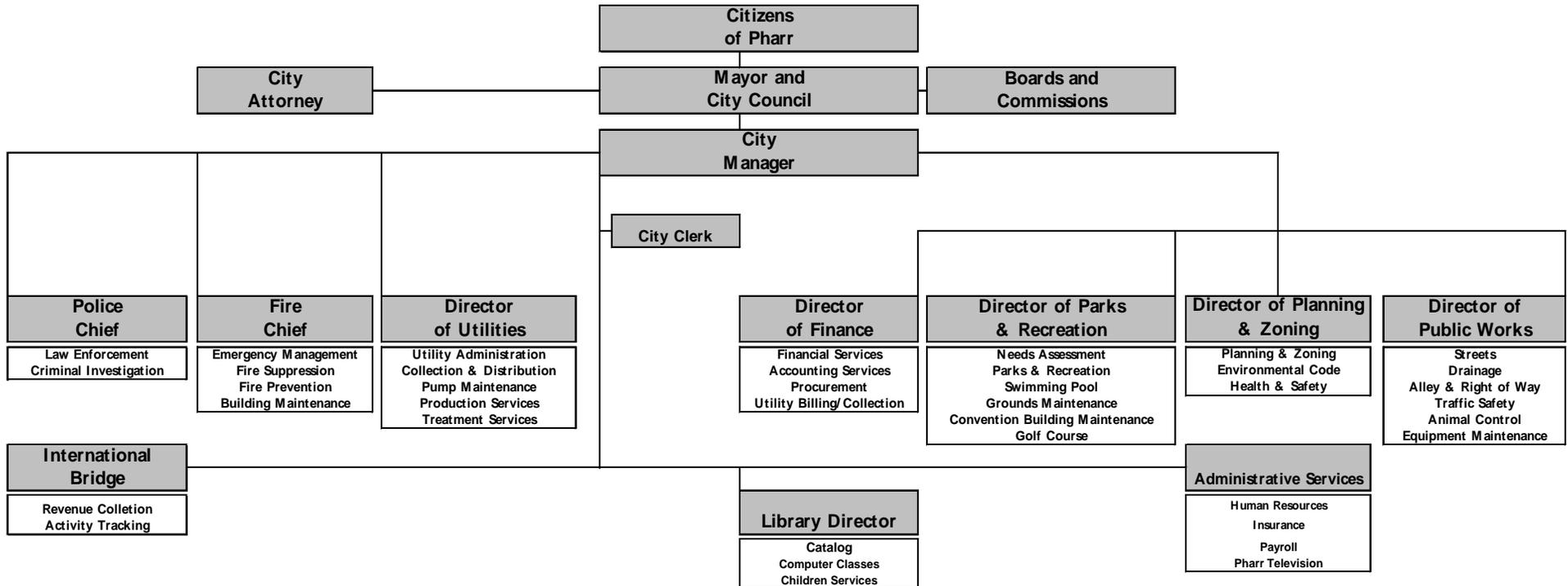
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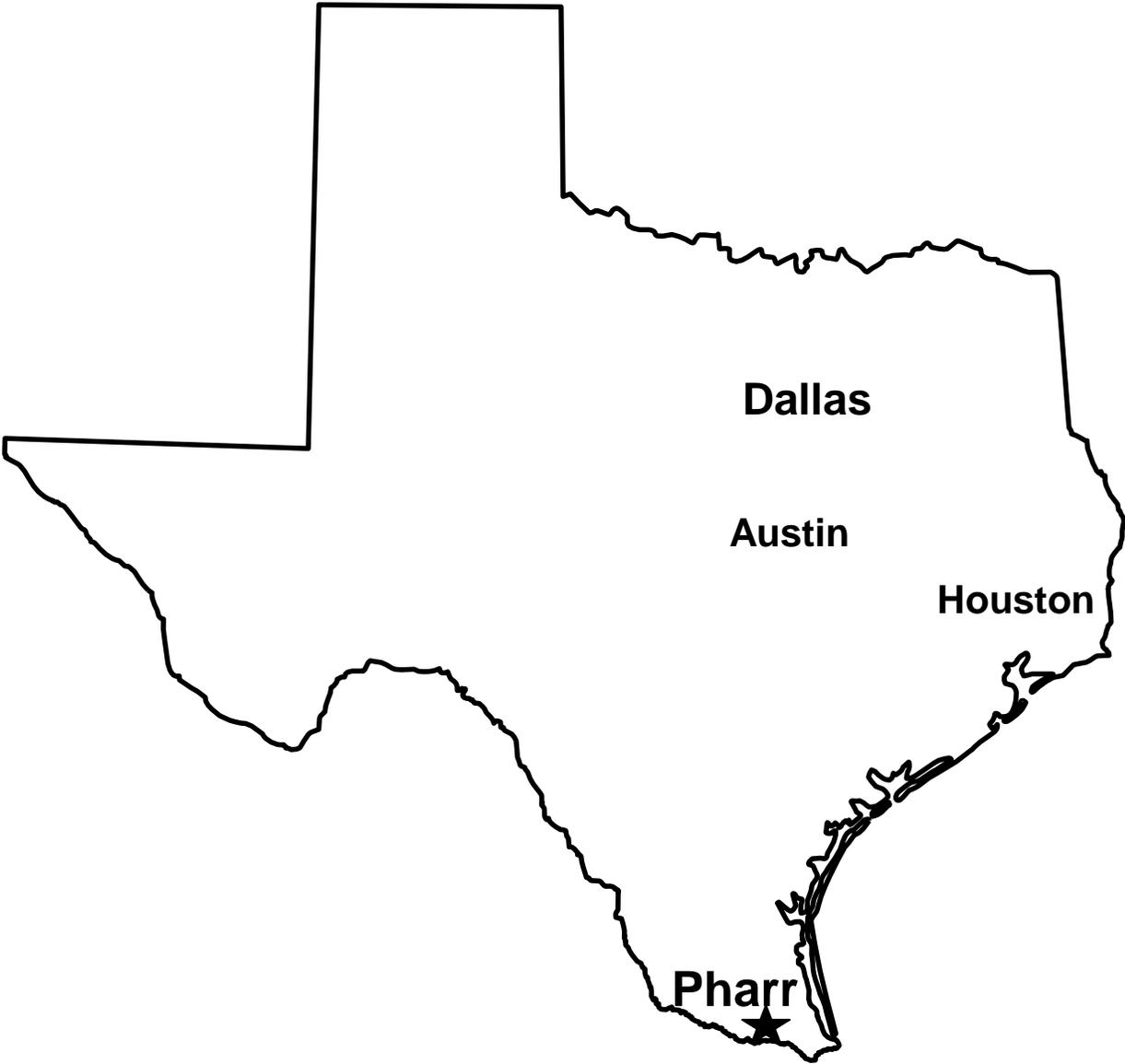
### Department Directors

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

# ORGANIZATION CHART - CITY OF PHARR





## **FINANCIAL SECTION**

## **Independent Auditor's Report**



Oscar R. González, CPA  
&  
Associates, P.L.L.C.

*Certified Public Accountants*

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

Email: org110n@aol.com

Oscar R. González

Melissa González

## INDEPENDENT AUDITOR'S REPORT

To the City Officials  
City of Pharr, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and fund information, and each major fund, of City of Pharr, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pharr, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information, and each major fund, of the City of Pharr, Texas, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2011, on our consideration of the City of Pharr, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 59 through XX be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

 Oscar R. Gonzalez, CPA

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

January 18, 2011

## **Management's Discussion & Analysis (MD&A)**

## **Management's Discussion and Analysis**

As management of the City of Pharr, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Pharr for the fiscal year ended September 30, 2010.

### **FINANCIAL HIGHLIGHTS**

- Total net assets increased over \$16.7 million, or a change of 10.4% from last fiscal year's net assets. This increase was mainly due to a \$3.8 million transfer of funds from the Pharr EDC 4A dissolution, and \$9.3 million in the reduction of all current and matured debt.
- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$77.6 million (net assets). Of this amount, over \$19.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of more than \$5.7 million in unrestricted net assets, or 43.1%. The increase is mainly due to over \$3.8 million in transfer of funds that was caused by the dissolution of the Pharr EDC 4a which gave the funds to the City's General Fund, therefore making the funds unreserved.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$99.7 million (net assets). Of this amount, over \$9.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of nearly \$7.1 million, or more than 277%. The increase is due to the International Bridge Fund funding their emergency contingency account, no major activity caused this increase.
- The General Fund assets exceeded its liabilities by over \$15.1 million (fund balance). Of this amount, over \$14.9 million (unreserved fund balance) may be used to meet the General Fund's ongoing obligations. This is an increase of over \$6.5 million, or 78.74%. The increase is due to the entire City's efforts to fund the City's contingency reserve balance. The City's contingency reserve balance is fully funded.
- At the end of the current fiscal year, unreserved, undesignated fund balance for all governmental funds increased by more than \$8.7 million, or 103.5%. This increase is mainly due to the over \$3.8 million in transfer of funds that was caused by the dissolution of the Pharr EDC 4a which gave the funds to the City's General Fund, therefore making the funds unreserved.
- The City's Enterprise fund's change in net assets decrease this current year from prior year by over \$9.5 million, or 45.2%. The decrease is mainly due to the Utility's grant proceeds last fiscal year of over \$13.5 million. The grant proceeds were from North American Development Bank and the Texas Water Development Board for improvement to the utility infrastructure. The major infrastructure payments began last fiscal year and are expected to be nearly complete by the end of next fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-Wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

The City maintains three major (General, PEDC 4a, and PEDC 4b) and eight nonmajor governmental funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the PEDC 4a and 4b funds, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General, Asset Sharing, Community Development, Hotel/Motel, Parkland Dedication, 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, and Golf funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

### **Fiduciary Funds**

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

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

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

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$177.4 million at the close of the fiscal year.

The City's condensed Statement of Net Assets along with last fiscal year's numbers is presented for comparison in the table is located on the following page.

## City of Pharr's Net Assets

Table 1 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and other assets	\$32.1	\$28.6	\$55.3	\$69.5	\$87.4	\$98.1
Capital assets	71.7	71.8	112.9	90.9	184.6	162.7
Total assets	\$103.8	\$100.4	\$168.2	\$160.4	\$272.0	\$260.8
<b>Liabilities</b>						
Long-term liabilities	\$19.4	\$20.9	\$56.7	\$66.5	\$76.1	\$87.4
Other liabilities	6.7	7.6	11.8	5.2	18.5	12.8
Total liabilities	\$26.1	\$28.5	\$68.5	\$71.7	\$94.6	\$100.2
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$53.4	\$50.8	\$82.6	\$78.4	\$136.0	\$129.2
Restricted	5.3	7.8	7.4	7.7	12.7	15.5
Unrestricted	19.0	13.3	9.7	2.6	28.7	15.9
Total net assets	\$77.7	\$71.9	\$99.7	\$88.7	\$177.4	\$160.6

By far the largest portion of the City's net assets (\$136.0) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$12.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$28.7 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's condensed Changes in Net Assets along with last fiscal year's numbers are presented for comparison in the following table located on the next page.

**City of Pharr's Changes in Net Assets**

**Table 2 – Dollars in Millions**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 7.3	\$ 9.2	\$ 23.3	\$ 22.6	\$ 30.6	\$ 31.8
Operating grants and contributions	4.2	2.4	-	-	4.2	2.4
Capital grants and contributions	0.5	0.3	2.5	13.9	3.0	14.2
General Revenues:						
Property tax	15.3	14.9	-	-	15.3	14.9
Sales tax	10.3	10.6	-	-	10.3	10.6
Other taxes	3.2	2.7	-	-	3.2	2.7
Other	0.6	0.7	1.1	1.0	1.7	1.7
Total Revenues	<u>41.4</u>	<u>40.8</u>	<u>26.9</u>	<u>37.5</u>	<u>68.3</u>	<u>78.3</u>
<b>Expenses:</b>						
General governmental	8.1	7.6	-	-	8.1	7.6
Public safety	19.8	19.2	-	-	19.8	19.2
Streets	3.1	2.3	-	-	3.1	2.3
Health and welfare	2.0	2.3	-	-	2.0	2.3
Culture and recreation	3.9	3.6	-	-	3.9	3.6
Interest of debt service	0.9	1.0	-	-	0.9	1.0
Utility	-	-	9.1	9.1	9.1	9.1
Toll bridge	-	-	3.4	3.0	3.4	3.0
Tierra Del Sol Golf Course	-	-	1.0	1.0	1.0	1.0
Total Expenses	<u>37.8</u>	<u>36.0</u>	<u>13.5</u>	<u>13.1</u>	<u>51.3</u>	<u>49.1</u>
Increase in net assets before special items and transfers	3.6	4.8	13.4	24.4	17.0	29.2
Transfers	<u>1.8</u>	<u>3.2</u>	<u>(1.8)</u>	<u>(3.2)</u>	<u>-</u>	<u>-</u>
Increase in net assets	5.4	8.0	11.6	21.2	17.0	29.2
Net assets - beginning	71.9	63.9	88.7	67.6	160.6	131.5
Prior period adjustment	<u>0.4</u>	<u>-</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.1)</u>
Net assets - ending	<u>\$ 77.7</u>	<u>\$ 71.9</u>	<u>\$ 99.7</u>	<u>\$ 88.7</u>	<u>\$ 177.4</u>	<u>\$ 160.6</u>

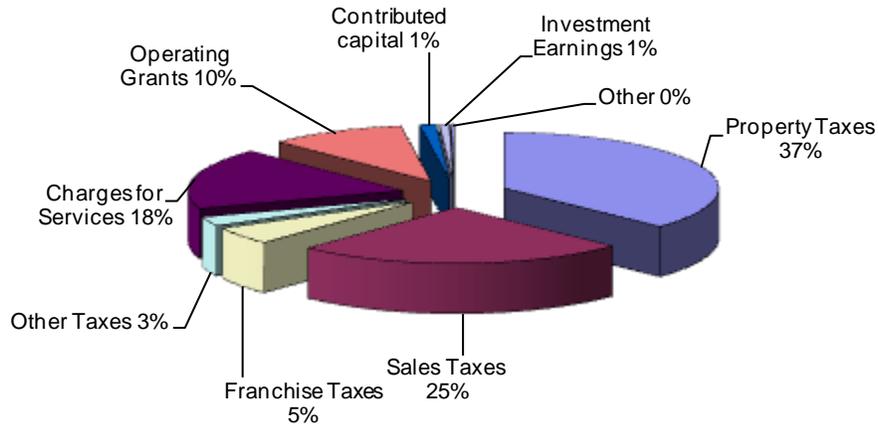
**Governmental Activities**

Governmental activities increased the City's net assets by \$5.4 million. Key elements of this increase are described as follows:

- Transfers from the business-type funds for operations were \$1.8 million
- Increase of \$1.8 million in operating grants

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

**Revenues by Source – Governmental Activities**



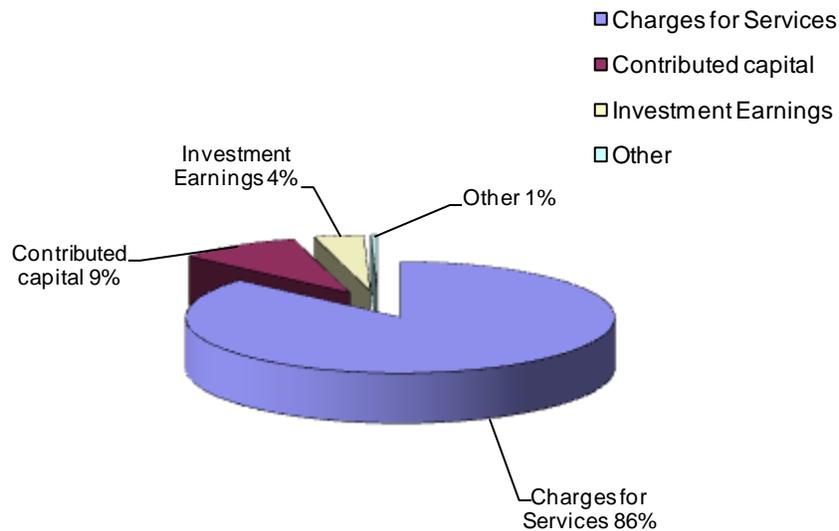
**Business-Type Activities**

Business-type activities increased the City's net assets by \$11.6 million, this is an increase of over 45.2%. Key elements of this increase are described as follows:

- Utility Fund had \$4.3 million in operating revenue over operating expenses. Principle debt payments and capital purchases are not included in the expenses per full accrual method of accounting.
- Bridge Fund had \$7.9 million in operating revenue over operating expenses. Principle debt payments and capital purchases are not included in the expenses per full accrual method of accounting.

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

**Revenues by Source – Business-Type Activities**



## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's net change in fund balance was \$5.8 million more than budget. The operating revenues were \$1.7 million more than budget. The main reason for this increase was due to property tax collection greater by \$420,000 and sales tax collections greater by \$391,000 than the amended budget. Expenditures were \$3.1 million less than budget. This savings mainly came from \$1.87 million in General governmental expenditures (these funds were actually used to fully fund the General Fund contingency account); and \$802,000 in Public Safety expenditures, mainly due to not purchasing capital items and having vacancies in the police department. (see the Notes to Basic Financial Statement for additional information on budgetary policy)

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Pharr's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounts to \$184.6 million. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total increase in the City's investments in capital assets for the current fiscal year was \$21.9 million or 13.2%.

<b>Table 3- Dollars in millions</b>	<b>City of Pharr's Capital Assets</b> (Net of depreciation)					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Activities</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 4.4	\$ 4.3	\$ 2.6	\$ 2.6	\$ 7.0	\$ 6.9
Building and system improvements	19.4	19.5	16.9	17.6	36.3	37.1
Other improvements	8.4	7.8	2.7	2.7	11.1	10.5
Machinery and equipment	2.8	3.0	4.5	3.6	7.3	6.6
Infrastructure	34.4	36.7	39.2	39.9	73.6	76.6
Construction in progress	2.3	0.5	47.0	24.5	49.3	25.0
	<u>\$ 71.7</u>	<u>\$ 71.8</u>	<u>\$ 112.9</u>	<u>\$ 90.9</u>	<u>\$ 184.6</u>	<u>\$ 162.7</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 \$82.6 million. The details of the change in debt from last fiscal year are as indicated:

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

	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Governmental</b>			
Bonds	\$ 14.4	\$ 15.1	\$ (0.7)
Certificates of obligation	2.7	3.3	(0.6)
Capital leases	1.6	2.8	(1.2)
Notes	0.3	0.5	(0.2)
	<u>19.0</u>	<u>21.7</u>	<u>(2.7)</u>
<b>Business-Type</b>			
Bonds	61.3	64.5	(3.2)
Notes	1.6	3.1	(1.5)
Capital leases	0.7	1.0	(0.3)
	<u>63.6</u>	<u>68.6</u>	<u>(5.0)</u>
<b>Total</b>	<u>\$ 82.6</u>	<u>\$ 90.3</u>	<u>\$ (7.7)</u>

Long-term debt for the Governmental activities decreased by \$2.7 million. This decrease was due to the standard retirement of debt.

Long-term debt for the Business-Type activities decreased by a net \$5.0 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**

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

All of these factors were considered in preparing the City's budget for the 2010-11 fiscal year.

## **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF PHARR, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash	\$ 19,056,994	\$ 9,915,632	\$ 28,972,626
Investments	-	695,000	695,000
Receivables (net of allowance for uncollectibles)	12,398,125	2,619,327	15,017,452
Prepaid items	150	-	150
Internal balances	(356,696)	356,696	-
Inventories	196,658	129,315	325,973
Noncurrent assets:			
Restricted assets:			
Cash	-	28,862,035	28,862,035
Cash with Fiscal Agent	-	11,825,000	11,825,000
Intergovernmental receivable	675,284	951,042	1,626,326
Capital assets not being depreciated:			
Land	4,474,578	2,622,109	7,096,687
Construction in progress	2,286,712	46,982,444	49,269,156
Capital assets net of accumulated depreciation:			
Buildings and system	19,432,843	16,922,453	36,355,296
Improvements other than buildings	8,425,330	2,709,363	11,134,693
Machinery and equipment	2,797,047	4,479,371	7,276,418
Infrastructure	34,400,156	39,150,602	73,550,758
Total assets	<u>\$ 103,787,181</u>	<u>\$ 168,220,389</u>	<u>\$ 272,007,570</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 2,834,628	\$ 5,464,640	\$ 8,299,268
Deferred revenue	777,505	31,715	809,220
Matured debt payable	2,749,332	4,378,893	7,128,225
Liabilities payable from restricted assets	397,195	2,006,849	2,404,044
Noncurrent liabilities:			
Due in more than one year, net	19,380,060	56,663,358	76,043,418
Total liabilities	<u>26,138,720</u>	<u>68,545,455</u>	<u>94,684,175</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	53,415,928	82,609,214	136,025,142
Restricted for:			
Debt service	486,870	6,491,664	6,978,534
Capital projects	1,251,401	883,127	2,134,528
Economic Development	2,178,233	-	2,178,233
Other purposes	1,317,364	-	1,317,364
Unrestricted (deficit)	18,998,665	9,690,929	28,689,594
Total net assets	<u>77,648,461</u>	<u>99,674,934</u>	<u>177,323,395</u>
Total liabilities and net assets	<u>\$ 103,787,181</u>	<u>\$ 168,220,389</u>	<u>\$ 272,007,570</u>

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



**CITY OF PHARR, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Economic Development Corporation 4A</u>	<u>Economic Development Corporation 4B</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>					
Cash	\$ 13,167,308	\$ -	\$ 2,640,880	\$ 3,182,563	\$ 18,990,751
Receivables (net of allowance for uncollectible):					
Property taxes	1,918,422	-	-	258,619	2,177,041
Warrants	5,556,181	-	-	-	5,556,181
Sales tax	1,364,513	-	-	-	1,364,513
Notes	-	-	84,059	63,725	147,784
Accounts	743,550	-	-	107,765	851,315
Inergovernmental	1,100,000	-	448,490	-	1,548,490
Other	458,850	-	2,749	291,200	752,799
Prepaid items	-	-	150	-	150
Inventories	185,283	-	-	-	185,283
Due from other funds	1,026,359	-	-	895,000	1,921,359
Restricted assets:					
Intergovernmental receivable	-	-	-	675,284	675,284
Total assets	\$ 25,520,466	\$ -	\$ 3,176,328	\$ 5,474,156	\$ 34,170,950
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities:					
Accounts payable	\$ 1,777,151	\$ -	\$ 8,721	\$ 411,061	\$ 2,196,933
Due to other funds	-	-	989,375	1,283,816	2,273,191
Escrow accounts	397,194	-	-	-	397,194
Deferred property tax	1,918,422	-	-	258,619	2,177,041
Deferred accounts	714,655	-	-	107,765	822,420
Deferred warrants	5,556,181	-	-	-	5,556,181
Deferred revenue	24,956	-	-	752,549	777,505
Total liabilities	10,388,559	-	998,096	2,813,810	14,200,465
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Inventory	231,158	-	-	-	231,158
Debt service	-	-	-	322,740	322,740
Economic development	-	-	2,178,232	-	2,178,232
Unreserved for:					
General fund	14,900,749	-	-	-	14,900,749
Special revenue	-	-	-	1,086,205	1,086,205
Unreserved, designated for:					
Capital assets	-	-	-	1,251,401	1,251,401
Total fund balances	15,131,907	-	2,178,232	2,660,346	19,970,485
Total liabilities and fund balances	\$ 25,520,466	\$ -	\$ 3,176,328	\$ 5,474,156	\$ 34,170,950

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

**CITY OF PHARR, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

Total fund balances - governmental funds balance sheet	\$	19,970,485	
 (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	117,717,806	
	Accumulated depreciation	<u>(46,509,330)</u>	71,208,476
 (2) Internal service funds are used by management to charge the costs of fleet management to individual funds. 100% of the assets is allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets			
	Garage	<u>630,741</u>	630,741
 (3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets			
	Bonds/Certificates/Notes	(17,410,000)	
	Capital leases	(1,620,556)	
	Unamortized debt activity	<u>629,818</u>	(18,400,738)
 (4) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds			
	Tax receivable	3,038,249	
	Accrual	<u>(861,208)</u>	2,177,041
 (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	532,222	
	Brush & Debris	182,433	
	Paving	<u>107,765</u>	822,420
 (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	(75,471)	
	Certificates	(16,408)	
	Notes	<u>(2,610)</u>	(94,489)
 (7) Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. The difference in compensated absences from last year to this year is recorded in the statement of activities			
	Current	(747,569)	
	Long-term	<u>(2,953,389)</u>	(3,700,958)

**CITY OF PHARR, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010 - Continued**

(8)	Because some warrants will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Warrants receivable Allowance	8,244,411 <u>(2,688,230)</u>	5,556,181
(9)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB liability for unpaid required contributions	OPEB Liability - Last fiscal year This fiscal year contribution	(260,349) <u>(260,349)</u>	<u>(520,698)</u>
Net assets of governmental activities - statement of net assets			<u>\$ 77,648,461</u>	

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

**CITY OF PHARR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General</u>	<u>Economic Development Corporation 4A</u>	<u>Economic Development Corporation 4B</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 13,567,309	\$ -	\$ -	\$ 1,698,855	\$ 15,266,164
Sales	7,717,020	-	2,572,340	-	10,289,360
Franchise	2,076,223	-	-	-	2,076,223
Other	139,015	-	-	936,575	1,075,590
Licenses and permits	550,345	-	-	-	550,345
Intergovernmental	269,241	-	-	4,309,701	4,578,942
Fees and charges:					
Sanitation	2,292,495	-	-	-	2,292,495
Brush	993,446	-	-	-	993,446
Other	723,647	22,395	23,607	1,170,009	1,939,658
Fines	1,107,489	-	-	-	1,107,489
Interest income	263,656	29,537	24,668	43,375	361,236
Contributions and donations	-	-	-	50,302	50,302
Other	465,110	-	-	17,248	482,358
Total revenues	<u>30,164,996</u>	<u>51,932</u>	<u>2,620,615</u>	<u>8,226,065</u>	<u>41,063,608</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,812,971	-	-	1,796,141	6,609,112
Public safety	16,465,922	-	-	2,055,892	18,521,814
Highways and streets	1,943,209	-	-	2,068,792	4,012,001
Health and welfare	2,422,879	-	-	-	2,422,879
Culture and recreation	2,920,770	-	-	743,603	3,664,373
Economic development	-	502,579	857,707	-	1,360,286
Debt service:					
Principal	-	206,276	-	1,575,000	1,781,276
Interest	-	3,902	-	815,583	819,485
Total expenditures	<u>28,565,751</u>	<u>712,757</u>	<u>857,707</u>	<u>9,055,011</u>	<u>39,191,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,599,245</u>	<u>(660,825)</u>	<u>1,762,908</u>	<u>(828,946)</u>	<u>1,872,382</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	6,224,135	-	337,360	3,389,906	9,951,401
Transfers (out)	(1,130,620)	(4,446,490)	(1,441,270)	(1,091,567)	(8,109,947)
Proceeds from sale of land	-	-	244,812	-	244,812
Bond/loan proceeds	-	-	-	-	-
Total other financing sources and uses	<u>5,093,515</u>	<u>(4,446,490)</u>	<u>(859,098)</u>	<u>2,298,339</u>	<u>2,086,266</u>
Net change in fund balance	6,692,760	(5,107,315)	903,810	1,469,393	3,958,648
Fund balance - beginning	8,439,147	5,105,217	1,274,422	1,361,044	16,179,830
Prior period adjustment	-	2,098	-	(170,091)	(167,993)
Fund balance - ending	<u>\$ 15,131,907</u>	<u>\$ -</u>	<u>\$ 2,178,232</u>	<u>\$ 2,660,346</u>	<u>\$ 19,970,485</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, 2010**

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

	Net change in fund balances - total governmental funds		3,958,648
(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 Depreciation expense	3,198,409 <u>(3,618,881)</u> (420,472)
(2)	Governmental funds do not recognize developer contribution of land, roads, paving and draining as donation/contribution revenue nor as an increase in governmental expenditures. This is the net amount by which contributed capital increased the capital assets net or related debt of the city	Contributed capital - drainage Contributed capital - streets Depreciation - sanitation Depreciation - highways	17,580 88,818 (352) <u>(649)</u> 105,397
(3)	Internal service funds are used by management to charge the costs of fleet management to individual funds. 100% is allocated to governmental activities. This is the net revenue of certain activities of internal service funds	Garage	<u>(28,901)</u> (28,901)
(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	Capital lease Bonds/Certificates/Notes Unamortized debt activity	883,923 1,781,276 <u>(74,449)</u> 2,590,750
(5)	Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Current tax Delinquent tax	1,150,978 <u>(1,151,903)</u> (925)
(6)	Because some sanitation and brush fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Garbage Brush Paving	(6,486) 6,073 <u>5,459</u> 5,046

**CITY OF PHARR, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

(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	(94,489)	
		Prior year accrual	<u>103,574</u>	9,085
(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	(3,700,959)	
		Prior year	<u>3,281,212</u>	(419,747)
(9)	Because some warrant fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Prior Year Warrant A/R	(5,626,469)	
		Current Year Warrant A/R	<u>5,556,181</u>	(70,288)
(10)	The proceeds from the sale of land are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital asset account in the statement of net assets and offset against the sale proceeds resulting in a "gain on sale of asset" in the statement of activities. Thus, more revenue is reported in governmental funds than the gain in the statement of activities	PEDC sale proceeds	(244,812)	
		Gain on sale	<u>104,798</u>	(140,014)
(11)	Employers that participate in defined contribution OPEB plans are required to recognize OPEB expense/expenditures for their net required contributions to the plan	OPEB Liability-This fiscal year	(460,745)	
		This fiscal year contribution	<u>200,396</u>	
				<u>(260,349)</u>
	Change in net assets of governmental activities			<u>\$ 5,328,230</u>

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



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**CITY OF PHARR, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010**

<b><u>ASSETS</u></b>	<b>Business-type Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Utility</b>	<b>International Bridge</b>	<b>Tierra Del Sol Golf Course</b>	<b>Total</b>	
Current assets:					
Cash	\$ 2,203,057	\$ 7,562,567	\$ 150,008	\$ 9,915,632	\$ 66,242
Investments	695,000	-	-	695,000	-
Receivables (net of allowance for uncollectible):					
Accounts	2,267,715	202,192	-	2,469,907	-
Other	132,962	7,176	9,282	149,420	-
Inventories	110,658	-	18,657	129,315	11,375
Due from other funds	-	470,000	-	470,000	-
Restricted assets:					
Cash	28,627,279	234,756	-	28,862,035	-
Cash with Fiscal Agent	11,825,000	-	-	11,825,000	-
Intergovernmental receivable	751,042	200,000	-	951,042	-
Total current assets	46,612,713	8,676,691	177,947	55,467,351	77,617
Capital assets (net of accumulated depreciation):					
Land	803,122	819,645	999,342	2,622,109	-
Buildings	14,965,154	1,812,357	144,942	16,922,453	484,367
Improvements other than buildings	157,797	112,986	2,438,580	2,709,363	93,897
Machinery and equipment	2,779,075	1,554,893	145,403	4,479,371	29,929
Infrastructure	23,977,662	15,071,050	101,890	39,150,602	-
Construction in progress	46,873,182	109,262	-	46,982,444	-
Total capital assets, net of accumulated depreciation	89,555,992	19,480,193	3,830,157	112,866,342	608,193
Total noncurrent assets	89,555,992	19,480,193	3,830,157	112,866,342	608,193
Total assets	\$ 136,168,705	\$ 28,156,884	\$ 4,008,104	\$ 168,333,693	\$ 685,810

	<b>Business-type Enterprise Funds</b>				<b>Governmental</b>
	<b>Utility</b>	<b>Toll Bridge</b>	<b>Tierra Del Sol Golf Course</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>LIABILITIES</b>					
Current liabilities payable:					
Accounts payable	\$ 4,325,930	\$ 22,196	\$ 19,267	\$ 4,367,393	\$ 22,508
Accrued liabilities	119,986	45,418	-	165,404	-
Due to other funds	69,237	29,470	14,597	113,304	4,864
Deferred revenue	-	-	31,715	31,715	-
Total current liabilities payable	<u>4,515,153</u>	<u>97,084</u>	<u>65,579</u>	<u>4,677,816</u>	<u>27,372</u>
Current liabilities payable from restricted assets:					
Customer deposits payable	1,978,925	-	-	1,978,925	-
Escrow payable	27,912	-	-	27,912	-
Matured accrued compensation	118,148	51,055	34,890	204,093	5,791
Matured capital lease	9,256	172,188	3,548	184,992	-
Matured bonds/notes	2,280,620	1,913,282	-	4,193,902	-
Total current liabilities payable from restricted assets	<u>4,414,861</u>	<u>2,136,525</u>	<u>38,438</u>	<u>6,589,824</u>	<u>5,791</u>
Total current liabilities	<u>8,930,014</u>	<u>2,233,609</u>	<u>104,017</u>	<u>11,267,640</u>	<u>33,163</u>
Noncurrent liabilities:					
Accrued compensation	508,297	145,521	73,931	727,749	21,907
Capital lease payable	19,962	508,059	-	528,021	-
Bonds/notes principal payable	50,274,945	5,860,404	-	56,135,349	-
Total noncurrent liabilities	<u>50,803,204</u>	<u>6,513,984</u>	<u>73,931</u>	<u>57,391,119</u>	<u>21,907</u>
Total liabilities	<u>59,733,218</u>	<u>8,747,593</u>	<u>177,948</u>	<u>68,658,759</u>	<u>55,070</u>
<b>NET ASSETS</b>					
Net assets:					
Invested in capital assets, net of related debt	67,752,797	11,026,261	3,830,156	82,609,214	608,193
Restricted for:					
Debt service	6,256,907	234,756	-	6,491,663	-
Capital projects	883,127	-	-	883,127	-
Unrestricted	1,542,656	8,148,274	-	9,690,930	22,547
Total net assets	<u>\$ 76,435,487</u>	<u>\$ 19,409,291</u>	<u>\$ 3,830,156</u>	<u>\$ 99,674,934</u>	<u>\$ 630,740</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 ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business-type Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Utility</b>	<b>International Bridge</b>	<b>Tierra Del Sol Golf Course</b>	<b>Total</b>	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 6,414,780	\$ -	\$ -	\$ 6,414,780	\$ -
Sewer service	5,039,571	-	-	5,039,571	-
Tap fees	292,234	-	-	292,234	-
Toll fees	-	10,536,992	-	10,536,992	-
Golf services	-	-	674,868	674,868	-
Other	145,813	122,924	130,614	399,351	418,429
Total operating revenues	<u>11,892,398</u>	<u>10,659,916</u>	<u>805,482</u>	<u>23,357,796</u>	<u>418,429</u>
Operating expenses:					
Personnel services	2,379,301	1,001,213	521,600	3,902,114	157,095
Supplies and Materials	1,219,503	67,573	71,560	1,358,636	6,203
Contractual Services	2,150,866	899,237	244,493	3,294,596	255,137
Depreciation	1,839,230	772,240	196,830	2,808,300	28,896
Total operating expenses	<u>7,588,900</u>	<u>2,740,263</u>	<u>1,034,483</u>	<u>11,363,646</u>	<u>447,331</u>
Operating income (loss)	<u>4,303,498</u>	<u>7,919,653</u>	<u>(229,001)</u>	<u>11,994,150</u>	<u>(28,902)</u>
Nonoperating revenues (expenses):					
Investment earnings	872,540	130,360	5,224	1,008,124	-
Interest expense	(1,441,741)	(465,684)	(430)	(1,907,855)	-
Amortization expense	(109,380)	(221,718)	-	(331,098)	-
Intergovernmental	1,731,334	200,000	-	1,931,334	-
Other	32,307	70,917	27,732	130,956	-
Total nonoperating revenues (expenses)	<u>1,085,060</u>	<u>(286,125)</u>	<u>32,526</u>	<u>831,461</u>	<u>-</u>
Income before contributions and transfers	5,388,558	7,633,528	(196,475)	12,825,611	(28,902)
Transfers in	-	483,570	19,576	503,146	-
Transfers (out)	(314,600)	(2,000,000)	(30,000)	(2,344,600)	-
Capital contributions	581,114	-	-	581,114	-
Changes in net assets	5,655,072	6,117,098	(206,899)	11,565,271	(28,902)
Total net assets - beginning	71,361,511	13,292,193	4,037,055	88,690,759	659,642
Prior period adjustment	(581,096)	-	-	(581,096)	-
Total net assets - ending	<u>\$ 76,435,487</u>	<u>\$ 19,409,291</u>	<u>\$ 3,830,156</u>	<u>\$ 99,674,934</u>	<u>\$ 630,740</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, 2010**

	<b>Business-type Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Utility</b>	<b>International Bridge</b>	<b>Tierra Del Sol Golf Course</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 11,747,042	\$ 10,638,521	\$ 675,843	\$ 23,061,406	\$ 418,429
Payments to suppliers	(1,265,119)	(67,573)	(70,212)	(1,402,904)	(4,116)
Payments to employees	(2,356,915)	(992,217)	(530,821)	(3,879,953)	(154,881)
Payments for contractual services	(564,286)	(917,706)	(249,898)	(1,731,890)	(250,883)
Payments (to)/from others	163,114	122,924	130,614	416,652	-
Net cash flow (to)/from operating activities	<u>7,723,836</u>	<u>8,783,949</u>	<u>(44,474)</u>	<u>16,463,311</u>	<u>8,549</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipts from grants	3,789,058	-	-	3,789,058	
Advances (to)/from other funds	36,997	(389,267)	32,074	(320,196)	1,826
Transfers in from other funds	-	483,570	19,576	503,146	-
Transfers out to other funds	(314,600)	(2,000,000)	(30,000)	(2,344,600)	1,331
Net cash provided/(used) by noncapital and related financing activities	<u>3,511,455</u>	<u>(1,905,697)</u>	<u>21,650</u>	<u>1,627,408</u>	<u>3,157</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(24,101,946)	(706,798)	-	(24,808,744)	-
Principal paid on long-term debt	(2,766,536)	(2,218,009)	(13,851)	(4,998,396)	-
Interest paid on long-term debt	(2,053,469)	(476,530)	(430)	(2,530,429)	-
Capital contributions	581,114	-	-	581,114	-
Net cash provided/(used) by capital and related financing activities	<u>(28,340,837)</u>	<u>(3,401,337)</u>	<u>(14,281)</u>	<u>(31,756,455)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Maturity (purchases) of investments	(695,000)	-	-	(695,000)	-
Interest income received	872,540	130,360	5,224	1,008,124	-
Net cash provided/(used) by investing activities	<u>177,540</u>	<u>130,360</u>	<u>5,224</u>	<u>313,124</u>	<u>-</u>
Net increase/(decrease) in cash	(16,928,006)	3,607,275	(31,881)	(13,352,612)	11,706
Cash beginning of fiscal year	59,583,342	4,190,048	181,889	63,955,279	54,536
Cash end of fiscal year	<u>\$ 42,655,336</u>	<u>\$ 7,797,323</u>	<u>\$ 150,008</u>	<u>\$ 50,602,667</u>	<u>\$ 66,242</u>

	Business-type Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Utility	International Bridge	Tierra Del Sol Golf Course		
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 4,303,498	\$ 7,919,653	\$ (229,001)	\$ 11,994,150	\$ (28,902)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,839,230	772,240	196,830	2,808,300	28,896
(Increase) Decrease in Accounts and Other Receivables, net	54,708	101,528	905	157,141	-
(Increase) Decrease in Inventories	(45,616)	-	1,348	(44,268)	2,088
Increase (Decrease) in Accounts Payable	1,586,581	(18,468)	(5,405)	1,562,708	4,253
Increase (Decrease) in Accrued Compensation	22,389	8,996	(9,221)	22,164	2,214
Increase (Decrease) in Deferred/Escrow Revenue	17,301	-	70	17,371	-
Increase (Decrease) in Customer Deposits	(54,255)	-	-	(54,255)	-
Total adjustments	<u>3,420,338</u>	<u>864,296</u>	<u>184,527</u>	<u>4,469,161</u>	<u>37,451</u>
Net cash provided by operating activities	\$ <u>7,723,836</u>	\$ <u>8,783,949</u>	\$ <u>(44,474)</u>	\$ <u>16,463,311</u>	\$ <u>8,549</u>

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

**CITY OF PHARR, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2010**

		<b>Retired Volunteer Firefighter's Pension Agency Fund</b>
<b><u>ASSETS</u></b>		
Cash	\$	144,544
Investments		262,970
Total assets		407,514
 <b><u>LIABILITIES</u></b>		
Accounts payable		-
Total liabilities		-
 <b><u>NET ASSETS</u></b>		
Held in trust for pension benefits and other purposes	\$	407,514

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

**CITY OF PHARR, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

		<b>Retired Volunteer Firefighter's Pension Agency Fund</b>
<b>ADDITIONS</b>		
Contributions:		
City of Pharr	\$	30,000
Other		1,211
Total contributions		31,211
Investment earnings		
Interest		5,727
Total additions		36,938
 <b>DEDUCTIONS</b>		
Benefits		12,740
Administrative expenses		822
Total deductions		13,562
Change in net assets		23,376
Net assets - beginning		384,138
Net assets - ending	\$	407,514

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



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## **NOTES TO THE FINANCIAL STATEMENTS**

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

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

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

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

**B. Financial Reporting Entity**

The City's financial reporting entity comprises the following:

Primary Government:            City of Pharr

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

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

**Blended Component Unit**

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

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

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**B. Financial Reporting Entity - (continued)**

substantially the same as the City governing body. Separate financial statements issued by the PEDC can be obtained by request at the following address:

PEDC 4A  
P.O. Box 1729  
Pharr, TX 78577

*Pharr Economic Development Corporation* – (PEDC 4b) is a nonprofit industrial development corporation organized for the same purpose as the PEDC 4a but with the legal authority to use sales tax funds for a wider range of projects. Sales taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. Voted by the citizens of Pharr on November 4, 2008 and ratified by the City Commission on November 10, 2008 via ordinance O-2008-49, the PEDC 4a was dissolved and the PEDC 4b was authorized to receive the sales tax revenues. The PEDC 4b board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is because the City appoints all PEDC 4b board members and can removed them at will, therefore, the PEDC 4b board is substantially the same as the City governing body. Separate financial statements issued by the PEDC 4b can be obtained by request at the following address:

PEDC 4B  
P.O. Box 1729  
Pharr, TX 78577

**Discretely Presented Component Unit**

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

**C. Government-Wide and Fund Financial Statements**

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

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

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

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

**E. Fund Types and Major Funds**

**Governmental Funds**

The City reports the following major governmental funds:

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. Fund Types and Major Funds - (continued)**

**Proprietary Funds**

The City reports the following major enterprise funds:

- *Utility Fund* – accounts for the provision of water and sewer services to the residents of the City.
- *Bridge Fund* – accounts for the operating function of the City’s international bridge with Mexico.

**Other Fund Types**

Additionally, the City reports internal service funds which are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management. These are proprietary funds that are reported with governmental activities in the government-wide financial statements because the majority of activity is for governmental activities. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are. Reimbursements are treated as a reduction of expenses.

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

**F. Assets, Liabilities and Net Assets or Equity**

**1. Cash and Investments**

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

**2. Property Taxes**

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

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

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

**3. Inventories**

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

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

**4. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.” All trade and property tax receivables are shown net of an allowance for uncollectibles.

**5. Transactions between Funds**

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

**6. Capital Assets**

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

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

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

**7. Compensated Absences**

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

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

Non exempt employees may accumulate no more than a maximum of two years allotment of vacation leave as set above. Exempt employees can accumulate more than the maximum. Sick leave may be accrued but will not be paid out to employees that leave before retirement.

**8. Long-Term Obligations**

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

**9. Restricted Assets**

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

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

**10. Net Assets / Fund Equity**

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

**11. Estimates**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

**1. Budget Policy and Practice**

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

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

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

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

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

The Board of Commissioners made several budget amendments during the fiscal year. The major reasons for the amendment was: to account for the funds received from the dissolution of PEDC 4a, to allocate funds for a year end salary stipend, allocate transfers to the General Capital Projects fund, and to reduce the sales tax revenue. In the General fund, net budget amendments totaled roughly \$832,000 in revenues over expenditures.

**B. Budget Basis of Accounting**

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)**

**C. Excess of General Fund Expenditures over Appropriations**

Expenditures exceeded appropriations of transfers out by \$50,480. The main reason for this excess was due to supplementation of the General Capital Project Fund and the Golf Course Fund.

**D. Finance-Related Legal and Contractual Provisions**

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

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

**E. Deficit Fund Equity/Net Assets**

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

**F. Prior Period Adjustment**

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

<u>Purpose of Prior Period Adjustment</u>	<u>Amount</u>
<u>Special Revenue Fund: Community Development (CDBG) Fund:</u>	
Funds for CDBG debt but received in General Fund in prior years	\$ (169,465)
Total Community Development Adjustment	(169,465)
<u>Special Revenue Fund: Grants Fund:</u>	
Expenditures from prior years that are not grant eligible	(626)
Total Grants Adjustment	(626)
<u>Special Revenue Fund: PEDC 4A:</u>	
Special Revenue Fund: Community Development (CDBG) Fund:	2,098
Total Grants Adjustment	2,098
Total Governmental Adjustment	\$ (167,993)
<u>Enterprise Fund: Utility Fund:</u>	
Add prior year capital lease debt that will be used	\$ (581,096)
Total Utility Fund Adjustment	\$ (581,096)
<u>Government-Wide Statement Adjustments:</u>	
<u>Governmental</u>	
To record PEDC 4B fixed assets during conversion	\$ 544,850
Total Governmental Adjustment	\$ 544,850

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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, 2010, the carrying amount of all of the City's deposits was \$50,405,355. The City has one depository account: LoneStar National Bank (LSNB).

<u>LSNB Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Security collateral issued by pledging bank's trust department in the City's name	72,293,617
(Over-insured)/over-collateralized	<u>(15,716,567)</u>
Total Deposits	<u>\$ 56,827,050</u>

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, 2010, the City's bank balance of \$56,827,050 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 \$77,509,343
- c. The highest combined balances of cash accounts amounted to \$71,787,973 and occurred during April 2010
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000

Cash with fiscal agents of \$11,825,000 on September 30, 2010, was covered by collateral held in the fiscal agents' trust departments, but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds. The fiscal agent is Texas Water Development Board with cash that is escrowed to the City of \$11,825,000.

**2. Investments**

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

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

Due to the extremely low interest rates, the City does not have any investments other than savings accounts in LSNB at September 30, 2010. The City's depository provides a greater savings rate (a floor of 2.02%) according to the depository contract entered into. The funds are available immediately as needed.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**B. Receivables**

Receivables for the City at September 30, 2010, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Non-Major & Other	Total	Utility	Bridge & Golf	Total
Property taxes	\$ 2,657,135	\$ 381,114	\$ 3,038,249	\$ -	\$ -	\$ -
Warrants	8,244,411	-	8,244,411	-	-	-
Sales tax	1,364,513	-	1,364,513	-	-	-
Notes	-	147,784	147,784	-	-	-
Accounts	757,636	109,975	867,611	2,318,081	202,192	2,520,273
Intergovernmental	1,100,000	448,490	1,548,490	-	-	-
Franchise taxes	306,994	-	306,994	-	-	-
Other	198,621	293,949	492,570	132,962	16,458	149,420
Gross receivables	14,629,310	1,381,312	16,010,622	2,451,043	218,650	2,669,693
Less: allowance for uncollectible	(3,487,793)	(124,704)	(3,612,497)	(50,366)	-	(50,366)
Net total receivable	<u>\$ 11,141,517</u>	<u>\$ 1,256,608</u>	<u>\$ 12,398,125</u>	<u>\$ 2,400,677</u>	<u>\$ 218,650</u>	<u>\$ 2,619,327</u>

**C. Payables**

Payables for the City at September 30, 2010, were as follows:

	Governmental Activities	Business-Type Activities				Total
	Governmental	Utility	Bridge	Golf	Business- Type Total	
Vendors	\$ 1,049,545	\$ 2,177,119	\$ 22,196	\$ 19,267	\$ 2,218,582	\$ 3,268,127
Salaries & benefits	1,019,516	593,902	182,042	100,290	876,234	1,895,750
Retainage fee	-	2,148,809	-	-	2,148,809	2,148,809
OPEB	520,698	32,544	14,534	8,531	55,609	576,307
Accrued interest	94,489	119,988	45,418	-	165,406	259,895
Due to the state	150,380	-	-	-	-	150,380
Total payables	<u>\$ 2,834,628</u>	<u>\$ 5,072,362</u>	<u>\$ 264,190</u>	<u>\$ 128,088</u>	<u>\$ 5,464,640</u>	<u>\$ 8,299,268</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**D. Deferred Revenue**

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

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

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general & debt service funds)	\$ 2,177,041	\$ -
Outstanding municipal court warrants (general)	5,556,181	-
Utility charges receivable (general fund)	714,655	-
Restricted revenues (general fund) - other	-	24,956
Restricted revenues (special revenue fund) - other	-	461,358
Special assessment (special revenue fund) - paving	-	107,765
Loans receivable (community development fund)	-	63,725
Intergovernmental (grants fund and community development fund)	-	227,466
 Total deferred/unearned revenues for governmental funds	 \$ 8,447,877	 \$ 885,270

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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, 2010 consisted of the following:

		DUE FROM					
		Governmental Funds					
		PEDC 4B	Community Development	Grant	Hotel/ Motel	Parkland Dedication	Total Governmental
DUE TO	General	\$ 24,375	\$ 187,518	\$ 658,150	\$ 8,055	\$ 30,093	\$ 908,191
	Capital Projects	750,000	-	-	-	-	750,000
	PEDC 4B	145,000	-	-	-	-	145,000
	Total governmental	919,375	187,518	658,150	8,055	30,093	1,803,191
	Bridge	70,000	-	-	400,000	-	470,000
	Total enterprise	70,000	-	-	400,000	-	470,000
Total		<u>\$ 989,375</u>	<u>\$ 187,518</u>	<u>\$ 658,150</u>	<u>\$ 408,055</u>	<u>\$ 30,093</u>	<u>\$ 2,273,191</u>

		DUE FROM				DUE FROM		DUE FROM
		Enterprise Funds				Internal Service Funds		Grand
		Utility	Bridge	Golf	Total Enterprise	Garage	Total Internal Service	Total
DUE TO	General	\$ 69,237	\$ 29,470	\$ 14,597	\$ 113,304	\$ 4,864	\$ 4,864	\$ 1,026,359
	Capital Projects	-	-	-	-	-	-	750,000
	PEDC 4B	-	-	-	-	-	-	145,000
	Total governmental	69,237	29,470	14,597	113,304	4,864	4,864	1,921,359
	Bridge	-	-	-	-	-	-	470,000
	Total enterprise	-	-	-	-	-	-	470,000
Total		<u>\$ 69,237</u>	<u>\$ 29,470</u>	<u>\$ 14,597</u>	<u>\$ 113,304</u>	<u>\$ 4,864</u>	<u>\$ 4,864</u>	<u>\$ 2,391,359</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**F. Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 3,382,693	\$ --	\$ --	\$ 3,382,693
Construction in Progress <sup>[b]</sup>	<u>573,244</u>	<u>1,713,468</u>	<u>--</u>	<u>2,286,712</u>
Total capital assets, not being depreciated	3,955,937	1,713,468	--	5,669,405
<i>Capital assets, being depreciated:</i>				
Buildings	26,290,249	--	--	26,290,249
Machinery and equipment	11,112,019	943,127	--	12,055,146
Improvements other than buildings <sup>[a]</sup>	4,968,402	300,849	--	5,269,251
Infrastructure <sup>[a] [b]</sup>	<u>67,770,817</u>	<u>106,398</u>	<u>--</u>	<u>67,877,215</u>
Total capital assets, being depreciated	110,141,487	1,350,374	--	111,491,861
<i>Less accumulated depreciation for:</i>				
Buildings	7,164,034	--	489,143	7,653,177
Machinery and equipment	3,288,793	--	342,827	3,631,620
Improvements other than buildings	1,928,004	--	611,952	2,539,956
Infrastructure	<u>31,295,472</u>	<u>--</u>	<u>2,181,587</u>	<u>33,477,059</u>
Total accumulated depreciation	43,676,303	--	3,625,509	47,301,812
Total capital assets, being depreciated, net	66,465,184	1,350,374	(3,625,509)	64,190,049
<b>Governmental activities capital assets, net</b>	<b><u>\$ 70,421,121</u></b>	<b><u>\$ 3,063,842</u></b>	<b><u>\$ (3,625,509)</u></b>	<b><u>\$ 69,859,454</u></b>
<b>Business-Type Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,622,109	\$ --	\$ --	\$ 2,622,109
Construction in Progress *	<u>24,494,128</u>	<u>23,300,565</u>	<u>812,249</u>	<u>46,982,444</u>
Total capital assets, not being depreciated	27,116,237	23,300,565	812,249	49,604,553
<i>Capital assets, being depreciated:</i>				
Buildings	27,928,299	--	--	27,928,299
Machinery and equipment	12,077,593	1,548,807	--	13,626,400
Improvements other than buildings	3,327,857	190,460	--	3,518,317
Infrastructure	<u>54,973,805</u>	<u>581,114</u>	<u>--</u>	<u>55,554,919</u>
Total capital assets, being depreciated	98,307,554	2,320,381	--	100,627,935
<i>Less accumulated depreciation for:</i>				
Buildings	10,376,282	--	629,564	11,005,846
Machinery and equipment	8,492,450	--	654,579	9,147,029
Improvements other than buildings	661,572	--	147,382	808,954
Infrastructure	<u>15,027,542</u>	<u>--</u>	<u>1,376,775</u>	<u>16,404,317</u>
Total accumulated depreciation	34,557,846	--	2,808,300	37,366,146
Total Capital assets, being depreciated, net	63,749,708	2,320,381	(2,808,300)	63,261,789
<b>Business-Type activities capital assets, net</b>	<b><u>\$ 90,865,945</u></b>	<b><u>\$ 25,620,946</u></b>	<b><u>\$ (1,996,051)</u></b>	<b><u>\$ 112,866,342</u></b>
<b>Total Primary Government</b>	<b><u>\$ 161,287,066</u></b>	<b><u>\$ 28,684,788</u></b>	<b><u>\$ (5,621,560)</u></b>	<b><u>\$ 182,725,796</u></b>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**F. Capital Assets - (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Unit-Blended</b>				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 992,883	\$ 203,800	\$ 104,798	\$ 1,091,885
Total capital assets, not being depreciated	992,883	203,800	104,798	1,091,885
<i>Capital assets, being depreciated:</i>				
Buildings	1,137,326	--	--	1,137,326
Machinery and equipment	69,226	--	--	69,226
Improvements other than buildings	79,365	--	--	79,365
Total capital assets, being depreciated	1,285,917	--	--	1,285,917
<i>Less accumulated depreciation for:</i>				
Buildings	322,600	--	18,955	341,555
Machinery and equipment	66,099	--	1,323	67,422
Improvements other than buildings	10,570	--	1,043	11,613
Total accumulated depreciation	399,269	--	21,321	420,590
Total Capital assets, being depreciated, net	886,648	--	(21,321)	865,327
<b>Component Unit-Blended capital assets, net</b>	<b>\$ 1,879,531</b>	<b>\$ 203,800</b>	<b>\$ 83,477</b>	<b>\$ 1,957,212</b>
<b>City-Wide capital assets, net</b>	<b>\$ 163,166,597</b>	<b>\$ 28,888,588</b>	<b>\$ (5,538,083)</b>	<b>\$ 184,683,008</b>

<sup>[a]</sup> Beginning balance required a reclassification of \$114,114 that belongs in Improvements Other Than Buildings, not Infrastructure

<sup>[b]</sup> Beginning balance required a reclassification of \$66,154 that belongs in CIP, not Infrastructure

\* Beginning balance required an adjustment of \$49.81 to reconcile due to rounding

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

<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
General Government	\$ 1,038,694	Utility	\$ 1,839,230
Public Safety	1,464,167	Bridge	772,240
Highways & Streets	718,329	Golf	196,830
Sanitation	250,768	Total Business-Type Activities	<u>\$ 2,808,300</u>
Culture and Recreation	153,551		
Economic Development	21,321		
Total Governmental Activities	<u>\$ 3,646,830</u>		

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Refunding Bonds Payable	\$ 15,130,000	\$ --	\$ 735,000	\$ --	\$ 14,395,000	\$ 865,000
Certificates of Obligation	3,330,000	--	585,000	--	2,745,000	500,000
Unamortized Issuance Cost	(336,951)	--	(44,055)	--	(292,896)	(43,155)
Unamortized (Premium)/Discount	181,818	--	15,219	--	166,599	15,219
Unamortized (Gain)/Loss on Refunding	(547,352)	--	(45,613)	--	(501,739)	(45,613)
Capital Leases Payable	2,502,697	--	882,153	--	1,620,544	434,530
CDBG Section 108 Note Payable	525,000	--	255,000	--	270,000	270,000
Capital Lease Payable - PEDC	206,276	--	206,276	--	-	--
Accrued Compensated Absences	3,306,697	1,424,655	1,004,468	--	3,726,884	753,351
<b>Total Governmental Activities</b>	<u>\$ 24,298,185</u>	<u>\$ 1,424,655</u>	<u>\$ 3,593,448</u>	<u>\$ --</u>	<u>\$ 22,129,392</u>	<u>\$ 2,749,332</u>
<b>Business-Type Activities</b>						
Revenue Bonds Payable *	\$ 51,090,000	\$ --	\$ 1,300,000	\$ (690,000) *	\$ 49,100,000	\$ 1,715,000
Refunding Revenue Bonds Payable	13,420,000	--	1,175,000	--	12,245,000	1,215,000
Tax Note Payable	3,125,000	--	1,530,000	--	1,595,000	1,595,000
Unamortized Issuance Cost	(1,509,361)	--	(104,121)	--	(1,405,240)	(104,121)
Unamortized (Premium)/Discount	41,425	--	3,186	--	38,239	3,186
Unamortized (Gain)/Loss on Refunding	(1,473,911)	--	(230,163)	--	(1,243,748)	(230,163)
Capital Leases Payable	1,016,398	--	303,386	--	713,012	184,992
Accrued Compensated Absences	854,071	349,896	272,124	--	931,843	204,093
<b>Total Business-Type Activities</b>	<u>\$ 66,563,622</u>	<u>\$ 349,896</u>	<u>\$ 4,249,412</u>	<u>\$ (690,000)</u>	<u>\$ 61,974,106</u>	<u>\$ 4,582,987</u>
<b>Total Primary Government</b>	<u>\$ 90,861,807</u>	<u>\$ 1,774,551</u>	<u>\$ 7,842,860</u>	<u>\$ (690,000)</u>	<u>\$ 84,103,498</u>	<u>\$ 7,332,319</u>

\*Adjustment was made by Texas Water Development Board, it reduced our outstanding loan balance by the amount, this amount will not have to be repaid nor issued.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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, 2010 is comprised of the following:

	Original Issuance	Series	Type	Name	Payment Installments	Installments		Interest Rates		Final Payment Through	Current Balance
						Lowest	Highest	Lowest	Highest		
Governmental Activities	\$ 12,035,000	2001	Certificate of Obligation	CT&LPR	Annual	\$ 500,000	\$ 605,000	4.50%	5.00%	08/15/2015	\$ 2,745,000
								Subtotal - Certificates of Obligation			2,745,000
	16,110,000	2005B	Refunding Bonds	GO	Annual	865,000	1,535,000	3.63%	5.00%	08/15/2021	14,395,000
								Subtotal - Refunding Bonds			14,395,000
	\$ 2,125,000	2001A	Note	HUD Section 108	Annual	\$ 270,000	\$ 270,000	2.90%	2.90%	08/01/2011	270,000
							Subtotal - Notes			270,000	
							Governmental Total			<u>\$ 17,410,000</u>	
Business-Type Activities	\$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW&SS	Annual	\$ 185,000	\$ 190,000	0.00%	0.00%	09/01/2013	\$ 565,000
	29,000,000	2007	Revenue Bonds - CWSRF	WW&SS	Annual	765,000	2,480,000	2.90%	3.50%	09/01/2027	26,815,000
	13,310,000	2007A	Revenue Bonds - DWSRF	WW&SS	Annual	385,000	1,075,000	2.35%	2.35%	09/01/2027	12,880,000
	10,000,000	2007B	Revenue Bonds - NADBank	WW&SS	Annual	385,000	685,000	3.75%	3.75%	12/04/2007	8,840,000
								Subtotal - Revenue Bonds			49,100,000
	9,755,000	2005A	Refunding Bonds	CT&IBR	Annual	540,000	740,000	3.63%	4.50%	08/15/2022	7,280,000
	6,430,000	2008	Refunding Bonds	WW&SS	Annual	75,000	815,000	3.60%	3.60%	09/01/2018	4,965,000
								Subtotal - Refunding Bonds			12,245,000
\$ 7,100,000	2006	Note	Tax Note	Annual	\$ 1,595,000	\$ 1,595,000	4.00%	4.00%	08/15/2011	1,595,000	
							Subtotal - Notes			1,595,000	
							Business-Type Total			<u>\$ 62,940,000</u>	

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**G. Long-Term Obligations - (continued)**

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

**1. Bonds Payable**

Debt service requirements of bonds payable at September 30, 2010 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 865,000	\$ 603,766	\$ 1,468,766	\$ 2,930,000	\$ 2,039,176	\$ 4,969,176
2012	905,000	572,410	1,477,410	3,030,000	1,949,819	4,979,819
2013	940,000	538,473	1,478,473	3,050,000	1,856,419	4,906,419
2014	970,000	503,222	1,473,222	3,145,000	1,758,292	4,903,292
2015	1,005,000	467,117	1,472,117	3,250,000	1,650,747	4,900,747
2016 - 2020	8,175,000	1,334,622	9,509,622	18,070,000	6,543,255	24,613,255
2021 - 2025	1,535,000	63,319	1,598,319	19,525,000	3,366,484	22,891,484
2026 - 2027	--	--	--	8,345,000	427,991	8,772,991
	<u>\$ 14,395,000</u>	<u>\$ 4,082,929</u>	<u>\$ 18,477,929</u>	<u>\$ 61,345,000</u>	<u>\$ 19,592,183</u>	<u>\$ 80,937,183</u>

**2. Certificates of Obligation Payable**

Debt service requirements of certificates of obligation payable at September 30, 2010 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 500,000	\$ 131,265	\$ 631,265
2012	520,000	108,765	628,765
2013	545,000	84,585	629,585
2014	575,000	58,425	633,425
2015	605,000	30,250	635,250
	<u>\$ 2,745,000</u>	<u>\$ 413,290</u>	<u>\$ 3,158,290</u>

**3. Notes Payable**

Debt service requirements of notes payable at September 30, 2010 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 270,000	\$ 15,660	\$ 285,660	\$ 1,595,000	\$ 63,800	\$ 1,658,800
	<u>\$ 270,000</u>	<u>\$ 15,660</u>	<u>\$ 285,660</u>	<u>\$ 1,595,000</u>	<u>\$ 63,800</u>	<u>\$ 1,658,800</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**G. Long-Term Obligations - (continued)**

**4. Capital Leases Payable**

Capital leases payable at September 30, 2010 is comprised of the following issues:

<u>Capital Leases</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
\$279,600 lease payable; due in monthly installments of \$3,832, including interest, through June 10, 2013; interest at 4.08% All funds used to purchase Machinery & Equipment	119,431	-	119,431
\$1,667,000 lease payable; due in monthly installments between \$14,875 and \$40,439, including interest, through December 15, 2010; interest at 3.92%. All funds used to purchase Machinery & Equipment	37,342	6,994	44,336
\$1,300,000 lease payable; due in monthly installments of \$38,347, including interest, through May 18, 2010; interest at 3.94% All funds used to purchase Machinery & Equipment	-	-	-
\$2,322,000 lease payable; due in monthly installments of \$31,600.21, including interest, through November 14, 2014; interest at 3.87% All funds used to purchase Machinery & Equipment	1,431,266	25,772	1,457,038
\$555,000 lease payable; due in monthly installments of \$16,329.09, including interest, through November 14, 2010; interest at 3.77% All funds used to purchase Machinery & Equipment	32,505	-	32,505
\$895,638.10 lease payable; due in monthly installments of \$17,103.60, including interest, through May 20, 2014; interest at 5.49% - All funds used to purchase Machinery & Equipment	-	680,246	680,246
	<u>\$ 1,620,544</u>	<u>\$ 713,012</u>	<u>\$2,333,556</u>

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

Debt service requirements of capital lease obligations at September 30, 2010 are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Principal	Total
September 30,						
2011	\$ 434,530	\$ 54,198	\$ 488,728	\$ 184,992	\$ 33,996	\$ 218,988
2012	379,141	39,343	418,484	187,921	24,027	211,948
2013	382,636	24,351	406,987	198,399	13,548	211,947
2014	362,464	10,034	372,498	140,577	2,955	143,532
2015	61,773	299	62,083	1,123	5	1,117
	<u>\$ 1,620,544</u>	<u>\$ 128,225</u>	<u>\$ 1,748,780</u>	<u>\$ 713,012</u>	<u>\$ 74,531</u>	<u>\$ 787,532</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**G. Long-Term Obligations - (continued)**

**5. Debt Disclosure and Currently Defeased Debt**

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Commission. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005 and 2008, the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2010, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	5.00% - 5.53%	
Series	2003	\$ 14,055,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.15% - 6.74%	
Series	1996 through 1998a	6,777,000
Bridge Revenue Bonds		
Interest rates:	3.625% - 4.25%	
Series	1998 through 2001	<u>8,580,000</u>
Bonds legally defeased		<u><u>\$ 29,412,000</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, 2010, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 3,683,373
Community Development	15,813
Garage	27,698
Utility	593,902
Bridge	182,042
Golf	<u>100,290</u>
	<u><u>\$ 4,603,118</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, 2010, 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, 2010

**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, 2010, consisted of the following:

		<b>TRANSFER FROM</b>								
		<b>Governmental Funds</b>								
		<b>General</b>	<b>PEDC 4A</b>	<b>PEDC 4B</b>	<b>Community Development</b>	<b>Hotel/Motel</b>	<b>Parkland Dedication</b>	<b>Paving &amp; Drainage</b>	<b>Debt Service</b>	<b>Total Governmental</b>
<b>TRANSFER TO</b>	General	\$ -	\$ 3,860,240	\$ -	\$ 19,295	\$ -	\$ -	\$ -	\$ -	\$ 3,879,535
	Capital Projects	1,045,828	-	750,000	-	327,068	254,992	304,022	-	2,681,910
	PEDC 4B	-	337,360	-	-	-	-	-	-	337,360
	Community Development	64,590	-	-	-	-	-	-	-	64,590
	Grants	626	-	-	-	-	-	-	-	626
	Parkland Dedication	-	-	145,000	-	-	-	-	-	145,000
	Debt Service	-	248,890	248,890	-	-	-	-	-	497,780
	Total governmental	1,111,044	4,446,490	1,143,890	19,295	327,068	254,992	304,022	-	7,606,801
	Bridge	-	-	297,380	-	77,830	-	-	108,360	483,570
	Golf	19,576	-	-	-	-	-	-	-	19,576
Total enterprise	19,576	-	297,380	-	77,830	-	-	108,360	503,146	
Total	\$ 1,130,620	\$ 4,446,490	\$ 1,441,270	\$ 19,295	\$ 404,898	\$ 254,992	\$ 304,022	\$ 108,360	\$ 8,109,947	

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 Capital Projects was to fund right of way purchases and other capital projects. General Funds transfer to Community Development, Grants, and Golf were to fund their annual operations. PEDC 4A's transfers to PEDC 4B is for operational purposes. The PEDC 4A's transfer to General Fund is to account for the 4A's dissolution. The 4A's transfer to Debt Service is for a bond issue the General Fund undertook a portion of which is to be paid through PEDC's sales tax collection. The PEDC 4B's transfer to Capital Projects is to assist in funding the construction of a City road. The PEDC 4B's transfer to Capital Projects is to assist in funding the construction of a swimming pool. The 4A's transfer to Debt Service is for a bond issue the General Fund undertook a portion of which is to be paid through PEDC's sales tax collection and is expected to continue for several more years. The PEDC 4B's transfer to Capital Projects is to assist in funding the construction of security upgrades. The Community Development's transfer to the General Fund is for reimbursement of operating expenditures. The Hotel/Motel transfer to Capital Projects was for a project to upgrade the Convention Center. The Hotel/Motel transfer to Bridge (debt issued for a Hotel/Motel project) is for prior year agreement and is expected to continue for several more years. The Parkland Dedication transfer to Capital Projects was for a project to construct a swimming pool. The Debt Service transfer to the Bridge is to provide tax proceeds for the payment of general obligation debt accounted for in Bridge, this transfer will continue as long as excess debt related tax proceeds are collected.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**H. INTERFUND TRANSFERS - (continued)**

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

		<b>TRANSFER FROM</b>				
		<b>Enterprise Funds</b>				
		<b>Utility</b>	<b>Bridge</b>	<b>Golf</b>	<b>Total Enterprise</b>	<b>Grand Total</b>
<b>TRANSFER TO</b>	General	\$ 314,600	\$ 2,000,000	\$ 30,000	\$ 2,344,600	\$ 6,224,135
	Capital Projects	-	-	-	-	2,681,910
	PEDC 4B	-	-	-	-	337,360
	Community Development	-	-	-	-	64,590
	Grants	-	-	-	-	626
	Parkland Dedication	-	-	-	-	145,000
	Debt Service	-	-	-	-	497,780
	Total governmental	314,600	2,000,000	30,000	2,344,600	9,951,401
	Bridge	-	-	-	-	483,570
	Golf	-	-	-	-	19,576
Total enterprise	-	-	-	-	503,146	
Total		<u>\$ 314,600</u>	<u>\$ 2,000,000</u>	<u>\$ 30,000</u>	<u>\$ 2,344,600</u>	<u>\$ 10,454,547</u>

**I. Restricted Assets**

The balances of restricted asset as of September 30, 2010 are as follows:

<b><u>Governmental Funds</u></b>	
Grant restrictions - Grant	\$ 675,284
Total restricted assets - governmental funds	<u>\$ 675,284</u>
<b><u>Business-Type Funds</u></b>	
Grant restrictions - Utility	\$ 751,042
Capital financing - Utility	32,244,556
Customer deposits - Utility	1,950,816
Debt reserves - Utility	6,256,907
Debt reserves - Bridge	234,756
Grant restrictions - Bridge	200,000
Total restricted assets - business-type funds	<u>\$ 41,638,077</u>
Total restricted assets	<u>\$ 42,313,361</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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 be responsible to pay not less than fifty percent (50%) of the cost of his/her health insurance plan(s) during his/her employment, and 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.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

**A. Risk Management – (continued)**

Currently, approximately 54 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 \$750 per individual to \$1,500 per family. The maximum out-of-pocket costs that can be incurred by a retiree in one year ranges from, \$1,000 per individual to \$2,000 per family.

Post-retirement benefit expense incurred by the City cannot be reasonably estimated since that amount cannot be readily separated from similar benefits provided to active employees and their dependents. Also, the estimated liability for the future payment of these claims is not presently determinable.

**B. Deferred Compensation Plan**

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

**C. Commitments**

**1. Grant Programs**

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

**2. Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2010.

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

**C. Commitments – (continued)**

**3. Construction Commitments**

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2010, they are as follows:

	<u>Project Amount</u>	<u>Expended To Date</u>	<u>Remaining Cost</u>
Sam Houston	\$ 276,113	\$ 132,855	\$ 143,258
Sioux Road	562,768	402,315	160,453
Hall Acres West I	426,375	417,575	8,800
Hall Acres West II	136,000	126,800	9,200
Downtown Drainage	247,459	118,018	129,441
Convention Center Renovation	1,875,000	327,068	1,547,932
Aquatic Park	388,000	254,992	133,008
Owassa road - east	505,640	235,988	269,652
Owassa road - west	470,525	271,101	199,424
	<hr/>	<hr/>	<hr/>
Total Governmental	\$ 4,887,880	\$ 2,286,712	\$ 2,601,168
Sewer collection - Engineering	\$ 37,005,748	\$ 32,638,144	\$ 4,367,604
Wastewater Plant	15,706,828	12,450,308	3,256,520
Water Plant	13,273,495	1,107,346	12,166,149
Sugar Road Utility Relocation	741,151	656,658	84,493
Hall Acres Utility Relocation	25,098	20,726	4,372
Port of Entry Modernization	416,649	109,262	307,387
	<hr/>	<hr/>	<hr/>
Total Business-Type	\$ 67,168,969	\$ 46,982,444	\$ 20,186,525
Total	<u>\$ 72,056,849</u>	<u>\$ 49,269,156</u>	<u>\$ 22,787,693</u>

**D. Pension Plan**

**1. Plan Description**

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

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

**D. Pension Plan - (continued)**

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 2009	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	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:

**Trend Information**

	Fiscal Years Ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	1,816,597	1,792,715	2,898,849
Contributions Made	<u>1,816,597</u>	<u>1,792,715</u>	<u>2,898,849</u>
Net Pension Obligation at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

**D. Pension Plan - (continued)**

The required contribution rates for this fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuations, December 31, 2009, also follows:

**General System-wide Actuarial Assumptions**

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Period	29 Years - Closed Period	28 Years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation At	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	0.0%	0.0%

The funded status as of December 31, 2009, 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)
12/31/2007	\$ 24,524,749	\$ 44,233,706	55.4%	\$ 19,708,957	\$ 15,600,980	126.3%
12/31/2008	\$ 26,472,033	\$ 35,134,900	75.3%	\$ 8,662,867	\$ 16,450,849	52.7%
12/31/2009	\$ 28,465,143	\$ 37,276,917	76.4%	\$ 8,811,774	\$ 17,729,336	49.7%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**E. Other Post Employment Benefit (OPEB) Programs**

**1. Supplemental Death Benefits Plan Description**

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

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

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

**2. Supplemental Death Benefits (SDBF) Plan Contributions**

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

The City's contributions to the TMRS SDBF for the years ended 2010, 2009, and 2008 were \$5,319 \$3,290 and \$4,680 respectively, which equaled the required contributions each year.

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

**3. Retiree Health Insurance Benefit Plan Description**

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

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

Current Pre-65 Retirees

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

Current Post-65 Retirees

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

Current Employees Who Retire In The Future

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

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

**4. Retiree Health Insurance Benefit Plan Funding Policy**

The policy of the City is to fund the plan on a pay-as-you-go basis. Plans are being discussed about creating an irrevocable trust to fully fund this benefit plan.

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

The annual required contribution (ARC) is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuations were made as of January 1, 2008 using June 2008 census data.

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

	<u>As of January 1, 2008</u>	
<b>Valuation Results</b>	<b>Total Benefits</b>	
1. Present Value of Future Benefits	\$	9,048,680
2. Actuarial Accrued Liability		6,701,179
3. Normal Cost Beginning of Year		141,425
4. Net OPEB Obligation (NOO)		-
<b>Amortization Cost</b>		
5. Actuarial Accrued Liability		6,701,179
6. Amortization Factor (30 years)		16.29
7. Amortization cost (5./6.)		411,368
<b>Annual Required Contribution</b>		
<b>Using 30-Year Amortization</b>		
8. Normal Cost with 4.5% Interest to EOY		147,789
9. Amortization Cost at end of year		411,368
10. Total	\$	559,157
<b>Assumptions</b>		
Discount Rate		4.5%
Healthcare cost trend rate		
* 2008 - 2009		10%
* Ultimate (2014)		4.5%
Future participation rate		100%
Future retirees covering a spouse		70%
<b>Annual OPEB Cost, Contribution, and Change in OPEB - FYE 9/30/09</b>		
Annual required contribution prior to adjustments	\$	559,157
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		559,157
Contributions made		(243,199)
Increase in net OPEB obligation		315,958
Net OPEB obligation beginning of year		315,958
Net OPEB obligation end of year	\$	<u>631,916</u>

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

City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**IV. OTHER INFORMATION - (continued)**

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

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

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

<u>Year Ended</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>
2010	\$559,157	43.5%

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

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

**F. Subsequent Events**

On November 2, 2010, the City Commission awarded the capital lease financing bid to SunTrust for capital equipment purchases in the new fiscal year. The interest rate approved was 2.09% for 3 years, and 2.52 for 7 years, for a total capital financing of \$2.9 million.

**G. New Accounting Principles**

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

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

The GASB has issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The GASB has issued Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.” This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.



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**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)
12/31/07	\$ 24,524,749	\$ 44,233,706	55.4%	\$ (19,708,957)	\$ 15,600,980	126.3%
12/31/08	26,472,033	35,134,900	75.3%	(8,662,867)	16,450,849	52.7%
12/31/09	28,465,143	37,276,917	76.4%	(8,811,774)	17,729,336	49.7%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Excess of Assets Over/ (Unfunded) AAL (a-b)	Covered Payroll (c)	Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
1/1/08	\$ -	\$ 6,701,179	0.0%	\$ (6,701,179)	\$ 16,450,849	40.7%
1/1/08	\$ -	\$ 6,701,179	0.0%	\$ (6,701,179)	\$ 17,729,336	37.8%

**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 13,147,200	\$ 13,147,200	\$ 13,567,309	\$ 420,109
Sales	7,835,500	7,325,500	7,717,020	391,520
Franchise	1,879,400	1,879,400	2,076,223	196,823
Other	168,800	168,800	139,015	(29,785)
Licenses and permits	445,000	445,000	550,345	105,345
Intergovernmental	316,580	316,580	269,241	(47,339)
Fees and charges:				
Sanitation	2,040,000	2,040,000	2,292,495	252,495
Brush	936,000	936,000	993,446	57,446
Other	628,640	628,640	723,647	95,007
Fines	1,210,400	1,210,400	1,107,489	(102,911)
Interest income	160,000	160,000	263,656	103,656
Other	190,120	190,120	465,110	274,990
Total revenues	<u>28,957,640</u>	<u>28,447,640</u>	<u>30,164,996</u>	<u>1,717,356</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,672,180	6,688,820	4,812,971	1,875,849
Public safety	17,058,140	17,238,405	16,465,922	772,483
Highways and streets	2,009,740	2,067,985	1,943,209	124,776
Health and welfare	2,516,250	2,516,250	2,422,879	93,371
Culture and recreation	3,076,540	3,098,740	2,920,770	177,970
Total expenditures	<u>31,332,850</u>	<u>31,610,200</u>	<u>28,565,751</u>	<u>3,044,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,375,210)</u>	<u>(3,162,560)</u>	<u>1,599,245</u>	<u>4,761,805</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,469,100	5,104,840	6,224,135	1,119,295
Transfers (out)	<u>(94,590)</u>	<u>(1,110,140)</u>	<u>(1,130,620)</u>	<u>(20,480)</u>
Total other financing sources and uses	<u>2,374,510</u>	<u>3,994,700</u>	<u>5,093,515</u>	<u>1,098,815</u>
Net change in fund balance	(700)	832,140	6,692,760	5,860,620
Fund balance - beginning	<u>8,439,147</u>	<u>8,439,147</u>	<u>8,439,147</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,438,447</u>	<u>\$ 9,271,287</u>	<u>\$ 15,131,907</u>	<u>\$ 5,860,620</u>

**CITY OF PHARR, TEXAS**  
**ECONOMIC DEVELOPMENT CORPORATION 4A FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 3,515,000	\$ 3,515,000	\$ -	\$ (3,515,000)
Fees and charges:				
Other	-	-	22,395	22,395
Interest income	15,000	15,000	29,537	14,537
Other	49,000	49,000	-	(49,000)
Total revenues	<u>3,579,000</u>	<u>3,579,000</u>	<u>51,932</u>	<u>(3,527,068)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	3,452,726	3,452,726	502,579	2,950,147
Debt service:				
Principal	706,000	706,000	206,276	499,724
Interest	-	-	3,902	(3,902)
Total expenditures	<u>4,158,726</u>	<u>4,158,726</u>	<u>712,757</u>	<u>3,445,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(579,726)</u>	<u>(579,726)</u>	<u>(660,825)</u>	<u>(81,099)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	(4,446,490)	(4,446,490)
Proceeds from sale of land	1,500,000	1,500,000	-	(1,500,000)
Total other financing sources and uses	<u>1,500,000</u>	<u>1,500,000</u>	<u>(4,446,490)</u>	<u>(5,946,490)</u>
Net change in fund balance	920,274	920,274	(5,107,315)	(6,027,589)
Fund balance - beginning	5,105,217	5,105,217	5,105,217	-
Prior period adjustment	-	-	2,098	2,098
Fund balance - ending	<u>\$ 6,025,491</u>	<u>\$ 6,025,491</u>	<u>\$ -</u>	<u>\$ (6,025,491)</u>

**CITY OF PHARR, TEXAS**  
**ECONOMIC DEVELOPMENT CORPORATION 4B FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 3,274,422	\$ 3,274,422	\$ 2,572,340	\$ (702,082)
Other	1,000,000	1,000,000	-	(1,000,000)
Fees and charges:				
Other	-	-	23,607	23,607
Interest income	-	-	24,668	24,668
Other	21,000	21,000	-	(21,000)
Total revenues	<u>4,295,422</u>	<u>4,295,422</u>	<u>2,620,615</u>	<u>(1,674,807)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	<u>3,848,841</u>	<u>3,848,841</u>	<u>857,707</u>	<u>2,991,134</u>
Total expenditures	<u>3,848,841</u>	<u>3,848,841</u>	<u>857,707</u>	<u>2,991,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>446,581</u>	<u>446,581</u>	<u>1,762,908</u>	<u>1,316,327</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	337,360	337,360
Transfers (out)	-	-	(1,441,270)	(1,441,270)
Proceeds from sale of land	<u>1,325,000</u>	<u>1,325,000</u>	<u>244,812</u>	<u>(1,080,188)</u>
Total other financing sources and uses	<u>1,325,000</u>	<u>1,325,000</u>	<u>(859,098)</u>	<u>(2,184,098)</u>
Net change in fund balance	<u>1,771,581</u>	<u>1,771,581</u>	<u>903,810</u>	<u>(867,771)</u>
Fund balance - beginning	<u>1,274,422</u>	<u>1,274,422</u>	<u>1,274,422</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,046,003</u>	<u>\$ 3,046,003</u>	<u>\$ 2,178,232</u>	<u>\$ (867,771)</u>



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

## **Non-Major Governmental Funds Combining Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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



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**CITY OF PHARR, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
<b><u>ASSETS</u></b>				
Cash	\$ 791,092	\$ 555,800	\$ 520,682	\$ -
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	63,725	-	-
Accounts	-	-	-	-
Other	-	-	229,180	-
Inventories	-	-	-	-
Due from other funds	-	-	-	145,000
Restricted assets:				
Intergovernmental receivable	-	-	-	-
Total assets	<u>\$ 791,092</u>	<u>\$ 619,525</u>	<u>\$ 749,862</u>	<u>\$ 145,000</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts payable	\$ 50,981	\$ 136,473	\$ 43,778	\$ -
Due to other funds	-	187,518	408,055	30,093
Deferred property tax	-	-	-	-
Deferred accounts	-	-	-	-
Deferred revenue	-	291,177	-	-
Total liabilities	<u>50,981</u>	<u>615,168</u>	<u>451,833</u>	<u>30,093</u>
Fund balances:				
Reserved for:				
Debt service	-	225,534	-	-
Unreserved for:				
Special revenue	740,111	(221,177)	298,029	114,907
Unreserved, designated for:				
Capital projects fund	-	-	-	-
Total fund balances	<u>740,111</u>	<u>4,357</u>	<u>298,029</u>	<u>114,907</u>
Total liabilities and fund balances	<u>\$ 791,092</u>	<u>\$ 619,525</u>	<u>\$ 749,862</u>	<u>\$ 145,000</u>

<u>Paving &amp; Drainage</u>	<u>Special Revenues</u>	<u>Grants</u>	<u>Total</u>	<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 239,221	\$ 443,554	\$ -	\$ 2,550,349	\$ 534,458	\$ 97,756	\$ 3,182,563
-	-	-	-	-	258,619	258,619
-	-	-	63,725	-	-	63,725
107,765	-	-	107,765	-	-	107,765
-	62,020	-	291,200	-	-	291,200
-	-	-	-	-	-	-
-	-	-	145,000	750,000	-	895,000
-	-	675,284	675,284	-	-	675,284
<u>\$ 346,986</u>	<u>\$ 505,574</u>	<u>\$ 675,284</u>	<u>\$ 3,833,323</u>	<u>\$ 1,284,458</u>	<u>\$ 356,375</u>	<u>\$ 5,474,156</u>
\$ 84,886	\$ 44,216	\$ 17,120	\$ 377,454	\$ 33,057	\$ 550	\$ 411,061
-	-	658,150	1,283,816	-	-	1,283,816
-	-	-	-	-	258,619	258,619
107,765	-	-	107,765	-	-	107,765
-	461,358	14	752,549	-	-	752,549
<u>192,651</u>	<u>505,574</u>	<u>675,284</u>	<u>2,521,584</u>	<u>33,057</u>	<u>259,169</u>	<u>2,813,810</u>
-	-	-	225,534	-	97,206	322,740
154,335	-	-	1,086,205	-	-	1,086,205
-	-	-	-	1,251,401	-	1,251,401
<u>154,335</u>	<u>-</u>	<u>-</u>	<u>1,311,739</u>	<u>1,251,401</u>	<u>97,206</u>	<u>2,660,346</u>
<u>\$ 346,986</u>	<u>\$ 505,574</u>	<u>\$ 675,284</u>	<u>\$ 3,833,323</u>	<u>\$ 1,284,458</u>	<u>\$ 356,375</u>	<u>\$ 5,474,156</u>

**CITY OF PHARR, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds			
	Asset Sharing	Community Development	Hotel/Motel	Parkland Dedication
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	936,575	-
Intergovernmental	1,230,384	1,011,267	-	-
Fees and charges:				
Other	-	-	-	1,000
Interest income	9,723	842	11,948	2,479
Contributions and donations	-	-	-	-
Other	10,800	6,418	30	-
Total revenues	<u>1,250,907</u>	<u>1,018,527</u>	<u>948,553</u>	<u>3,479</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	568,410	745,441	-
Public safety	682,134	4,144	-	-
Highways and streets	-	353,937	-	-
Culture and recreation	-	117,853	-	1,000
Debt service:				
Principal	-	255,000	-	-
Interest	-	30,323	-	-
Total expenditures	<u>682,134</u>	<u>1,329,667</u>	<u>745,441</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>568,773</u>	<u>(311,140)</u>	<u>203,112</u>	<u>2,479</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	64,590	-	145,000
Transfers (out)	-	(19,295)	(404,898)	(254,992)
Total other financing sources and uses	<u>-</u>	<u>45,295</u>	<u>(404,898)</u>	<u>(109,992)</u>
Net change in fund balances	568,773	(265,845)	(201,786)	(107,513)
Fund balance - beginning	171,338	439,667	499,815	222,420
Prior period adjustment	-	(169,465)	-	-
Fund balance - ending	<u>\$ 740,111</u>	<u>\$ 4,357</u>	<u>\$ 298,029</u>	<u>\$ 114,907</u>

<u>Paving &amp; Drainage</u>	<u>Special Revenues</u>	<u>Grants</u>	<u>Total</u>	<u>Capital Projects Fund Capital Projects</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,698,855	\$ 1,698,855
-	-	-	936,575	-	-	936,575
-	-	2,068,050	4,309,701	-	-	4,309,701
-	-	-	-	-	-	-
1,091,717	-	-	1,092,717	-	77,292	1,170,009
1,235	-	-	26,227	-	17,148	43,375
-	-	-	-	50,302	-	50,302
-	-	-	17,248	-	-	17,248
<u>1,092,952</u>	<u>-</u>	<u>2,068,050</u>	<u>6,382,468</u>	<u>50,302</u>	<u>1,793,295</u>	<u>8,226,065</u>
-	-	474,237	1,788,088	-	8,053	1,796,141
-	-	1,369,614	2,055,892	-	-	2,055,892
634,595	-	181,509	1,170,041	898,751	-	2,068,792
-	-	42,690	161,543	582,060	-	743,603
-	-	-	255,000	-	1,320,000	1,575,000
-	-	-	30,323	-	785,260	815,583
<u>634,595</u>	<u>-</u>	<u>2,068,050</u>	<u>5,460,887</u>	<u>1,480,811</u>	<u>2,113,313</u>	<u>9,055,011</u>
<u>458,357</u>	<u>-</u>	<u>-</u>	<u>921,581</u>	<u>(1,430,509)</u>	<u>(320,018)</u>	<u>(828,946)</u>
-	-	626	210,216	2,681,910	497,780	3,389,906
<u>(304,022)</u>	<u>-</u>	<u>-</u>	<u>(983,207)</u>	<u>-</u>	<u>(108,360)</u>	<u>(1,091,567)</u>
<u>(304,022)</u>	<u>-</u>	<u>626</u>	<u>(772,991)</u>	<u>2,681,910</u>	<u>389,420</u>	<u>2,298,339</u>
154,335	-	626	148,590	1,251,401	69,402	1,469,393
-	-	-	1,333,240	-	27,804	1,361,044
-	-	(626)	(170,091)	-	-	(170,091)
<u>\$ 154,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,739</u>	<u>\$ 1,251,401</u>	<u>\$ 97,206</u>	<u>\$ 2,660,346</u>



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# **Governmental Funds**

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

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

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

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

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

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

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

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

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

**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, 2010**

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Taxes:				
Property				
Current	\$ 11,900,000	\$ 11,900,000	\$ 12,100,382	\$ 200,382
Delinquent	703,000	703,000	913,937	210,937
Penalty & interest	544,200	544,200	552,990	8,790
Total property taxes	<u>13,147,200</u>	<u>13,147,200</u>	<u>13,567,309</u>	<u>420,109</u>
Sales	7,835,500	7,325,500	7,717,020	391,520
Franchise				
Telephone	267,500	267,500	249,823	(17,677)
Electric	1,359,500	1,359,500	1,406,195	46,695
Cable	139,100	139,100	332,562	193,462
Gas	113,300	113,300	87,643	(25,657)
Total franchise taxes	<u>1,879,400</u>	<u>1,879,400</u>	<u>2,076,223</u>	<u>196,823</u>
Other	168,800	168,800	139,015	(29,785)
Total taxes	<u>23,030,900</u>	<u>22,520,900</u>	<u>23,499,567</u>	<u>978,667</u>
Licenses and permits				
Building	220,000	220,000	328,335	108,335
Vocational	150,000	150,000	124,546	(25,454)
Other	75,000	75,000	97,464	22,464
Total licenses & permits	<u>445,000</u>	<u>445,000</u>	<u>550,345</u>	<u>105,345</u>
Intergovernmental				
Local school districts	310,580	310,580	256,841	(53,739)
County	6,000	6,000	12,400	6,400
Total intergovernmental	<u>316,580</u>	<u>316,580</u>	<u>269,241</u>	<u>(47,339)</u>
Fees and charges:				
Sanitation	2,040,000	2,040,000	2,292,495	252,495
Brush	936,000	936,000	993,446	57,446
Other	628,640	628,640	723,647	95,007
Total fees & charges	<u>3,604,640</u>	<u>3,604,640</u>	<u>4,009,588</u>	<u>404,948</u>
Fines				
Court	1,172,000	1,172,000	1,058,192	(113,808)
Other	38,400	38,400	49,297	10,897
Total fines	<u>1,210,400</u>	<u>1,210,400</u>	<u>1,107,489</u>	<u>(102,911)</u>
Special assessments	57,190	57,190	-	(57,190)
Interest income	160,000	160,000	263,656	103,656
Other	132,930	132,930	465,110	332,180
<b>Total revenues</b>	<u>\$ 28,957,640</u>	<u>\$ 28,447,640</u>	<u>\$ 30,164,996</u>	<u>\$ 1,717,356</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, 2010**

**EXPENDITURES**

Current:

General government

City manager	947,390	974,390	965,564	8,826
Finance	679,370	683,270	613,318	69,952
Administrative services	455,470	458,090	469,920	(11,830)
Planning	910,510	918,130	845,102	73,028
Non-departmental	3,679,440	3,654,940	1,919,067	1,735,873
Total general government	<u>6,672,180</u>	<u>6,688,820</u>	<u>4,812,971</u>	<u>1,875,849</u>

Public safety

Police	10,366,060	10,437,140	10,231,462	205,678
Traffic safety	969,100	1,040,895	929,477	111,418
Court	391,270	393,940	349,470	44,470
Fire	5,331,710	5,366,430	4,955,513	410,917
Total public safety	<u>17,058,140</u>	<u>17,238,405</u>	<u>16,465,922</u>	<u>772,483</u>

Highways and streets

2,009,740	2,067,985	1,943,209	124,776
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Health and welfare

Garbage	1,680,000	1,680,000	1,633,071	46,929
Brush	600,000	600,000	543,332	56,668
Animal control	236,250	236,250	246,476	(10,226)
Total health and welfare	<u>2,516,250</u>	<u>2,516,250</u>	<u>2,422,879</u>	<u>93,371</u>

Culture and recreation

Library	1,048,200	1,056,990	973,007	83,983
Parks	2,028,340	2,041,750	1,947,763	93,987
Total culture and recreation	<u>3,076,540</u>	<u>3,098,740</u>	<u>2,920,770</u>	<u>177,970</u>
Total expenditures	<u>31,332,850</u>	<u>31,610,200</u>	<u>28,565,751</u>	<u>3,044,449</u>

Excess (deficiency) of revenues  
over (under) expenditures

(2,375,210)	(3,162,560)	1,599,245	4,761,805
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**OTHER FINANCING SOURCES (USES)**

Transfers in

Bridge	2,000,000	2,000,000	2,000,000	-
Utility	314,600	314,600	314,600	-
Golf	30,000	30,000	30,000	-
Community Development	-	-	19,295	19,295
PEDC	124,500	2,760,240	3,860,240	1,100,000
Total transfers in	<u>2,469,100</u>	<u>5,104,840</u>	<u>6,224,135</u>	<u>1,119,295</u>

Transfers (out)

Grants	-	-	(626)	(626)
Golf	-	-	(19,576)	(19,576)
Volunteer firemen	(30,000)	(30,000)	-	30,000
Capital Improvement Project	-	(1,015,550)	(1,045,828)	(30,278)
Community Development	(64,590)	(64,590)	(64,590)	-
Total transfers (out)	<u>(94,590)</u>	<u>(1,110,140)</u>	<u>(1,130,620)</u>	<u>(20,480)</u>

Total other financing sources  
and uses

2,374,510	3,994,700	5,093,515	1,098,815
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Net change in fund balance

(700)	832,140	6,692,760	5,860,620
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Fund balance - beginning

8,439,147	8,439,147	8,439,147	-
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Fund balance - ending

\$ <u>8,438,447</u>	\$ <u>9,271,287</u>	\$ <u>15,131,907</u>	\$ <u>5,860,620</u>
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**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 1,230,384	\$ 930,384
Interest income	5,000	5,000	9,723	4,723
Other	-	-	10,800	10,800
Total revenues	<u>305,000</u>	<u>305,000</u>	<u>1,250,907</u>	<u>945,907</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>305,000</u>	<u>305,000</u>	<u>682,134</u>	<u>(377,134)</u>
Total expenditures	<u>305,000</u>	<u>305,000</u>	<u>682,134</u>	<u>(377,134)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>568,773</u>	<u>568,773</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<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>-</u>	<u>-</u>	<u>568,773</u>	<u>568,773</u>
Fund balance - beginning	<u>171,338</u>	<u>171,338</u>	<u>171,338</u>	<u>-</u>
Fund balance - ending	<u>\$ 171,338</u>	<u>\$ 171,338</u>	<u>\$ 740,111</u>	<u>\$ 568,773</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, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Budget Basis</b>	<b>Final Variance Budget Basis</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,329,970	\$ 2,329,970	\$ 1,011,267	\$ (1,318,703)
Interest income	-	-	842	842
Other	-	-	6,418	6,418
<b>Total revenues</b>	<b><u>2,329,970</u></b>	<b><u>2,329,970</u></b>	<b><u>1,018,527</u></b>	<b><u>(1,311,443)</u></b>
<b>EXPENDITURES</b>				
Current:				
General government	435,550	436,580	568,410	(131,830)
Public safety	5,000	5,000	4,144	856
Highways and streets	1,469,000	1,469,000	353,937	1,115,063
Culture and recreation	117,850	117,850	117,853	(3)
Debt service:				
Principal	255,000	255,000	255,000	-
Interest	112,160	112,160	30,323	81,837
<b>Total expenditures</b>	<b><u>2,394,560</u></b>	<b><u>2,395,590</u></b>	<b><u>1,329,667</u></b>	<b><u>1,065,923</u></b>
Excess (deficiency) of revenues over (under) expenditures	<u>(64,590)</u>	<u>(65,620)</u>	<u>(311,140)</u>	<u>(245,520)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	64,590	64,590	64,590	-
Transfers (out)	-	-	(19,295)	(19,295)
<b>Total other financing sources     and uses</b>	<b><u>64,590</u></b>	<b><u>64,590</u></b>	<b><u>45,295</u></b>	<b><u>(19,295)</u></b>
Net change in fund balance	-	(1,030)	(265,845)	(264,815)
Fund balance - beginning	439,667	439,667	439,667	-
Prior period adjustment	-	-	(169,465)	(169,465)
Fund balance - ending	<b><u>\$ 439,667</u></b>	<b><u>\$ 438,637</u></b>	<b><u>\$ 4,357</u></b>	<b><u>\$ (434,280)</u></b>

**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Other	\$ 854,600	\$ 854,600	\$ 936,575	\$ 81,975
Interest income	30,000	30,000	11,948	(18,052)
Other	-	-	30	30
Total revenues	<u>884,600</u>	<u>884,600</u>	<u>948,553</u>	<u>63,953</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,003,360	1,544,560	745,441	799,119
Total expenditures	<u>1,003,360</u>	<u>1,544,560</u>	<u>745,441</u>	<u>799,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(118,760)</u>	<u>(659,960)</u>	<u>203,112</u>	<u>863,072</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(77,830)	(77,830)	(404,898)	(327,068)
Total other financing sources and uses	<u>(77,830)</u>	<u>(77,830)</u>	<u>(404,898)</u>	<u>(327,068)</u>
Net change in fund balance	(196,590)	(737,790)	(201,786)	536,004
Fund balance - beginning	<u>499,815</u>	<u>499,815</u>	<u>499,815</u>	<u>-</u>
Fund balance - ending	<u>\$ 303,225</u>	<u>\$ (237,975)</u>	<u>\$ 298,029</u>	<u>\$ 536,004</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and charges:				
Other	\$ 28,000	\$ 28,000	\$ 1,000	\$ (27,000)
Interest income	3,000	3,000	2,479	(521)
Total revenues	<u>31,000</u>	<u>31,000</u>	<u>3,479</u>	<u>(27,521)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	270,000	270,000	1,000	269,000
Total expenditures	<u>270,000</u>	<u>270,000</u>	<u>1,000</u>	<u>269,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(239,000)</u>	<u>(239,000)</u>	<u>2,479</u>	<u>241,479</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	145,000	145,000
Transfers (out)	-	-	(254,992)	(254,992)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(109,992)</u>	<u>(109,992)</u>
Net change in fund balance	(239,000)	(239,000)	(107,513)	131,487
Fund balance - beginning	<u>222,420</u>	<u>222,420</u>	<u>222,420</u>	<u>-</u>
Fund balance - ending	<u>\$ (16,580)</u>	<u>\$ (16,580)</u>	<u>\$ 114,907</u>	<u>\$ 131,487</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and charges:				
Other	\$ 660,000	\$ 660,000	\$ 1,091,717	\$ 431,717
Interest income	13,000	13,000	1,235	(11,765)
Total revenues	<u>673,000</u>	<u>673,000</u>	<u>1,092,952</u>	<u>419,952</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	673,000	673,000	634,595	38,405
Total expenditures	<u>673,000</u>	<u>673,000</u>	<u>634,595</u>	<u>38,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>458,357</u>	<u>458,357</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	-	-	(304,022)	(304,022)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(304,022)</u>	<u>(304,022)</u>
Net change in fund balance	-	-	154,335	154,335
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,335</u>	<u>\$ 154,335</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 3,129,800	\$ 3,129,800	\$ 2,068,050	\$ (1,061,750)
Total revenues	<u>3,129,800</u>	<u>3,129,800</u>	<u>2,068,050</u>	<u>(1,061,750)</u>
<b>EXPENDITURES</b>				
Current:				
General government	600,000	600,000	474,237	125,763
Public safety	1,873,020	1,873,020	1,369,614	503,406
Highways and streets	-	-	181,509	(181,509)
Culture and recreation	164,640	164,640	42,690	121,950
Total expenditures	<u>2,637,660</u>	<u>2,637,660</u>	<u>2,068,050</u>	<u>569,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>492,140</u>	<u>492,140</u>	<u>-</u>	<u>(492,140)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	626	626
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>626</u>	<u>626</u>
Net change in fund balance	492,140	492,140	626	(491,514)
Fund balance - beginning	-	-	-	-
Prior period adjustment	-	-	(626)	(626)
Fund balance - ending	<u>\$ 492,140</u>	<u>\$ 492,140</u>	<u>\$ -</u>	<u>\$ (492,140)</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Contributions and donations	\$ -	\$ -	\$ 50,302	\$ 50,302
Total revenues	<u>-</u>	<u>-</u>	<u>50,302</u>	<u>50,302</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	-	1,015,550	898,751	116,799
Culture and recreation	<u>-</u>	<u>-</u>	<u>582,060</u>	<u>(582,060)</u>
Total expenditures	<u>-</u>	<u>1,015,550</u>	<u>1,480,811</u>	<u>(465,261)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,015,550)</u>	<u>(1,430,509)</u>	<u>(414,959)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>1,015,550</u>	<u>2,681,910</u>	<u>1,666,360</u>
Total other financing sources and uses	<u>-</u>	<u>1,015,550</u>	<u>2,681,910</u>	<u>1,666,360</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>1,251,401</u>	<u>1,251,401</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,401</u>	<u>\$ 1,251,401</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,641,760	\$ 1,641,760	\$ 1,698,855	\$ 57,095
Fees and charges:				
Other	70,000	70,000	77,292	7,292
Interest income	15,000	15,000	17,148	2,148
Total revenues	<u>1,726,760</u>	<u>1,726,760</u>	<u>1,793,295</u>	<u>66,535</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,000	8,000	8,053	(53)
Debt service:				
Principal	1,320,000	1,320,000	1,320,000	-
Interest	788,180	788,180	785,260	2,920
Total expenditures	<u>2,116,180</u>	<u>2,116,180</u>	<u>2,113,313</u>	<u>2,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(389,420)</u>	<u>(389,420)</u>	<u>(320,018)</u>	<u>69,402</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	497,780	497,780	497,780	-
Transfers (out)	<u>(108,360)</u>	<u>(108,360)</u>	<u>(108,360)</u>	<u>-</u>
Bond/loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>389,420</u>	<u>389,420</u>	<u>389,420</u>	<u>-</u>
Net change in fund balance	-	-	69,402	69,402
Fund balance - beginning	<u>27,804</u>	<u>27,804</u>	<u>27,804</u>	<u>-</u>
Fund balance - ending	<u>\$ 27,804</u>	<u>\$ 27,804</u>	<u>\$ 97,206</u>	<u>\$ 69,402</u>

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

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

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

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

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

**CITY OF PHARR, TEXAS  
UTILITY FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water sales	\$ 6,250,000	\$ 6,250,000	\$ 6,414,780	\$ 164,780
Sewer service	5,080,000	5,080,000	5,039,571	(40,429)
Tap fees	200,000	200,000	292,234	92,234
Other	122,000	122,000	145,813	23,813
Total operating revenues	<u>11,652,000</u>	<u>11,652,000</u>	<u>11,892,398</u>	<u>240,398</u>
<b>OPERATING EXPENSES</b>				
Personnel services	2,391,680	2,493,930	2,379,301	114,629
Supplies and Materials	1,378,190	1,391,650	1,219,503	172,147
Contractual Services	2,227,920	2,283,310	2,150,866	132,444
Depreciation	-	-	1,839,230	(1,839,230)
Total operating expenses	<u>5,997,790</u>	<u>6,168,890</u>	<u>7,588,900</u>	<u>(1,420,010)</u>
Operating income (loss)	<u>5,654,210</u>	<u>5,483,110</u>	<u>4,303,498</u>	<u>(1,179,612)</u>
<b>NON OPERATING REVENUES/(EXPENSES):</b>				
Investment earnings	500,000	500,000	872,540	372,540
Interest expense	(4,292,110)	(4,292,110)	(1,441,741)	2,850,369
Amortization expense	-	-	(109,380)	(109,380)
Intergovernmental	-	-	1,731,334	1,731,334
Other	18,200	18,200	32,307	14,107
Total nonoperating revenues/ (expenses)	<u>(3,773,910)</u>	<u>(3,773,910)</u>	<u>1,085,060</u>	<u>4,858,970</u>
Income before contributions and transfers	<u>1,880,300</u>	<u>1,709,200</u>	<u>5,388,558</u>	<u>3,679,358</u>
Transfers in	1,216,000	1,216,000	-	(1,216,000)
Transfers (out)	(1,515,800)	(1,367,200)	(314,600)	1,052,600
Capital contributions	-	-	581,114	581,114
Changes in net assets	1,580,500	1,558,000	5,655,072	4,097,072
Total net assets - beginning	71,361,511	71,361,511	71,361,511	-
Prior period adjustment	-	-	(581,096)	(581,096)
Total net assets - ending	<u>\$ 72,942,011</u>	<u>\$ 72,919,511</u>	<u>\$ 76,435,487</u>	<u>\$ 3,515,976</u>

**CITY OF PHARR, TEXAS**  
**INTERNATIONAL BRIDGE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Toll fees	\$ 7,984,800	\$ 8,882,060	\$ 10,536,992	\$ 1,654,932
Other	85,000	85,000	122,924	37,924
Total operating revenues	<u>8,069,800</u>	<u>8,967,060</u>	<u>10,659,916</u>	<u>1,692,856</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,016,200	1,084,680	1,001,213	83,467
Supplies and Materials	73,000	77,500	67,573	9,927
Contractual Services	879,200	1,045,200	899,237	145,963
Depreciation	-	-	772,240	(772,240)
Total operating expenses	<u>1,968,400</u>	<u>2,207,380</u>	<u>2,740,263</u>	<u>(532,883)</u>
Operating income (loss)	<u>6,101,400</u>	<u>6,759,680</u>	<u>7,919,653</u>	<u>1,159,973</u>
<b>NON OPERATING REVENUES/(EXPENSES):</b>				
Investment earnings	60,000	60,000	130,360	70,360
Interest expense	(2,710,370)	(2,710,370)	(465,684)	2,244,686
Amortization expense	-	-	(221,718)	(221,718)
Other	50,000	50,000	70,917	20,917
Total nonoperating revenues/ (expenses)	<u>(2,600,370)</u>	<u>(2,600,370)</u>	<u>(286,125)</u>	<u>2,314,245</u>
Income before contributions and transfers	<u>3,501,030</u>	<u>4,159,310</u>	<u>7,633,528</u>	<u>3,474,218</u>
Transfers in	186,190	186,190	483,570	297,380
Transfers (out)	(3,517,220)	(4,000,000)	(2,000,000)	2,000,000
Changes in net assets	170,000	345,500	6,117,098	5,771,598
Total net assets - beginning	<u>13,292,193</u>	<u>13,292,193</u>	<u>13,292,193</u>	<u>-</u>
Total net assets - ending	<u>\$ 13,462,193</u>	<u>\$ 13,637,693</u>	<u>\$ 19,409,291</u>	<u>\$ 5,771,598</u>

**CITY OF PHARR, TEXAS  
GOLF FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Golf services	\$ 730,000	\$ 730,000	\$ 674,868	\$ (55,132)
Other	120,000	120,000	130,614	10,614
Total operating revenues	<u>850,000</u>	<u>850,000</u>	<u>805,482</u>	<u>(44,518)</u>
<b>OPERATING EXPENSES</b>				
Personnel services	519,440	527,120	521,600	5,520
Supplies and Materials	77,820	74,220	71,560	2,660
Contractual Services	240,450	243,050	244,493	(1,443)
Depreciation	-	-	196,830	(196,830)
Total operating expenses	<u>837,710</u>	<u>844,390</u>	<u>1,034,483</u>	<u>(190,093)</u>
Operating income (loss)	<u>12,290</u>	<u>5,610</u>	<u>(229,001)</u>	<u>(234,611)</u>
<b>NON OPERATING REVENUES/(EXPENSES):</b>				
Investment earnings	2,000	2,000	5,224	3,224
Interest expense	(14,290)	(14,290)	(430)	13,860
Other	30,000	30,000	27,732	(2,268)
Total nonoperating revenues/ (expenses)	<u>17,710</u>	<u>17,710</u>	<u>32,526</u>	<u>14,816</u>
Income before contributions and transfers	<u>30,000</u>	<u>23,320</u>	<u>(196,475)</u>	<u>(219,795)</u>
Transfers in	-	-	19,576	19,576
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Changes in net assets	-	(6,680)	(206,899)	(200,219)
Total net assets - beginning	<u>4,037,055</u>	<u>4,037,055</u>	<u>4,037,055</u>	<u>-</u>
Total net assets - ending	<u>\$ 4,037,055</u>	<u>\$ 4,030,375</u>	<u>\$ 3,830,156</u>	<u>\$ (200,219)</u>

**CITY OF PHARR, TEXAS  
GARAGE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Other	\$ 444,760	\$ 461,840	\$ 418,429	\$ (43,411)
Total operating revenues	<u>444,760</u>	<u>461,840</u>	<u>418,429</u>	<u>(43,411)</u>
<b>OPERATING EXPENSES</b>				
Personnel services	151,510	168,590	157,095	11,495
Supplies and Materials	8,950	7,750	6,203	1,547
Contractual Services	284,300	285,500	255,137	30,363
Depreciation	-	-	28,896	(28,896)
Total operating expenses	<u>444,760</u>	<u>461,840</u>	<u>447,331</u>	<u>14,509</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>(28,902)</u>	<u>(28,902)</u>
<b>NON OPERATING REVENUES/(EXPENSES):</b>				
Other	-	-	-	-
Total nonoperating revenues/ (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before contributions and transfers	<u>-</u>	<u>-</u>	<u>(28,902)</u>	<u>(28,902)</u>
Transfers (out)	-	-	-	-
Changes in net assets	-	-	(28,902)	(28,902)
Total net assets - beginning	<u>659,642</u>	<u>659,642</u>	<u>659,642</u>	<u>-</u>
Total net assets - ending	<u>\$ 659,642</u>	<u>\$ 659,642</u>	<u>\$ 630,740</u>	<u>\$ (28,902)</u>

# Combining Financial Statements

## INTERNAL SERVICE FUND

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

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

**CITY OF PHARR, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

		<u>City Garage</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$	66,242
Inventories		11,375
Total current assets		<u>77,617</u>
Noncurrent assets:		
Capital assets (net of accumulated: depreciation):		
Buildings		484,367
Improvements other than buildings		93,897
Machinery and equipment		29,929
Total capital assets, net of accumulated depreciation		<u>608,193</u>
Total noncurrent assets		<u>608,193</u>
Total assets	\$	<u><u>685,810</u></u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	\$	22,508
Due to other funds		4,864
Total current liabilities		<u>27,372</u>
Current liabilities payable from restricted assets:		
Matured accrued compensation		5,791
Total current liabilities payable from restricted assets		<u>5,791</u>
Noncurrent liabilities:		
Accrued compensation		21,907
Total noncurrent liabilities		<u>21,907</u>
Total liabilities		<u>55,070</u>
<b><u>NET ASSETS</u></b>		
Net assets:		
Invested in capital assets, net of related debt		608,193
Unrestricted		22,547
Total net assets	\$	<u><u>630,740</u></u>

**CITY OF PHARR, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>City Garage</b>
Operating revenues:	
Charges for sales and services:	
Other	\$ 418,429
Total operating revenues	418,429
Operating expenses:	
Personnel services	157,095
Supplies and Materials	6,203
Contractual Services	255,137
Depreciation	28,896
Total operating expenses	447,331
Operating income (loss)	(28,902)
Nonoperating revenues (expenses):	
Other	-
Total nonoperating revenues (expenses)	-
Income before contributions and transfers	(28,902)
Transfers out	-
Changes in net assets	(28,902)
Total net assets - beginning	659,642
Total net assets - ending	\$ 630,740

**CITY OF PHARR, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

		<b>City Garage</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$	418,429
Payments to suppliers		(4,116)
Payments to employees		(154,881)
Payments for contractual services		(250,883)
Net cash flow from operating activities		8,549
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances (to)/from other funds		1,826
Transfers out to other funds		1,331
Net cash provided (used) by noncapital and related financing activities		3,157
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets		-
Net cash provided (used) by capital and related financing activities		-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received		-
Net cash provided (used) by investing activities		-
Net increase/(decrease) in cash		11,706
Cash beginning of fiscal year		54,536
Cash end of fiscal year	\$	66,242
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$	(28,902)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		28,896
(Increase) Decrease in Inventories		2,088
Increase (Decrease) in Accounts Payable		4,253
Increase (Decrease) in Accrued Compensation		2,214
Total adjustments		37,451
Net cash provided by operating activities	\$	8,549



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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>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	89
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	94
<b>Debt Capacity</b>	
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.	98
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place	103
<b>Operating Information</b>	
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.	105

**City of Pharr, Texas**  
**Net Assets by Component**  
**Last Eight Fiscal Years<sup>1</sup>**  
**(Accrual Basis of Accounting)**  
**(amount expressed in thousands)**

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

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

**City of Pharr, Texas**  
**Changes in Net Asset**  
**Last Eight Fiscal Years<sup>1</sup>**  
**(Accrual Basis of Accounting)**  
**(amount expressed in thousands)**

Expenses	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>								
General government	\$ 6,484	\$ 4,386	\$ 5,463	\$ 7,181	\$ 8,178	\$ 8,265	\$ 7,594	\$ 8,061
Public safety	10,331	13,179	14,069	15,000	16,504	18,495	19,177	19,775
Streets		2,140	2,276	2,361	2,442	2,114	2,268	3,102
Sanitation	2,453	3,411	3,519	3,227	3,518	4,537	2,312	2,008
Culture and recreation	826	3,156	3,248	3,253	3,340	3,831	3,563	3,890
Economic development	105	2,503	2,198	1,754	2,653	-	-	-
Debt service	1,880	1,537	1,478	1,365	1,433	1,122	1,041	885
<b>Total governmental activities expenses</b>	<b>22,079</b>	<b>30,312</b>	<b>32,251</b>	<b>34,141</b>	<b>38,068</b>	<b>38,365</b>	<b>35,955</b>	<b>37,721</b>
<b>Business-type activities:</b>								
Utility	5,085	6,298	6,885	7,576	7,879	9,291	9,125	9,140
Toll Bridge	2,070	3,244	3,830	3,156	3,454	3,300	2,975	3,428
Tierra Del Sol Golf Course	965	1,239	988	1,054	1,241	1,171	1,047	1,035
<b>Total business-type activities expenses</b>	<b>8,120</b>	<b>10,781</b>	<b>11,703</b>	<b>11,786</b>	<b>12,574</b>	<b>13,763</b>	<b>13,146</b>	<b>13,603</b>
<b>Total primary government expenses</b>	<b>\$ 30,199</b>	<b>\$ 41,093</b>	<b>\$ 43,954</b>	<b>\$ 45,927</b>	<b>\$ 50,642</b>	<b>\$ 52,127</b>	<b>\$ 49,102</b>	<b>\$ 51,323</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
General government	\$ 125	\$ 705	\$ 2,051	\$ 208	\$ 1,790	\$ 2,375	\$ 1,970	\$ 1,734
Public Safety	11	1,038	63	571	1,908	1,662	3,841	999
Streets	-	-	-	85	472	67	3	1,093
Sanitation	3,055	3,069	3,464	3,006	3,274	4,969	3,256	3,347
Culture and recreation	71	488	489	131	911	372	131	128
Economic development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Operating grants and contributions	79	1,944	1,753	1,648	1,867	2,465	2,448	4,227
Capital grants and contributions	3,349	1,067	-	1,094	-	1,481	256	508
<b>Total governmental activities program revenues</b>	<b>6,690</b>	<b>8,311</b>	<b>7,820</b>	<b>6,743</b>	<b>10,222</b>	<b>13,391</b>	<b>11,906</b>	<b>12,035</b>
<b>Business-type activities:</b>								
<b>Charges for services:</b>								
Utility	6,079	6,475	7,645	11,200	10,851	12,483	12,461	11,892
Toll Bridge	5,811	6,669	7,611	7,714	8,058	8,281	9,301	10,660
Tierra Del Sol Golf Course	696	737	809	350	631	766	856	805
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	2,936	250	-	-	6,940	13,899	2,512
<b>Total business-type activities program revenues</b>	<b>12,586</b>	<b>16,817</b>	<b>16,315</b>	<b>19,264</b>	<b>19,540</b>	<b>28,469</b>	<b>36,517</b>	<b>25,870</b>
<b>Total primary government program revenues</b>	<b>\$ 19,276</b>	<b>\$ 25,128</b>	<b>\$ 24,135</b>	<b>\$ 26,007</b>	<b>\$ 29,762</b>	<b>\$ 41,861</b>	<b>\$ 48,423</b>	<b>\$ 37,905</b>
<b>Net (expense)/revenue</b>								
Governmental activities	\$ (15,389)	\$ (22,001)	\$ (24,431)	\$ (27,398)	\$ (27,846)	\$ (24,973)	\$ (24,049)	\$ (25,686)
Business-type activities	4,466	6,036	4,612	7,478	6,966	14,707	23,371	12,268
<b>Total primary government net expense</b>	<b>\$ (10,923)</b>	<b>\$ (15,965)</b>	<b>\$ (19,819)</b>	<b>\$ (19,920)</b>	<b>\$ (20,880)</b>	<b>\$ (10,267)</b>	<b>\$ (679)</b>	<b>\$ (13,418)</b>

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 6,328	\$ 8,595	\$ 9,713	\$ 10,475	\$ 11,276	\$ 13,082	\$ 14,900	\$ 15,265
Sales taxes	8,272	9,297	10,043	11,346	11,160	11,305	10,558	10,289
Other Taxes	289	2,163	2,283	2,543	2,912	3,087	2,807	3,152
Investment earnings	440	162	306	419	445	357	296	361
Grants, Donations, and Miscellaneous	2,004	1,459	2,657	3,854	2,159	365	458	105
Transfers	-	1,640	6,362	2,288	8,655	2,190	3,182	1,841
Total governmental activities	<u>17,333</u>	<u>23,316</u>	<u>31,364</u>	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>	<u>32,201</u>	<u>31,014</u>
Business-type activities:								
Investment earnings	-	35	610	1,011	866	1,451	877	1,008
Grants, Donations, and Miscellaneous	699	403	10	-	495	218	107	131
Transfers	-	(1,640)	(6,362)	(2,288)	(8,655)	(2,190)	(3,182)	(1,841)
Total business-type activities	<u>699</u>	<u>(1,202)</u>	<u>(5,742)</u>	<u>(1,277)</u>	<u>(7,294)</u>	<u>(521)</u>	<u>(2,197)</u>	<u>(702)</u>
Total primary government	<u>\$ 18,032</u>	<u>\$ 22,114</u>	<u>\$ 25,622</u>	<u>\$ 29,648</u>	<u>\$ 29,313</u>	<u>\$ 29,865</u>	<u>\$ 30,003</u>	<u>\$ 30,312</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 1,944	\$ 1,315	\$ 6,933	\$ 3,527	\$ 8,761	\$ 5,413	\$ 8,152	\$ 5,328
Business-type activities	\$ 5,165	\$ 4,834	(1,130)	6,201	(328)	14,185	21,173	11,565
Total primary government	<u>\$ 7,109</u>	<u>\$ 6,149</u>	<u>\$ 5,803</u>	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,598</u>	<u>\$ 29,325</u>	<u>\$ 16,894</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>										
Reserved	\$ 60	\$ 54	\$ 54	\$ 3,037	\$ 3,903	\$ 7,405	\$11,002	\$ 1,049	\$ 102	\$ 231
Unreserved, undesignated	4,091	3,825	3,489	1,433	602	195	(6,402)	2,081	8,338	14,901
Designated	-	-	-	-	1,327	-	-	756	-	-
Total general fund	<u>\$ 4,151</u>	<u>\$ 3,879</u>	<u>\$ 3,543</u>	<u>\$ 4,470</u>	<u>\$ 5,832</u>	<u>\$ 7,600</u>	<u>\$ 4,600</u>	<u>\$ 3,886</u>	<u>\$ 8,440</u>	<u>\$ 15,132</u>
<b>All other governmental funds</b>										
Reserved	\$ 74	\$ 1,025	\$ (15)	\$ 1,369	\$ 2,894	\$ 5,447	\$ 7,572	\$ 4,718	\$ 6,407	\$ 2,501
Unreserved, reported in:										
Special revenue funds	168	200	2	824	3,573	142	2,425	3,238	1,333	1,086
Capital projects funds	12,422	10,536	4,534	-	-	(2,590)	(1,508)	-	-	1,251
Debt service funds	271	314	356	-	-	1,044	-	-	-	-
Total all other governmental funds	<u>\$12,935</u>	<u>\$12,075</u>	<u>\$ 4,877</u>	<u>\$ 2,193</u>	<u>\$ 6,467</u>	<u>\$ 4,043</u>	<u>\$ 8,489</u>	<u>\$ 7,956</u>	<u>\$ 7,740</u>	<u>\$ 4,839</u>
Total governmental fund balances	<u>\$17,086</u>	<u>\$15,954</u>	<u>\$ 8,420</u>	<u>\$ 6,663</u>	<u>\$12,299</u>	<u>\$11,644</u>	<u>\$13,089</u>	<u>\$ 11,842</u>	<u>\$ 16,180</u>	<u>\$ 19,970</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>										
Taxes	\$ 12,734	\$ 14,205	\$ 15,051	\$ 20,022	\$ 21,929	\$ 24,350	\$ 25,972	\$ 27,370	\$ 28,215	\$ 28,707
Licenses and permits	533	712	688	555	681	1,468	886	685	682	550
Intergovernmental	1,674	3,210	3,606	3,431	2,296	1,178	1,751	2,455	2,448	4,579
Charges for services	2,785	3,042	3,558	3,647	3,971	4,287	5,073	6,382	4,468	5,226
Fines	411	518	761	1,056	1,415	968	800	880	1,122	1,107
Investment earnings	474	644	440	162	306	419	445	349	296	361
Miscellaneous	686	982	1,318	1,079	1,481	2,127	1,970	644	254	533
Total Revenues	<u>19,297</u>	<u>23,313</u>	<u>25,422</u>	<u>29,952</u>	<u>32,079</u>	<u>34,797</u>	<u>36,897</u>	<u>38,765</u>	<u>37,486</u>	<u>41,064</u>
<b>Expenditures</b>										
General government	9,141	13,231	16,536	8,287	6,985	14,218	12,943	6,034	6,220	6,609
Public safety	7,900	8,708	9,767	11,558	13,452	15,391	15,642	19,392	18,846	18,522
Highways and streets	740	942	1,287	2,076	5,351	2,542	2,121	4,443	2,499	4,012
Sanitation	2,108	2,226	2,235	3,059	-	3,021	3,483	4,306	2,318	2,423
Culture and recreation	477	601	752	3,168	3,323	977	3,422	5,661	3,472	3,664
Economic development	470	117	933	2,149	2,109	3,120	5,757	2,067	2,165	1,360
Debt service - Principal	781	1,080	1,768	1,690	1,554	1,912	3,904	3,371	3,335	1,781
Debt service - Interest	777	1,535	1,401	1,537	1,657	891	1,225	1,009	978	819
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>22,394</u>	<u>28,440</u>	<u>34,679</u>	<u>33,524</u>	<u>34,431</u>	<u>42,072</u>	<u>48,497</u>	<u>46,283</u>	<u>39,833</u>	<u>39,191</u>
Excess of revenues over (under) expenditures	(3,097)	(5,127)	(9,257)	(3,572)	(2,352)	(7,275)	(11,600)	(7,518)	(2,347)	1,872
<b>Other financing sources (uses)</b>										
Transfers in	705	1,524	1,986	2,302	10,721	4,044	9,298	16,941	6,066	9,951
Transfers out	(20)	(9)	-	(662)	(4,359)	(1,756)	(669)	(14,415)	(2,882)	(8,110)
Proceeds of Long Term Debt	12,204	-	-	312	16,567	3,120	2,480	2,877	-	-
Other	-	-	-	-	(15,149)	979	3,479	1,819	3,587	245
Total other financing sources (uses)	<u>12,889</u>	<u>1,515</u>	<u>1,986</u>	<u>1,952</u>	<u>7,780</u>	<u>6,387</u>	<u>14,588</u>	<u>7,222</u>	<u>6,771</u>	<u>2,086</u>
Net change in fund balances	<u>\$ 9,792</u>	<u>\$ (3,612)</u>	<u>\$ (7,271)</u>	<u>\$ (1,620)</u>	<u>\$ 5,428</u>	<u>\$ (888)</u>	<u>\$ 2,988</u>	<u>\$ (297)</u>	<u>\$ 4,424</u>	<u>\$ 3,959</u>
Debt service as a percentage of noncapital expenditures	7.5%	10.1%	10.1%	10.7%	10.3%	7.1%	11.8%	10.5%	12.1%	7.1%

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

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Minerals</u>	<u>Other</u>	<u>Total Assessed</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value<sup>1</sup> as a Percentage of Actual Value</u>
2001	2000	N/A	N/A	N/A	N/A	N/A	917,247	34,266	882,981	0.662	882,981	103.88%
2002	2001	787,288	226,387	10,117	47,909	125,419	1,003,668	33,547	970,122	0.690	970,122	103.46%
2003	2002	862,278	231,716	9,865	38,843	121,315	1,059,189	31,435	1,027,754	0.683	1,027,754	103.06%
2004	2003	1,029,748	283,257	10,850	41,693	130,142	1,239,070	35,865	1,203,205	0.683	1,203,205	102.98%
2005	2004	1,142,164	310,068	12,810	49,042	165,457	1,396,726	45,216	1,351,511	0.683	1,351,511	103.35%
2006	2005	1,217,836	327,593	13,845	52,742	162,458	1,489,878	47,732	1,442,146	0.683	1,442,146	103.31%
2007	2006	1,383,161	362,968	14,996	54,079	172,167	1,661,456	44,162	1,617,294	0.683	1,617,294	102.73%
2008	2007	1,549,417	397,886	14,537	51,312	195,896	1,847,671	50,825	1,796,846	0.683	1,796,846	102.83%
2009	2008	1,831,559	496,061	15,957	52,232	213,847	2,161,338	57,791	2,103,546	0.680	2,103,546	102.75%
2010	2009	1,852,609	528,963	16,672	49,303	242,187	2,226,371	64,605	2,161,766	0.680	2,161,766	102.99%

Source: Hidalgo County Central Appraisal District

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

<sup>1</sup>Includes tax-exempt property.

**City of Pharr, Texas**  
**Property Tax Rates<sup>1</sup> and Tax Levies**  
**Direct and Overlapping<sup>2</sup> 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
2001	\$ 0.565	\$ 0.098	\$ 0.662	\$ 0.046	\$ -	\$ 0.046	\$ 0.459	\$ 0.060	\$ 0.520	\$ 1.500	\$ 0.135	\$ 1.635
2002	0.590	0.100	0.690	0.046	-	0.046	0.522	0.069	0.590	1.500	0.122	1.622
2003	0.596	0.087	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.122	1.622
2004	0.602	0.081	0.683	0.044	-	0.044	0.526	0.064	0.590	1.500	0.112	1.612
2005	0.593	0.090	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.114	1.614
2006	0.593	0.090	0.683	0.041	-	0.041	0.520	0.070	0.590	1.500	0.114	1.614
2007	0.596	0.087	0.683	0.040	0.009	0.049	0.516	0.075	0.591	1.040	0.171	1.211
2008	0.603	0.079	0.682	0.042	0.028	0.070	0.519	0.071	0.590	1.040	0.231	1.271
2009	0.602	0.078	0.680	0.045	0.028	0.073	0.513	0.077	0.590	1.040	0.261	1.301
2010	\$ 0.602	\$ 0.078	\$ 0.680	\$ 0.045	\$ 0.028	0.073	\$ 0.511	\$ 0.079	\$ 0.590	\$ 1.040	\$ 0.319	\$ 1.359

Fiscal Year Ending	Overlapping Tax Rates						Total Direct & Overlapping Rates
	South Texas ISD			South Texas College			
	Operating	Debt Service	Total	Operating	Debt Service	Total	
2001	\$ 0.039	\$ -	\$ 0.039	\$ 0.079	\$ 0.011	\$ 0.090	\$ 2.991
2002	0.039	-	0.039	0.110	0.068	0.178	3.164
2003	0.039	-	0.039	0.110	0.064	0.174	3.152
2004	0.039	-	0.039	0.110	0.055	0.165	3.132
2005	0.039	-	0.039	0.110	0.049	0.159	3.128
2006	0.039	-	0.039	0.110	0.045	0.155	3.122
2007	0.049	-	0.049	0.110	0.044	0.154	2.737
2008	0.049	-	0.049	0.110	0.040	0.150	2.812
2009	0.049	-	0.049	0.110	0.039	0.149	2.842
2010	\$ 0.049	\$ -	\$ 0.049	\$ 0.110	\$ 0.040	\$ 0.150	\$ 2.901

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

<sup>1</sup>Tax rate is per \$100 of taxable assessed value

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

**City of Pharr, Texas**  
**Principal Property Taxpayers**  
**Fiscal Year End 2010 and 2001**  
**(amounts expressed in thousands)**

<u>Taxpayer</u>	<u>2010</u>			<u>2001</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>
AEP Texas Central Co.	\$ 13,684	1	0.63%	-		-
Capote Farms LTD	13,647	2	0.63%	-		-
Shell Western E&P	13,192	3	0.61%	-		-
Wilder Corporation of Delaware	13,126	4	0.61%	11,470	2	1.30%
Central Power & Light	10,277	5	0.48%	10,710	4	1.21%
McAllen LEVCAL, LLC	9,988	6	0.46%	-		-
Frank Smith Toyota-Isuzu	7,243	7	0.34%	-		-
Southwestern Bell Tele	7,000	8	0.32%	11,282	3	1.28%
Gold Star Warehousing LTD	6,825	9	0.32%	11,413		1.29%
Wayne Windle Enterprises Et Al	6,825	10	0.32%	-		-
TotalFinaElf E&P USA INC	-		-	17,297	1	1.96%
Spigel, Stanley	-		-	8,805	5	1.00%
Home Depot, The	-		-	5,803	6	0.66%
City of Pharr	-		-	5,393	7	0.61%
H E Butt Grocery Company	-		-	4,994	8	0.57%
Matt's Cash & Carry	-		-	4,290	9	0.49%
Westbrae Enterprises, Inc	-		-	4,135	10	0.47%
<b>Totals</b>	<b><u>\$ 101,808</u></b>		<b>4.7%</b>	<b><u>\$ 95,591</u></b>		<b>10.8%</b>
<b>Assessed Taxable Value</b>	<b>\$ 2,161,766</b>			<b>\$ 882,981</b>		

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

<b>Fiscal Year</b>	<b>Tax</b>	<b>Total Tax</b>	<b>Collections within the</b>		<b>Delinquent</b>	<b>Total Collections to Date</b>	
			<b>Levy for</b>	<b>Fiscal Year of the Levy</b>		<b>Collections in</b>	<b>Percentage</b>
<b>Ended</b>	<b>Year</b>	<b>Fiscal Year</b>	<b>Amount</b>	<b>Percentage</b>	<b>Subsequent Years</b>	<b>Amount</b>	<b>of Levy</b>
2001	2000	\$ 5,671	\$ 4,979	87.8%	\$ 631	\$ 5,610	98.9%
2002	2001	6,423	5,762	89.7%	586	6,348	98.8%
2003	2002	7,092	6,323	89.2%	675	6,998	98.7%
2004	2003	8,220	7,423	90.3%	672	8,095	98.5%
2005	2004	9,233	8,335	90.3%	727	9,062	98.2%
2006	2005	9,831	8,980	91.3%	613	9,593	97.6%
2007	2006	11,014	10,094	91.6%	625	10,720	97.3%
2008	2007	12,275	11,231	91.5%	545	11,776	95.9%
2009	2008	14,567	13,391	91.9%	657	14,048	96.4%
2010	2009	\$ 14,824	\$ 13,673	92.2%	\$ -	\$ 13,673	92.2%

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 <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes			
2001	\$ -	\$ 26,060	\$ -	\$ 594	\$ 36,766	\$ 320	\$ -	\$ 63,740	0.06%	\$ 1,295
2002	-	25,500	1,960	242	32,327	389	-	60,418	0.06%	1,176
2003	-	24,170	1,785	632	36,882	289	-	63,758	0.06%	1,171
2004	-	23,330	5,278	471	31,707	305	2	61,093	0.06%	1,076
2005	16,110	7,085	4,683	698	21,444	86	-	50,106	0.08%	849
2006	16,025	6,070	5,746	1,544	20,042	246	-	49,673	0.08%	810
2007	15,935	5,000	4,962	1,550	61,711	815	5,995	95,968	0.04%	1,492
2008	15,840	3,885	2,801	3,550	66,975	337	4,590	97,978	0.04%	1,483
2009	15,130	3,330	731	2,503	64,510	1,016	3,125	90,345	0.04%	1,351
2010	\$ 14,395	\$ 2,745	\$ 270	\$ 1,621	\$ 61,345	\$ 713	\$ 1,595	\$ 82,684	0.03%	\$ 1,230

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

<sup>1</sup>See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</u>	<u>Per Capita<sup>2</sup></u>
2001	\$ -	0.00%	\$ -
2002	-	0.00%	-
2003	-	0.00%	-
2004	-	0.00%	-
2005	16,110	1.15%	273
2006	16,025	1.08%	261
2007	15,935	0.96%	248
2008	15,840	0.86%	240
2009	15,130	0.70%	226
2010	\$ 14,395	0.65%	\$ 214

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

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

<sup>2</sup> 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, 2010**  
**(amounts expressed in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 178,617	8.2%	\$ 14,635
Hidalgo Irrigation District #1	99,034	8.2%	8,119
South Texas College	68,385	37.0%	25,302
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	286,121	53.2%	<u>152,318</u>
Overlapping debt			200,374
City of Pharr direct debt	17,140	100.0%	<u>17,140</u>
Total direct and overlapping debt			<u>\$ 217,514</u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment.  
Debt outstanding data provided by the county. Data as of 12/31/2010.

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

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

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 91,725	\$ 100,367	\$ 105,919	\$ 123,907	\$ 139,673	\$ 148,988	\$ 166,146	\$ 184,767	\$ 216,134	\$ 222,637
Total net debt applicable to limit	<u>26,060</u>	<u>25,500</u>	<u>24,170</u>	<u>23,330</u>	<u>23,195</u>	<u>22,095</u>	<u>20,935</u>	<u>19,725</u>	<u>15,130</u>	<u>14,395</u>
Legal debt margin	<u>\$ 65,665</u>	<u>\$ 74,867</u>	<u>\$ 81,749</u>	<u>\$ 100,577</u>	<u>\$ 116,478</u>	<u>\$ 126,893</u>	<u>\$ 145,211</u>	<u>\$ 165,042</u>	<u>\$ 201,004</u>	<u>\$ 208,242</u>
Total net debt applicable to the limit as a percentage of debt limit	28.4%	25.4%	22.8%	18.8%	16.6%	14.8%	12.6%	10.7%	7.0%	6.5%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed Value	\$ 2,161,766
Add Back: exempt property	<u>64,605</u>
Total Assessed Value	\$ 2,226,371
Debt limit (10% of total assessed value)	222,637
Debt applicable to limit:	
General obligation bonds	<u>14,395</u>
Legal debt margin	<u><u>\$ 208,242</u></u>

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

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

**Water & Sewer Revenue Bonds**

<u>Fiscal Year</u>	<u>Utility Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2001	\$ 6,083	\$ 3,235	\$ 2,848	\$ 2,055	\$ 841	0.98
2002	6,038	3,612	2,426	2,168	780	0.82
2003	6,193	3,762	2,431	1,106	725	1.33
2004	6,605	4,311	2,294	1,231	646	1.22
2005	7,829	4,881	2,948	1,291	604	1.56
2006	11,594	5,695	5,899	937	542	3.99
2007	11,954	5,427	6,527	851	595	4.51
2008	13,820	5,910	7,910	2,265	1,872	1.91
2009	13,259	5,714	7,545	2,330	1,807	1.82
2010	\$ 12,473	\$ 5,750	\$ 6,723	\$ 2,385	\$ 1,749	1.63

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

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

<b>Fiscal Year</b>	<b><u>Population</u><sup>1</sup></b>	<b><u>Median Household Income</u></b>	<b><u>Per Capita Personal Income</u></b>	<b><u>Median Age</u></b>	<b><u>Education Level in Years of Formal Schooling</u><sup>2</sup></b>	<b><u>School Enrollment</u><sup>3</sup></b>	<b><u>Unemployment Rate</u><sup>4</sup></b>
2001	49,224	38,967	9,462	27.4	47.3%	22,537	8.1%
2002	51,362	38,967	9,462	27.4	47.3%	23,826	8.6%
2003	54,452	38,967	9,462	27.4	47.3%	25,210	8.6%
2004	56,752	38,967	9,462	27.4	47.3%	26,493	7.2%
2005	59,029	38,967	9,462	27.4	47.3%	27,338	5.8%
2006	61,360	38,967	9,462	27.8	47.3%	28,088	5.7%
2007	64,318	38,967	9,462	27.8	47.3%	28,868	5.5%
2008	66,078	38,967	9,462	27.8	47.3%	29,999	7.2%
2009	66,874	38,967	9,462	27.8	47.3%	30,618	11.2%
2010	67,217	28,000	11,421	27.1	58.1%	14,724	10.5%

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

<sup>1</sup>Population data from 2001 to 2007 taken from Planning/Zoning department. 2010 population estimate based on percentage increase of US Census Bureau totals for 2008 and 2009.

<sup>2</sup>Represents population age 25 or greater that has graduated from high school.

<sup>3</sup>School Enrollment data for 2001 to 2007 includes enrollment for Pharr San Juan and Alamo School District. Enrollment data for 2010 includes student enrollment in Pharr schools only, excluding San Juan and Alamo enrollment.

<sup>4</sup>Unemployment rate as of November 2010. (Source: Texas Workforce Commission)

**City of Pharr, Texas  
Principal Employers  
Fiscal Year Ending 2010 and 2001**

2010			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment<sup>1</sup></u>
Pharr-San Juan - Alamo ISD	4,500	1	20.07%
Convergys	1,154	2	5.15%
Valley View ISD	863	3	3.85%
VDP Healthcare	675	4	3.01%
City of Pharr	487	5	2.17%
Lack's	365	6	1.63%
Royal Freight	354	7	1.58%
Texas Department of Transportation	345	8	1.54%
HEB	340	9	1.52%
Limon Masonry	315	10	1.40%
<b>Total</b>	<b>9,398</b>		<b>41.91%</b>

2001			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergys	Unknown	-	0.00%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
<b>Total</b>	<b>-</b>		<b>0.00%</b>

Source: Pharr Economic Development Corporation

\* Information was not tracked to provide stated information.

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

	<b>Budgeted Full-time Equivalent Employees as of September 30,</b>									
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>GENERAL FUND</b>										
City Manager	12.0	16.0	16.7	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Finance	7.0	7.0	8.0	10.0	12.0	12.5	13.5	14.0	5.5	9.0
Police Department	105.5	121.5	124.5	130.0	134.0	146.0	155.0	167.0	161.0	160.0
Traffic Safety	13.0	13.0	13.0	13.0	16.0	13.0	16.0	17.0	16.0	16.0
Municipal Court	3.0	4.0	4.0	6.0	6.0	6.0	6.0	6.0	5.0	6.5
Fire Protection	51.0	52.0	53.0	54.0	57.0	57.0	65.0	68.0	66.0	65.0
Administrative Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	7.5
Street Maintenance	23.0	24.0	24.0	24.0	25.0	28.0	30.0	29.0	29.0	31.0
Municipal Library	14.0	16.0	18.0	23.0	23.0	25.0	26.0	26.0	26.0	22.5
Parks & Recreation	46.0	47.0	51.0	53.0	70.0	71.0	73.0	73.0	102.0	102.0
Planning & Community Dev	16.0	17.0	17.3	19.0	22.0	20.0	23.0	23.0	22.0	18.5
<b>Total General Fund</b>	<b>290.5</b>	<b>317.5</b>	<b>329.5</b>	<b>341.0</b>	<b>374.0</b>	<b>387.5</b>	<b>416.5</b>	<b>432.0</b>	<b>448.5</b>	<b>446.0</b>
<b>UTILITY FUND</b>										
Administrative	7.0	8.0	8.0	8.0	9.0	9.5	10.5	11.0	12.5	9.5
Water Production	9.0	11.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	10.0
Water Distribution	19.0	19.5	21.5	21.0	23.0	25.0	26.0	26.0	23.0	23.5
Water Treatment Plant	11.0	12.0	11.0	11.0	11.0	11.0	13.0	13.0	13.0	13.0
Lift Station	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	1.0
<b>Total Utility Fund</b>	<b>50.0</b>	<b>54.5</b>	<b>53.5</b>	<b>53.0</b>	<b>56.0</b>	<b>58.5</b>	<b>63.5</b>	<b>64.0</b>	<b>61.5</b>	<b>57.0</b>
<b>INTERNAL SERVICE FUND</b>										
Chief Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laborers	2.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0
<b>Total Internal Svc Fund</b>	<b>3.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.0</b>
<b>INTERNATIONAL BRIDGE FUND</b>										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	21.0	22.0	19.0	25.0	25.0	26.0	26.0	28.0	24.0	24.5
<b>Total Int'l Bridge</b>	<b>22.0</b>	<b>23.0</b>	<b>20.0</b>	<b>26.0</b>	<b>26.0</b>	<b>27.0</b>	<b>27.0</b>	<b>29.0</b>	<b>25.0</b>	<b>25.5</b>
<b>OTHER</b>										
CDBG	4.3	5.3	5.7	6.0	6.0	6.0	6.0	5.0	4.0	5.5
Golf Course	25.0	21.0	8.0	18.0	18.0	15.0	15.0	17.0	15.5	15.0
<b>Total Other</b>	<b>29.3</b>	<b>26.3</b>	<b>13.7</b>	<b>24.0</b>	<b>24.0</b>	<b>21.0</b>	<b>21.0</b>	<b>22.0</b>	<b>19.5</b>	<b>20.5</b>
<b>GRAND TOTAL</b>	<b>394.8</b>	<b>425.3</b>	<b>420.7</b>	<b>448.0</b>	<b>484.0</b>	<b>499.0</b>	<b>533.0</b>	<b>552.0</b>	<b>559.5</b>	<b>553.0</b>

Source: City of Pharr Budget Reports

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

<b>Function</b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Police										
Physical arrests	4,117	3,841	4,848	2,897	3,857	2,858	2,808	2,944	4,839	15,660
Parking & Traffic Violations	6,008	6,587	10,101	10,897	15,983	13,742	12,742	15,194	25,689	12,556
Fire										
Number of calls answered	1,935	2,216	2,189	1,737	1,624	1,701	1,794	2,238	2,148	2,144
Inspections	401	573	725	1,235	877	809	1,108	1,344	1,325	1,160
Highways and streets										
Street resurfacing (miles)	unknown	unknown	unknown	unknown	unknown	2	7	2	7	9
Potholes repaired	unknown	137	825	775						
International Bridge										
Car Crossings	1,768,363	1,879,256	1,749,112	1,785,564	1,780,599	1,716,751	1,683,048	1,649,983	1,444,912	1,264,573
Truck Crossings	260,344	276,840	312,300	359,320	384,572	404,103	433,880	461,559	409,336	447,122
Culture and recreation										
Int'l Convention Center Events	92	unknown	75	72	95	86	95	216	84	50
Other Community Center Events	259	unknown	306	269	231	206	268	597	414	378
Water										
New connections	290	717	614	867	832	1,204	638	324	220	278
Water mains breaks	unknown	unknown	unknown	unknown	unknown	3,948	4,156	578	445	711
Average daily consumption (millions of gallons)	5.1 MGD	5.1 MGD	5.0 MGD	4.7 MGD	6.1 MGD	6.6 MGD	5.6 MGD	6.5MGD	7.3 MGD	6.3 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	5.0 MGD	4.94 MGD	4.8 MGD	4.76MGD						

Sources: Various City Departments.

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

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	unknown	unknown	64	69	76	82	84	90	93	128
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	unknown	unknown	unknown	180	213	213	213	214	214
Streetlights	unknown									
Traffic signals	unknown	unknown	unknown	unknown	47	51	51	51	55	56
Culture and recreation										
Parks Acreage (Developed)	41	41	41	41	41	57	57	57	57	57
Swimming pools	2	2	2	2	2	2	2	2	2	-
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community and Convention Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water mains (miles)	unknown	unknown	unknown	~170	~182	~190	191.6	~313.4	315	313
Fire hydrants	1,596	1,712	1,730	1,750	1,820	1,918	2,010	2,030	1,896	1,946
Maximum daily capacity (thousands of gallons)	10.0 MGD	8.28 MGD	12.01 MGD	9.9 MGD						
Sewer										
Sanitary sewers (miles)	unknown	~169	~186	~204	~224	~246	~262	~265	265	266
Storm sewers (miles)	unknown	57	82	94.43						
Maximum daily treatment capacity (thousands of gallons)	3.45 MGD	3.63 MGD	3.82 MGD	4.15 MGD	4.19 MGD	4.25 MGD	4.45 MGD	5.7 MGD	5.9 MGD	5.3 MGD

Sources: Various city departments.



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**Single Audit Section**



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&  
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Certified Public Accountants

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Oscar R. González  
Melissa González

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

To the City Officials  
City of Pharr, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City of Pharr, Texas's basic financial statements and have issued our report thereon dated January 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Oscar R. Gonzalez* *CAS*

Oscar R. Gonzalez, C.P.A. & Associates, P.L.L.C.

Certified Public Accountants

January 18, 2011

 *Oscar R. González, CPA  
&  
Associates, P.L.L.C.*  
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*Oscar R. González  
Melissa González*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Officials  
City of Pharr, Texas

Compliance

We have audited the compliance of City of Pharr, Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. City of Pharr, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Pharr, Texas's management. Our responsibility is to express an opinion on City of Pharr, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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. Our audit does not provide a legal determination of City of Pharr, Texas's compliance with those requirements.

In our opinion, City of Pharr, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 to be significant deficiencies.

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

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



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

January 18, 2011

**CITY OF PHARR, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed Through Governor's Division of Emergency Management:			
Assistance to Firefighters Grant Program	97.044	EMW-2009-FO-11178	6,913
Homeland Security Grant Program	97.073	2007 GE-T7-0024	13,211
Homeland Security Grant Program	97.073	2008-GE-T8-0034	50,645
Homeland Security Grant Program	97.073	2009-SS-T9-0064	79,120
Operation Stonegarden	97.067	2008-SG-TB-0009	32,219
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2008-FF-00717	353,016
Total Passed Through Governor's Division of Emergency Management			<u>535,124</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>535,124</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-05-MC-48-0507	916
Community Development Block Grant	14.218	B-06-MC-48-0507	14,898
Community Development Block Grant	14.218	B-07-MC-48-0507	21,592
Community Development Block Grant	14.218	B-08-MC-48-0507	384,654
Community Development Block Grant	14.218	B-09-MC-48-0507	400,942
Community Development Block Grant-R	14.225	B-09-MY-48-0507	188,266
Total Passed Through Direct Programs			<u>1,011,268</u>
Passed Through Texas Department of Rural Affairs:			
CDBG Disaster Recovery Entitlement Grant Program	14.225	DRS010140	118,018
Total Passed Through Texas Department of Rural Affairs:			<u>118,018</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,129,286</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Passed Through Direct Programs:			
Bulletproof Vest Partnership Program	16.607	2003-BU-BX-0301	5,793
Bulletproof Vest Partnership Program	16.607	2006-BU-BX-0603	2,087
Technology Program Grant	16.710	2009-CK-WX-0183	49,091
Total Passed Through Direct Programs			<u>56,971</u>
<b><u>AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)</u></b>			
Passed Through Direct Programs:			
ARRA - FY 2009 Edward Byrne Memorial Justice Program	16.804	2009-DJ-BX-0603	22,608
ARRA - FY 2009 Edward Byrne Memorial Justice Program	16.804	2009-SB-B9-3138	103,630
ARRA - FY 2010 Edward Byrne Memorial Justice Program	16.804	2010-DJ-BX-1368	17,640
ARRA - FY 2009 Combating Criminal Narcotics Activity	16.809	2009-SS-B9-0074	307,890
Total ARRA Passed Through Direct Programs			<u>451,768</u>
Passed Through Governor's Division of Criminal Justice:			
ARRA - Edward Byrne Memorial Justice Grants-State and Territo	16.803	2328501	257,722
ARRA - Edward Byrne Memorial Justice Grants-State and Territo	16.803	2254901	66,180
Total ARRA Passed Through Governor's Division of Criminal Justice			<u>323,902</u>
<b>Total AMERICAN RECOVERY AND REINVESTMENT ACT</b>			<b><u>775,670</u></b>
Total U.S. DEPARTMENT OF JUSTICE			<u>832,641</u>

**CITY OF PHARR, TEXAS**

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010 - continued*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Governor's Division of Emergency Management:			
FEMA Grant	97.036	DR-1780	91,654
<b>TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			<u>91,654</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed Through Direct Programs:			
Energy Efficiency And Concenservation Grant Project	81.128	DE-SC0003187	382,583
<b>Total UNITED STATE ENVIRONMENTAL PROTECTION AGENCY</b>			<u>382,583</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	106SA1599	45,630
<b>Total U.S. DEPARTMENT OF TREASURY</b>			<u>45,630</u>
<u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Direct Programs:			
Construction Grants for Wastewater Treatment-EPA SAAP GRA	66.418	XP-97665501	594,225
Congressionally Mandated Projects NADB Improvements to Was	66.202	BEIF TX 3501	1,069,904
<b>Total Passed Through Direct Programs</b>			<u>1,664,129</u>
Passed Through Texas Water Development Board:			
Economically Distressed Areas Program & Colonia			
Congressionally Mandated Projects NADB Improvements to Was	66.202	G03700	67,205
<b>Total Passed Through Texas Water Development Board</b>			<u>67,205</u>
<b>Total UNITED STATE ENVIRONMENTAL PROTECTION AGENCY</b>			<u>1,731,334</u>
<u>U.S. GENERAL SERVICES ADMINISTRATION</u>			
Passed Through Direct Programs:			
Donation of Federal Surplus Personal Property	39.003	13480	20,970
<b>Total U.S. GENERAL SERVICES ADMINISTRATION</b>			<u>20,970</u>
<u>NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Transportation:			
Safety Belt Performance Grants-STEP - CI OT*	20.609	580EGF6300	12,501
Safety Belt Performance Grants- STEP - Comprehensive Grant	20.600	589EGF6162	62,099
<b>Total Passed Through State Department of Transportation</b>			<u>74,600</u>
<b>Total NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</b>			<u>74,600</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,843,822</u>

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

**CITY OF PHARR, TEXAS**

*SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010*

<u>Grantor/ Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>		
Lone Star Library Grant	442-10476	18,155
Total TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		<u>18,155</u>
<u>TEXAS INFRASTRUCTURE FUNDS BOARD</u>		
TIFB Library Grant	QE-1998-LTA1S-1969	24,535
Total TEXAS INFRASTRUCTURE FUNDS BOARD		<u>24,535</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
South Texas Auto Theft Enforcement Task Force	SA-T01-10041-10	76,967
South Texas Auto Theft Enforcement Task Force	SA-T01-10041-11	4,051
Total TEXAS DEPARTMENT OF TRANSPORTATION		<u>81,018</u>
<u>LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL</u>		
BECC Technical Assistance Agreement	B2012-R6-2009	20,000
Regional Solid Waste Grant Program	10-21-G07	28,500
Regional Solid Waste Grant Program	11-21-G12	14,992
Total LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL		<u>63,492</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>187,200</u>
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		<u>\$ 5,031,022</u>

City of Pharr, Texas  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended September 30, 2010

**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, 2010. 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 (excluding Federal CFDA # 66.202 which is based on the accrual basis of accounting). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or use in the preparation of the basic financial statements.

**CITY OF PHARR, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2010*

**SECTION I - SUMMARY OF AUDITOR RESULTS**

A. Summary of Auditor's Results

1. Financial Statements

UNQUALIFIED

Type of auditor's report issued

Internal control over financial reporting:

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

Noncompliance material to financial statements notes?        YES   X   NO

2. Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.225	Community Development Block Grant - Special Purposes
16.803	ARRA - Border Security Enhancement Project
16.804	ARRA - Justice Assistance Grant Program
16.809	Pharr Multidisciplinary Intelligence-Based Team Project
66.418	EPA SAAP Grant

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

Auditee qualified as low-risk auditee?   X   YES        NO

**CITY OF PHARR, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2010*

**SECTION I - SUMMARY OF AUDITOR RESULTS - Continued**

B. Financial Statement Findings  
NONE

C. Federal Award Findings and Questioned Costs

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

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

**This Fiscal Year:**

**2010-1: Cash Management**

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

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

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

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

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

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

Questioned Costs: \$0.00

**Prior Fiscal Years:**

None

**SECTION III – CONTACT PERSONS REGARDING FINDINGS & QUESTIONED COSTS**

**Primary Government - City of Pharr, Texas**

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

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

**Component Unit - Pharr Economic Development Corporation, Inc. (PEDC 4A and 4B)**

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