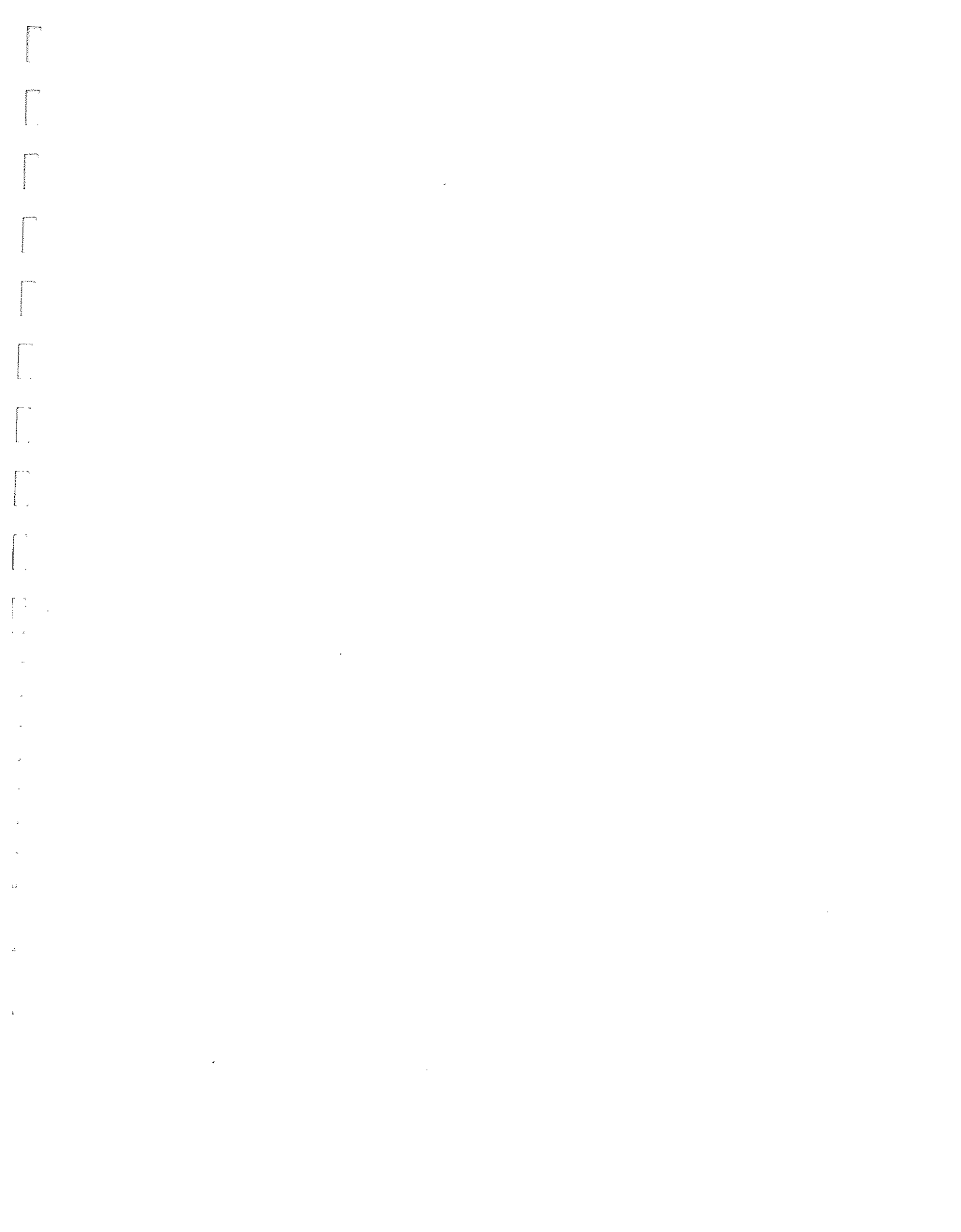


CITY OF PHARR, TEXAS
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED SEPTEMBER 30, 2002

	Utility Fund	Bridge Fund	Golf Course Fund	TOTAL
Reconciliation of Net Income (Loss) to Net Cash provided by (Used for) Operating Activities				
Net Income (Loss)	\$ 634,515	\$ 1,944,078	\$ (560,320)	\$ 2,018,273
Adjustments to reconcile net income (loss) from operation to net cash provided by operating activities				
Depreciation	978,174	545,811	119,488	1,643,473
Amortization of capitalized interest	0	40,347	-	40,347
Amortization of deferred charges	(6,354)	68,733	2,500	64,879
Amortization of prepaid insurance	4,550	11,892	-	16,442
Changes in Assets and Liabilities				
(Increase) decrease in inventories	20,405	-	(2,197)	18,208
(Increase) decrease in accrued interest receivable	47,233	-	-	47,233
(Increase) decrease in accounts receivable	91,241	(71,867)	-	19,374
(Increase) decrease in due from other funds	(1,301,500)	(5,927)	-	(1,307,427)
(Increase) decrease in other receivables	(2,824)	-	(6,910)	(9,734)
(Increase) decrease in special assessments receivables	32,024	-	-	32,024
(Increase) decrease in prepaid items	-	-	(2,000)	(2,000)
(Increase) decrease in accounts payable	(25,298)	5,927	(3,815)	(23,186)
(Increase) decrease in accrued expenses	21,272	(4,377)	(25,586)	(8,691)
(Increase) decrease in due to other funds	(376,432)	(201,672)	257,433	(320,671)
(Increase) decrease in due to other governments	(504)	-	(1,030)	(1,534)
(Increase) decrease in customer meter deposits	143,193	-	-	143,193
(Increase) decrease in other	45	-	-	45
(Increase) decrease in deferred revenues	(33,198)	-	-	(33,198)
Prior period adjustments	-	-	-	-
Net cash provided (used) for operating activities	226,542	2,332,945	(222,437)	2,337,050
Cash flows from investing activities				
Additions to fixed assets	(1,365,268)	(26,658)	(199,208)	(1,591,134)
Net cash used by investing activities	(1,365,268)	(26,658)	(199,208)	(1,591,134)
Cash flows from financing activities				
Contributions	-	-	-	-
Lease proceeds	81,266	-	193,130	274,396
Principal reduction on bonds	(1,043,000)	(1,125,000)	-	(2,168,000)
Principal reduction on leases	(118,352)	-	(87,414)	(205,766)
Principal reduction on tax notes	-	-	-	-
Net cash provided by financing activities	(1,080,086)	(1,125,000)	105,716	(2,099,370)
Net increase (decrease) in cash and restricted cash and investments, October 1, Cash and restricted cash and investments, September 30,	\$ 6,118,855	\$ 9,363,559	\$ (298,466)	\$ 15,183,948

The accompanying notes are an integral part of this financial statement.



CITY OF PHARR, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2002



Introductory Section



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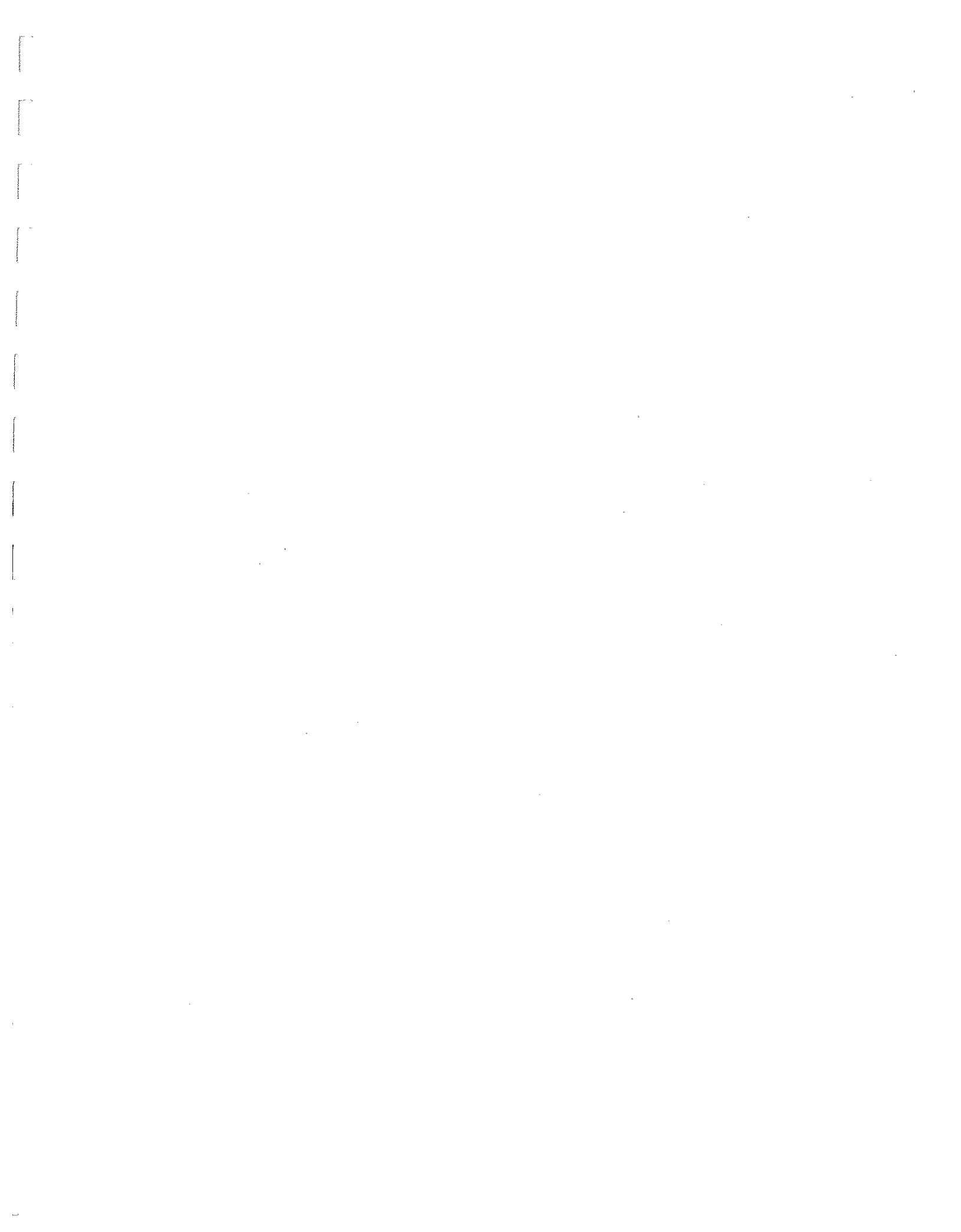


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Elected Officials

Mayor

Leopoldo "Polo" Palacios, Jr.

Commissioners

Pablo Soto, Jr.

Victor Garcia

Irma Elizondo

Reynaldo Zuniga

Raul Gonzalez

Carlos Villegas, Jr.

Appointed Officials

City Manager

Assistant City Manager

Finance Director

City Clerk/Secretary

City Attorney

Chief of Police

Bento Lopez

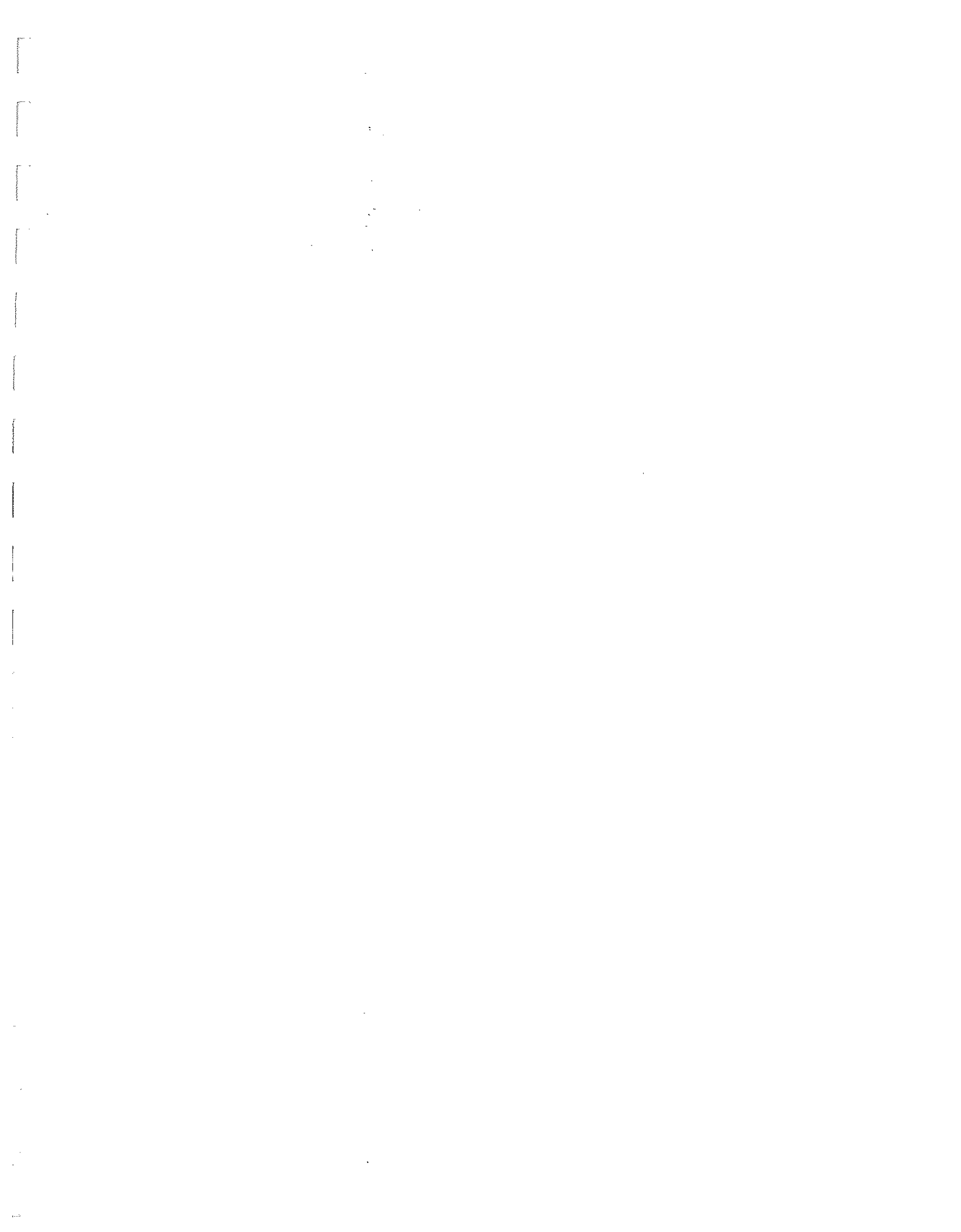
Fred Sandoval

Ruben Luna

Mary Munoz

Gustavo Acevedo

Jesse Medina



Financial Section



Oscar R. Gonzalez

Certified Public Accountant

110 North Cage • Pharr, Texas 78577

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

Email: org110n@aol.com

Independent Auditor's Report on Financial Statements

Board of Trustees
City Of Pharr, Texas

Members of the Board of Trustees:

I have audited the accompanying general purpose financial statements of City Of Pharr, Texas, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of City Of Pharr, Texas's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

The City has not maintained a physical inventory or properly control ledger for its general fixed assets and enterprise fund fixed assets. Consequently, I was unable to satisfy myself as to the reasonableness of fixed asset quantities and historical cost.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City Of Pharr, Texas as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

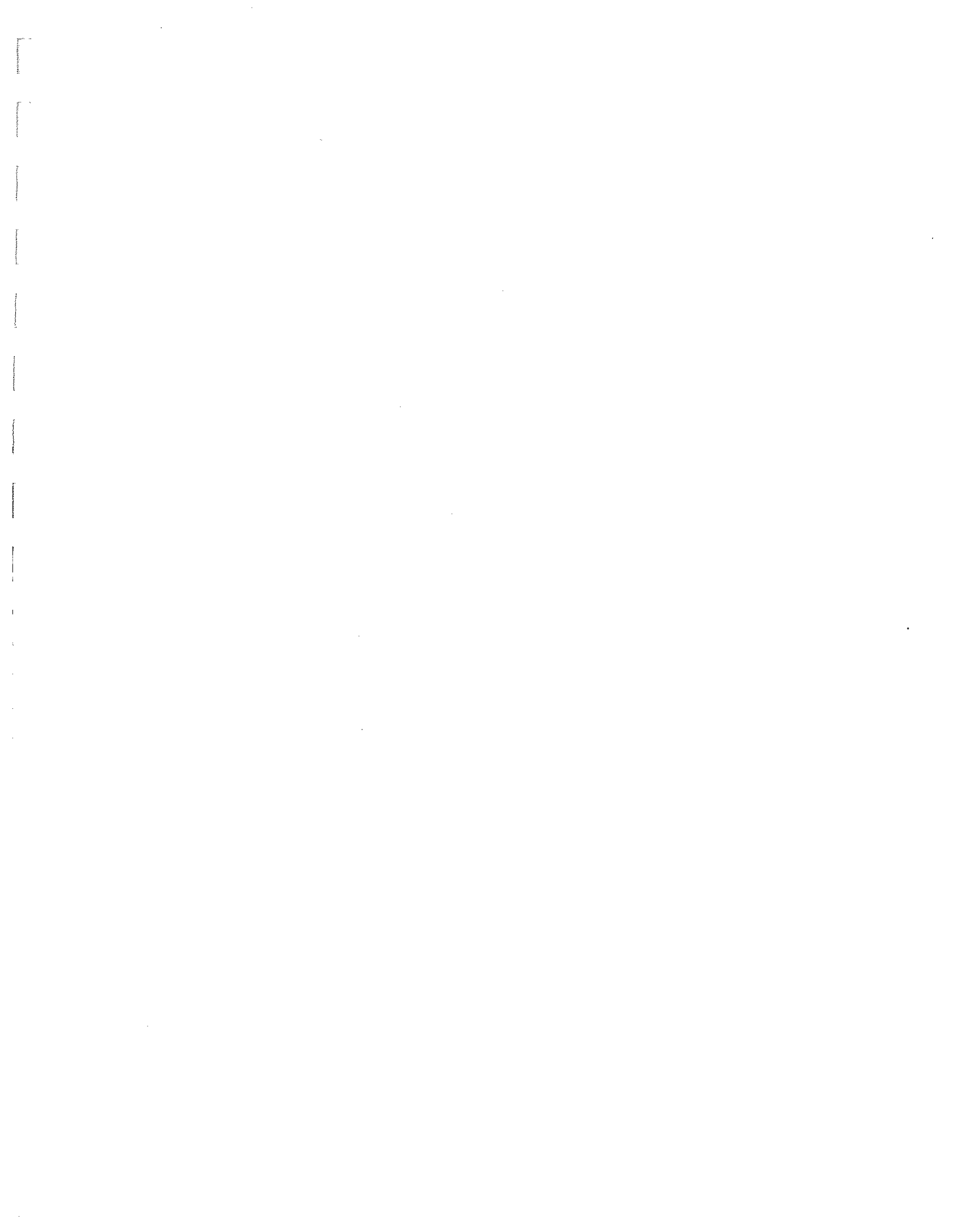
In accordance with GOVERNMENT AUDITING STANDARDS, I have also issued my report dated June 10, 2003, on my consideration of City Of Pharr, Texas's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of City Of Pharr, Texas taken as a whole. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Oscar R. Gonzalez CPA

June 10, 2003





General Purpose Financial Statements



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CITY OF PHARR, TEXAS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002

Governmental Fund Types				ASSETS AND OTHER DEBITS
General	Special	Debt Service	Capital	Projects Fund
Fund	Revenue Funds	Fund	Projects Fund	

					Assets:
\$	\$	\$	\$	\$	Cash and investments
2,961,459	1,280,772	277,007	9,565,177		Receivables (net of allowances for uncollectibles):
1,785,597		348,656			Property taxes
435,408					Accounts
					Assessments
					Accrued interest
222,812	2,600		354		Other
3,211,478	156,207	37,032	7,624		Due from other funds
1,643,719	21,107		935,518		Due from other governments
53,620					Inventories
					Prepaid items
			185,802		Note receivable-revolving loans
	107,906				Capitalized interest
					Restricted assets:
					Cash and time investments
					Deferred charges
			265,689		Fixed assets (net, where applicable, of accumulated depreciation)
					Other Debits:
					Amount available in debt service fund
					Amount to be provided for retirements of general long-term
\$	\$	\$	\$	\$	Total Assets and Other Debits
10,314,093	1,568,592	662,695	10,960,164		

The accompanying notes are an integral part of this statement.

Totals		Account Groups		Fiduciary		Proprietary		Enterprise		Funds	
September 30, 2001	September 30, 2002	General	Fixed Assets	Fund Agency	Fund	Internal	Service Fund	Internal	Service Fund	Agency	Fund
(Memorandum Only)		General Long-Term Debt									
\$ 20,290,451	\$ 16,378,614	\$ --	\$ --	\$ 217,222	\$ 22,111	\$ 2,054,866	\$ --	\$ --	\$ --	\$ 2,054,866	\$ --
2,019,703	2,134,253	--	--	--	--	896,951	--	--	--	896,951	--
1,755,560	1,491,022	--	--	158,663	--	477,806	--	--	--	477,806	--
509,830	477,806	--	--	--	--	--	--	--	--	--	--
47,233	--	--	--	--	--	--	--	--	--	--	--
133,419	328,871	--	--	5,927	609	96,569	--	--	--	96,569	--
5,460,854	7,082,138	--	--	154,189	132,648	3,382,960	--	--	--	3,382,960	--
1,676,382	2,600,344	--	--	--	7,158	--	--	--	--	--	--
221,261	190,730	--	--	--	--	129,952	--	--	--	129,952	--
617,314	600,398	--	--	--	--	414,596	--	--	--	414,596	--
71,706	107,906	--	--	--	--	--	--	--	--	--	--
524,509	484,162	--	--	--	--	484,162	--	--	--	484,162	--
12,402,537	13,129,082	--	--	--	--	13,129,082	--	--	--	13,129,082	--
1,041,176	964,948	--	--	--	--	699,259	--	--	--	699,259	--
107,601,726	114,912,473	--	55,090,041	--	20,465	59,801,967	--	--	--	59,801,967	--
270,867	314,040	--	--	--	--	--	--	--	--	--	--
28,058,482	29,353,857	--	--	536,001	182,991	--	--	--	--	--	--
\$ 182,703,010	\$ 190,550,644	\$ 29,667,897	\$ 55,090,041	\$ 536,001	\$ 182,991	\$ 81,568,170	\$ --	\$ --	\$ --	\$ 81,568,170	\$ --

LIABILITIES, EQUITY AND OTHER CREDITS

Governmental Fund Types	General Fund	Special Revenue Funds	Debt Service Fund	Projects Fund
Accounts payable	\$ 499,966	\$ 24,463	\$ --	\$ 796
Accrued expenses	195,334	--	--	--
Due to other funds	2,972,620	138,527	--	423,272
Due to other governments	442,759	6,374	--	--
Escrow	--	15,000	--	--
Other	--	750	--	--
Current portion of lease payable	--	--	--	--
Payable from restricted assets:				
Accrued expenses	--	--	--	--
Escrow development liability	--	--	--	--
Current portion of revenue bonds	--	--	--	--
Revenue bonds payable, net of current portion	--	--	--	--
Lease payable, net of current portion	--	--	--	--
General obligation bonds payable	--	--	--	--
Capital leases	--	--	--	--
Accumulated unpaid compensated absences	--	--	--	--
Deferred revenue-taxes	1,785,597	--	--	--
Deferred revenue-grants	12,917	--	--	--
Deferred revenue-other	405,086	159,072	--	--
Other liabilities	121,011	--	--	--
Customer meter deposits	--	--	--	--
Total Liabilities and other credits	6,435,290	344,186	348,656	424,068
Equity and other credits:				
Investment in general fixed assets	--	--	--	--
Contributed capital	--	--	--	--
Retained earnings:				
Reserved per revenue bond ordinances	--	--	--	--
Unreserved	--	--	--	--
Fund balances:				
Reserved	53,620	1,024,499	--	--
Unreserved	3,825,183	199,907	314,039	10,536,096
Total equity and other credits	3,878,803	1,224,406	314,039	10,536,096
Total Liabilities, Equity & Other Credits	\$ 10,314,093	\$ 1,568,592	\$ 662,695	\$ 10,960,164

The accompanying notes are an integral part of this statement.

Totals		Account Groups		Fiduciary		Fund Types		Proprietary	
September 30, (Memorandum Only)	September 30, 2002	General	Term Debt	Agency	Fund	Internal	Service Fund	Enterprise	Funds
912,936	\$ 823,236	\$ --	\$ --	\$ --	\$ 40,712	\$ 9,571	\$ 47,896	\$ 250,115	\$ --
707,085	580,400	--	--	--	40,712	9,571	47,896	334,783	--
5,460,854	7,082,135	--	--	--	295,736	161,524	161,524	3,090,456	--
361,930	664,131	--	--	--	199,553	--	--	15,445	--
15,000	15,000	--	--	--	--	--	--	170	--
875	920	--	--	--	--	--	--	198,992	--
120,560	198,992	--	--	--	--	--	--	132,869	--
139,763	132,869	--	--	--	--	--	--	29,399	--
32,789	29,399	--	--	--	--	--	--	2,271,000	--
21,563,000	2,271,000	--	--	--	--	--	--	32,327,000	--
15,203,000	32,327,000	--	--	--	--	--	--	190,019	--
199,821	190,019	--	--	--	--	--	--	25,500,000	--
26,060,000	25,500,000	25,500,000	--	--	--	--	--	2,202,049	--
593,751	2,202,049	1,965,848	--	--	--	--	--	2,202,049	--
1,675,598	1,965,848	1,965,848	--	--	--	--	--	2,134,253	--
2,019,703	2,134,253	--	--	--	--	--	--	12,917	--
--	12,917	--	--	--	--	--	--	1,042,426	--
2,641,805	1,042,426	--	--	--	--	--	--	121,011	--
91,068	121,011	--	--	--	--	--	--	1,543,619	--
1,400,426	1,543,619	--	--	536,001	536,001	--	--	478,268	--
79,199,964	78,837,224	29,667,897	29,667,897	536,001	536,001	218,991	218,991	1,543,619	40,862,135
47,723,637	55,090,041	--	--	--	--	--	--	--	--
23,665,541	23,917,684	--	--	--	--	328,622	328,622	4,349,408	23,589,062
4,349,408	4,349,408	--	--	--	--	--	--	12,767,565	4,349,408
10,426,764	12,402,943	--	--	--	--	(364,622)	(364,622)	--	--
133,602	1,078,119	--	--	--	--	--	--	--	--
16,951,951	14,875,225	--	--	--	--	--	--	40,706,035	--
103,503,046	111,713,420	55,090,041	55,090,041	--	--	(36,000)	(36,000)	81,568,170	40,706,035
\$ 182,703,010	\$ 190,550,644	\$ 29,667,897	\$ 29,667,897	\$ 536,001	\$ 536,001	\$ 182,991	\$ 182,991	\$ 81,568,170	\$ 81,568,170

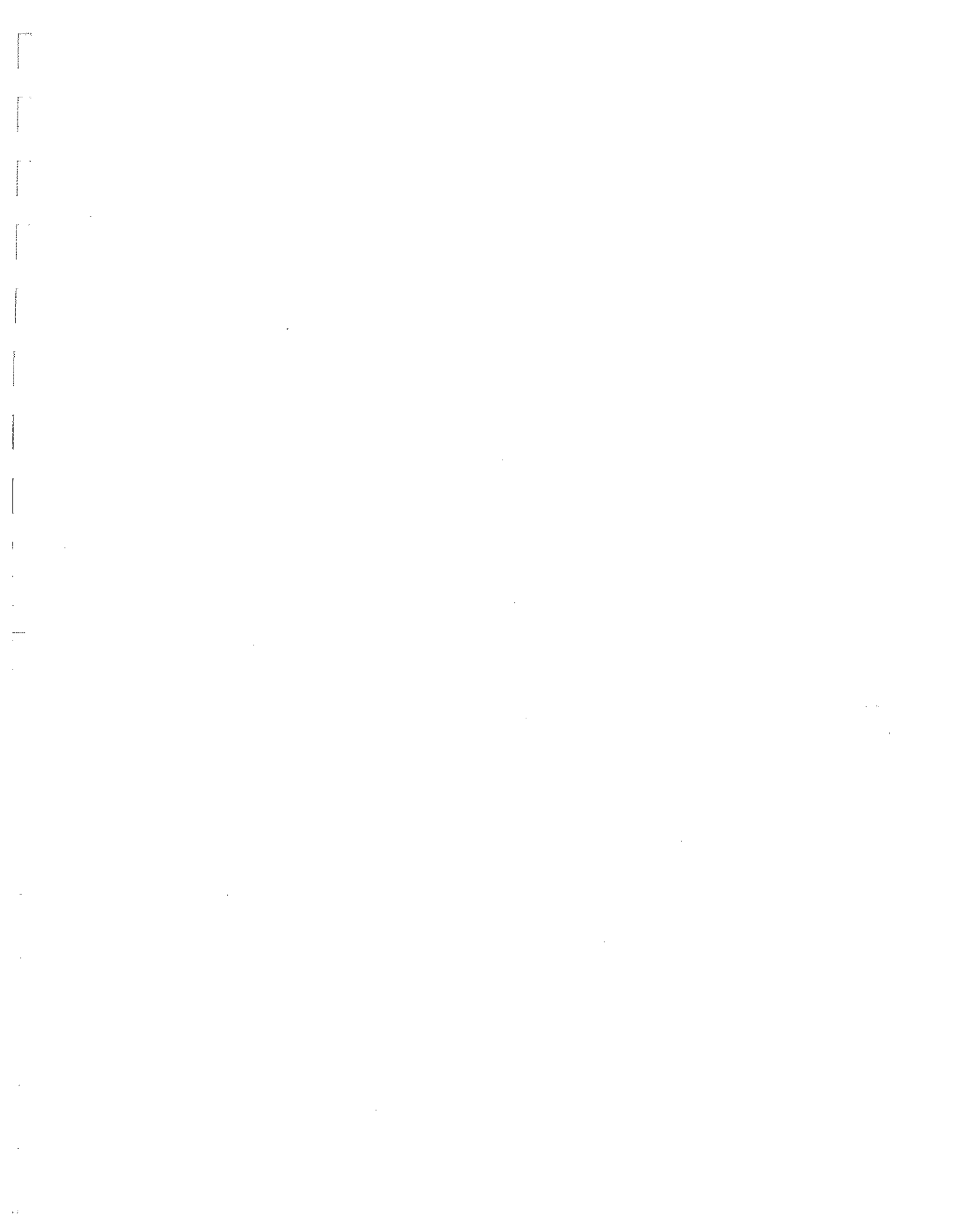
Totals		Fund Types	
September 30, 2002	September 30, 2001	Debt Service Fund	Capital Projects Fund
\$ 14,204,635	\$ 12,733,798	\$ 927,221	\$ --
711,846	533,395	--	--
3,210,252	1,674,446	--	--
2,627,685	2,527,371	--	--
413,905	257,916	--	--
517,714	410,674	--	--
644,489	474,314	64,796	492,447
982,900	685,119	--	38,074
23,313,426	19,297,033	992,017	1,466,039
6,952,830	4,694,443	1,318	17,504
8,708,057	7,900,143	--	--
942,259	739,876	--	--
2,225,793	--	--	--
600,567	477,537	--	--
116,939	470,213	--	--
6,591,233	4,447,314	--	4,723,298
2,615,345	1,557,599	1,447,530	507,639
28,440,804	22,393,704	1,448,848	5,248,441
(5,127,378)	(3,096,671)	(456,831)	(3,782,402)
1,524,479	704,781	500,000	375,000
(9,479)	(20,000)	--	--
--	168,800	--	--
--	12,035,000	--	--
1,515,000	12,888,581	500,000	375,000
(3,612,378)	9,791,910	43,169	(3,407,402)
17,085,553	7,064,022	270,870	12,421,936
2,486,540	229,621	--	1,521,562
(6,371)	8,499	--	--
15,953,344	17,086,553	314,039	10,536,096

CITY OF PHARR, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND AND DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 12,375,168	\$ 13,277,414	\$ 902,246
Licenses and permits	543,500	711,846	168,346
Intergovernmental	417,712	263,940	(153,772)
Charges for services	2,590,000	2,627,685	37,685
Other charges	211,000	413,905	202,905
Fines and forfeitures	309,000	517,714	208,714
Interest	40,000	52,741	12,741
Other	715,545	908,483	192,938
Total revenues	<u>17,201,925</u>	<u>18,773,728</u>	<u>1,571,803</u>
Expenditures:			
General government	5,644,120	5,317,543	326,577
Public safety	8,454,043	8,599,200	(145,157)
Highways and streets	971,689	942,259	29,430
Sanitation	2,100,000	2,225,793	(125,793)
Culture and recreation	566,956	600,567	(33,611)
Capital outlay	149,900	1,715,685	(1,565,785)
Debt service	--	329,002	(329,002)
Total expenditures	<u>17,886,708</u>	<u>19,730,049</u>	<u>(1,843,341)</u>
Excess (deficiency) of revenues (under) expenditures	(684,783)	(956,321)	(271,538)
Other financing sources (uses):			
Operating transfers in	685,200	640,000	(45,200)
Total other financing sources (uses)	<u>685,200</u>	<u>640,000</u>	<u>45,200</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	417	(316,321)	(316,738)
Fund balances/equity, October 1	4,150,987	4,150,897	--
Prior period adjustment (Note 11)	50,508	50,508	--
Increase (decrease) in reserve for inventories	(6,371)	(6,371)	--
Fund balances/equity, September 30	<u>\$ 4,195,541</u>	<u>\$ 3,878,803</u>	<u>\$ (316,738)</u>

General Fund

The accompanying notes are an integral part of this statement.



Totals		Proprietary Fund Types		Internal		Service Fund	
September 30, 2002	September 30, 2001	Enterprise	Funds	Internal	Service Fund	Enterprise	Funds
OPERATING REVENUES:							
Charges for services	\$ 11,772,698	\$ 11,765,260	\$ 548,535	\$ 12,313,795	\$ 11,772,698	\$ 11,772,698	\$ 11,772,698
Total Operating Revenues	11,772,698	11,765,260	548,535	12,313,795	11,772,698	11,772,698	11,772,698
OPERATING EXPENSES:							
Personal services	2,456,641	2,804,502	100,206	2,904,708	2,456,641	2,456,641	2,456,641
Operation and maintenance	3,302,325	2,708,558	487,946	3,196,504	3,302,325	3,302,325	3,302,325
Depreciation	1,634,690	1,643,473	3,317	1,646,790	1,634,690	1,634,690	1,634,690
Total Operating Expenses	7,393,656	7,156,533	591,469	7,748,002	7,393,656	7,393,656	7,393,656
Operating Income (Loss)	4,379,042	4,608,727	(42,934)	4,565,793	4,379,042	4,379,042	4,379,042
NON-OPERATING REVENUES (EXPENSES):							
Interest revenue	643,662	443,904	841	444,745	643,662	643,662	643,662
Bond interest and fiscal charges	(2,014,733)	(1,909,378)	--	(1,909,378)	(2,014,733)	(2,014,733)	(2,014,733)
Other income (expenses)	83,138	15,019	--	15,019	83,138	83,138	83,138
Total Non-operating Revenues (Expenses)	(1,287,933)	(1,450,455)	841	(1,449,614)	(1,287,933)	(1,287,933)	(1,287,933)
Net Income (Loss) before Operating Transfers	3,091,109	3,158,272	(42,093)	3,116,179	3,091,109	3,091,109	3,091,109
TRANSFERS:							
Interfund operating transfers in	--	--	--	--	--	--	--
Interfund operating transfers out	(407,031)	(1,140,000)	--	(1,140,000)	(407,031)	(407,031)	(407,031)
Net Income	2,684,078	2,018,272	(42,093)	1,976,179	2,684,078	2,684,078	2,684,078
Retained earnings/fund balances, October 1	12,074,828	15,098,701	(322,529)	14,776,172	12,074,828	12,074,828	12,074,828
Prior period adjustment	17,266	--	--	--	17,266	17,266	17,266
Retained earnings/fund balances, September 30	\$ 14,776,172	\$ 17,116,973	\$ (364,622)	\$ 16,752,351	\$ 14,776,172	\$ 14,776,172	\$ 14,776,172

The accompanying notes are an integral part of this statement.



CITY OF PHARR, TEXAS
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2002

Totals		Proprietary Fund Types	
September 30 2002	September 30 2001	Enterprise Internal	Funds Service Fund
Reconciliation of Net Income (Loss) To Net Cash provided by (Used for) Operating Activities			
\$ 2,018,273	\$ (42,093)	\$ 2,018,273	\$ (42,093)
Net income (loss)			
Adjustments to reconcile net income (loss) from operations to net cash provided by operating activities			
1,643,473	3,317	1,643,473	3,317
Depreciation			
40,347	--	40,347	--
Amortization of capitalized interest			
64,879	--	64,879	--
Amortization of deferred charges			
16,442	--	16,442	--
Amortization of prepaid insurance			
Change in Assets and Liabilities			
18,208	(8,462)	18,208	(8,462)
(Increase) decrease in inventories			
47,233	--	47,233	--
(Increase) decrease in accrued interest receivable			
19,374	--	19,374	--
(Increase) decrease in accounts receivable			
(1,307,427)	(77,231)	(1,307,427)	(77,231)
(Increase) decrease in due from other funds			
(9,734)	20	(9,734)	20
(Increase) decrease in other receivables			
32,024	--	32,024	--
(Increase) decrease in special assessments receivables			
(2,000)	9,114	(2,000)	9,114
Increase (decrease) in accounts payable			
(23,186)	1,404	(23,186)	1,404
Increase (decrease) in accrued expenses			
(8,691)	16,351	(8,691)	16,351
Increase (decrease) in due to other funds			
(320,671)	--	(320,671)	--
Increase (decrease) in due to other governments			
(1,534)	--	(1,534)	--
Increase (decrease) in customer meter deposits			
143,193	--	143,193	--
Increase (decrease) in escrows			
45	--	45	--
Increase (decrease) in other			
(33,198)	--	(33,198)	--
Increase (decrease) in deferred revenues			
--	--	--	--
Prior period adjustments			
2,337,050	(97,580)	2,337,050	(97,580)
Net cash provided (used) for operating activities			
(1,591,134)	--	(1,591,134)	--
Additions to fixed assets			
(1,353,454)	(97,580)	(1,353,454)	(97,580)
Net increase (decrease) in cash			
16,537,402	119,691	16,537,402	119,691
Cash and restricted cash and investments, October 1,			
15,183,948	22,111	15,183,948	22,111
Cash and restricted cash and investments, September 30,			

The accompanying notes are an integral part of this financial statement.



1. Summary of Significant Accounting Policies

The City of Pharr, Texas operates under a Home Rule Charter adopted on November 1, 1949. In addition to the powers indicated in the City Charter, the city may exercise all powers of local self-government, and all powers enumerated in Chapter 13, Title 28, Article 1175 of the Revised Civil Statutes of the State of Texas of 1925, and amendments thereto and hereafter enacted, and any and all powers which are now or which may hereafter be conferred on municipalities by the Constitution and laws of the State of Texas.

The accounting policies of the City of Pharr as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

A. Definition of the Reporting Entity

The City has defined its reporting entity in accordance with National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity" and NCGA Statement 7, "Financial Reporting for Component Units within the Governmental Reporting Entity". These statements provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity and how information about them should be presented. Statement 3 sets forth the exercise of oversight responsibility by a government's elected officials as the basic criterion for inclusion of a governmental unit in governmental reporting. Oversight responsibility is demonstrated by financial interdependency, selection of governing, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Statement 7 sets forth criteria to be used in determining how individual governmental unit data should be presented by the component units of the reporting entity.

The component unit financial statements present financial information on activities of the City for which the City Board of Commissioners has oversight responsibility. These financial statements do not reflect the operations of the Pharr Economic Development Corporation and the Pharr Fireman's Fund. Although the City is represented on the governing boards of these component units, the City has elected to exclude them from these component unit financial statements and to issue separate audit reports for those component units.

The City's component unit financial statements do not reflect the operations of the Pharr Housing Authority, Pharr Industrial Foundation, or the Texas Municipal Retirement System (TMRS). The Pharr Housing Authority and the Pharr Industrial Foundation are not included because they have their own governing boards and are independent of the City as to fiscal accountability and financial affairs. Responsibility for administration and operation of TMRS has been vested with its Board of Trustees. The City has no oversight responsibility regarding TMRS.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are maintained by the City:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

CAPITAL PROJECT FUNDS

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition on construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Enterprise Funds - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds-The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

Agency Funds-The Agency Funds are used to account for assets held for other funds, government or individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

General Fixed Assets - This group of accounts is established to account for all fixed assets of the City, except those accounted for in a proprietary fund.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations expected to be financed from governmental funds.

The two account groups are not funds. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. Basis of Accounting

The modified accrual basis of accounting is followed by governmental fund types and agency funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Within the governmental fund types, significant revenues which have been accrued are:

General Fund -- ad valorem taxes and charges for service.

Special Revenue Funds -- Federal and state grant proceeds.

Debt Service Fund -- ad valorem taxes.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term obligations which is recognized when due.

Noncurrent portions of long-term receivables of governmental fund types are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund type excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the general long-term obligations account group.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Such funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

D. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, drainage system, and lighting systems are capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible fixed assets used by the proprietary funds, including fixed assets acquired by contributed capital, is charged as an expense against its operations. Accumulated depreciation is reported on proprietary funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 40 years
Improvements other than buildings	10 - 30 years
Machinery and equipment	5 - 20 years

Maintenance repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charge to expense as incurred.

Interest cost, less interest earned on investments acquired with proceeds of related borrowings, is not significant and thus not capitalized during the construction of capital projects.

All unmatured long-term indebtedness of the City, other than long-term indebtedness applicable to proprietary funds, is accounted for in the general long-term obligations account group. The general long-term obligations are secured by the general credit and taxing powers of the City.

Long-term liabilities of the enterprise fund consist of bonds, directly related to and expected to be paid entirely by the enterprise fund. These liabilities are included in the accounts of such fund.

- E. Budgets
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and debt service funds. All annual appropriation lapse at fiscal year end.
- F. Encumbrance Accounting
- The City does not use the encumbrances system of accounting.
- G. Investments
- Investments are stated at cost, which approximates market.
- H. Short-term Intermund Receivables/Payables
- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified "interfund receivables/payables".
- I. Advances to Other Funds
- Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore, are not available for appropriation.
- J. Unbilled Accounts Receivable
- Within the City's water and sewer fund, an amount has been recorded for services rendered but not yet billed as of the closed of the year. The receivable was determined by the cycle billings sent to customers in October 2002.
- K. Inventories
- Inventories are valued at cost, which approximates market, using the first in first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased.
- L. Restricted Assets
- Certain proceeds of the water and sewer system revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond ordinances. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payment over the next twelve months. The "revenue bonds future debt service" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewal and placement and to retire bonds prior to their maturities. The "construction-grants" account is used to report grant proceeds received that are restricted for use in designated construction.
- M. Compensated Absences
- Amounts of vested or accumulated vacation leave are recorded in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of these funds as the benefit accrues to employees. In accordance with provisions of Statement of Financial Accounting Standards No.43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

N. Deferred Revenues-Grants
The City recognizes grant revenues only to the extent of grant expenditures. Any excess of grant revenues over grant expenditures are recorded as Deferred Revenue-Grants.

O. Fund Equity
Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for specific future use. Designated fund balances represent tentative plans for future use of financial resources.

P. Bond Discounts/Issuance Cost
In governmental fund types, bond discounts and cost are recognized in the current period. Bond discounts and issuance cost of proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts/issuance costs are recorded as deferred charges.

Q. Intertund Transactions
Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

R. Total Columns on Combined Statements
Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

S. Comparative Data
Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

2. Budget Basis of Accounting

The City's budget is adopted after public hearings have been held. Any revisions must be approved by the City Commission. Formal budgeting integration is employed as a management control device during the year for the general fund, the debt service fund, and the enterprise proprietary fund. Budgets are not utilized for the special revenue funds, the fiduciary fund, and general fixed assets and general long-term debt account groups.

The budget and actual comparison reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, as listed in the table of contents includes the general fund and debt service fund for which annual budgets are adopted.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

3. Ad Valorem Taxes

Ad valorem taxes attach an enforceable lien on property as of January 1. The taxes are levied each October 1, based on the assessed value listed as of the date the enforceable lien attaches. Appraised values are established by the Hidalgo County Appraisal District, assessed at 100% of appraised value, and certified by the Appraisal Review Board. The City bills and collects its own taxes. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy up to \$.25 per one hundred dollars of assessed valuation for general governmental services including the payment of principal and interest on general long-term debt obligations. The 2001 tax rate was \$.56472 per \$100 for the general fund and \$.09759 per \$100 for the debt service fund for a total of \$.66231 per \$100 of assessed valuation.

Taxes are due October 1. Taxes become delinquent on February 1, of the following year, at which time penalty and interest charges are applicable. Property tax revenues are recorded as revenues when they become measurable and available. At September 30, property tax receivables are fully deferred.

4. Cash and Investments

Cash

The City's deposits are in various financial institutions and are carried at cost. Deposits at September 30, 2002, were entirely covered by federal depository insurance or by collateral held by the City's agents in the City's name.

Components of City's funds are as follows:

	Carrying Amount	Market Value
Operating cash	\$ 16,378,613	\$ 16,378,613
Restricted cash and U.S. securities	13,129,082	13,129,082
Totals	\$ 29,507,695	\$ 29,507,695

Investments:

Investments made by the City are summarized below. The investments that are represented by specific identifiable investment security are classified as to credit risk within the following three categories:

- Category 1 Investments that are insured, registered or held by the City or by its agent in the City's name.
- Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the City's name.

U.S. government securities

Category	Carrying Amount	Market Value
1	--	--
2	--	--
3	\$ --	\$ --

Public law-65-901 of the State of Texas allows municipalities to invest in the following:

- U.S. Treasury bills, notes, and bonds
- Commercial paper
- Banker's acceptances
- Government National Mortgage Association
- Tennessee Yale Authority Notes
- Texas State Investment Pool

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

5. Interfund Receivables and Payables

Fund		Due From		Due To	
		Other Funds		Other Funds	
General Fund:					
Special Revenue Fund	97,412	79,731	\$	97,412	
Debt Service Fund	--	--		26,753	
Capital Projects Fund	423,272	423,272		7,624	
Enterprise Fund	2,603,975	2,603,975		2,164,243	
General Fund	26,753	26,753		10,279	
Enterprise Fund	10,279	10,279		--	
Total Debt Service Fund	37,032	37,032		--	
Capital Projects Fund:					
General Fund	7,624	7,624		423,272	
Enterprise Fund	--	--		--	
Total Capital Projects Fund	7,624	7,624		423,272	
Enterprise Fund:					
General Fund	2,603,975	2,603,975		2,164,243	
Debt Service Fund	--	--		10,279	
Capital Projects Fund	--	--		--	
Enterprise Fund	866,545	866,545		--	
Internal Service Fund	61,758	61,758		40,498	
Trust and Agency Fund	58,815	58,815		8,891	
Total Enterprise Fund	3,382,960	3,382,960		3,090,456	
Trust and Agency Fund:					
General Fund	144,710	144,710		236,921	
Enterprise Fund	8,891	8,891		58,815	
Internal Service Fund	588	588		--	
Total Trust and Agency Fund	154,189	154,189		295,736	
Internal Service Fund:					
General Fund	92,150	92,150		99,178	
Enterprise Fund	40,498	40,498		61,758	
Trust and Agency Fund	--	--		588	
Total Internal Service Fund	132,648	132,648		161,524	
TOTAL ALL FUNDS	\$ 7,082,137	\$ 7,082,137		\$ 7,082,137	

6. Notes Receivable-Revolving Loans

The City of Pharr utilized Economic Development grants from the U.S. Department of Housing and Urban Development to provide low interest loans to minority businesses and low income individuals in the area. As of September 30, 2002, the balance of \$107,906 is comprised from low-income individuals under the housing rehabilitation program. The interest received on these notes is recognized as revenue when collected.

The recaptured funds, principal, and interest are to be used for relending purposes to eligible economic development activities in accordance with HUD regulations. Only the interest received on these funds are recognized as revenues.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

7. Fixed Assets

General

Activity in the General Fixed Assets Account Group for the City for the year ended September 30, 2002, was as follows:

	2001		2002	
	Balance	September 30	Balance	September 30
Land	\$ 2,352,454	\$ --	\$ 2,352,454	\$ --
Buildings	2,850,636	2,042,157	4,892,793	4,892,793
Improvements other than buildings	29,742,878	7,157,985	36,900,863	36,900,863
Machinery and equipment	7,554,647	296,574	7,851,221	7,851,221
Books	303,613	97,779	401,392	401,392
Capital leases	781,128	--	725,822	725,822
Construction in progress	4,138,281	4,568,509	1,965,496	1,965,496
Totals	\$ 47,723,637	\$ 14,163,004	\$ 55,090,041	\$ 55,090,041

Proprietary Funds

A summary of proprietary fund type fixed assets at September 30, 2002, are as follows:

	Enterprise		Internal	
	September 30	September 30	September 30	September 30
Land	\$ 2,223,157	\$ --	\$ 2,223,157	\$ --
Buildings	31,751,465	23,177	31,774,642	31,774,642
Improvements other than buildings	36,836,598	1,406	36,838,004	36,838,004
Vehicles	398,406	15,208	413,614	413,614
Machinery and equipment	2,708,483	38,461	2,746,944	2,746,944
Furniture and fixtures	12,760	--	12,760	12,760
Construction in progress	3,368,638	--	3,368,638	3,368,638
Subtotals	77,299,507	78,252	77,377,759	77,377,759
Less accumulated depreciation	(17,497,540)	(57,787)	(17,555,327)	(17,555,327)
Totals	\$ 59,801,967	\$ 20,465	\$ 59,822,432	\$ 59,822,432

8. Long-Term Obligations

A summary of changes in general long-term debt for the year ended September 30, 2002, is as follows:

	2001		2002	
	Balance	September 30	Balance	September 30
Enterprise capital leases	\$ 320,381	\$ 274,395	\$ 205,766	\$ 389,010
General obligation	26,060,000	--	560,000	25,500,000
Revenue bonds payable	36,766,000	--	2,168,000	34,598,000
Compensated absences	1,675,598	290,251	--	1,965,849
General obligation capital leases & notes paya	593,750	2,128,144	519,845	2,202,049
Totals	\$ 65,415,729	\$ 2,692,790	\$ 3,453,611	\$ 64,654,908

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

Bonds payable at September 30, 2002 are comprised of the following:

	<p>General Obligation Bonds: \$855,000 1991 certificates of obligation due in annual installments of \$20,000 to \$45,000 through August 15, 2002; interest at 7.375% to 7.25% \$11,780,000 1998 certificates of obligation due in annual installments of \$425,000 to \$965,000 beginning in the year 2001 through August 15, 2002; interest at 4.35% to 5.30% \$2,165,000 1999 golf course combination tax and revenue certificates of obligation due in annual installments of \$30,000 to \$165,000 through August 15, 2018; interest at 5.530% \$12,035,000 certificates of obligation due in annual installments of \$215,000 to \$1,570,000 through August 15, 2021; interest at 4.50% to 5.25%</p>	\$ 570,000 10,910,000 1,985,000 12,035,000 <hr/> \$ 25,500,000
	<p>Total general obligation bonds</p>	

Revenue Bonds:
 \$4,380,000 1997 waterworks and sewer system revenue serial bonds due in annual installments of \$43,500 to \$670,000 through September 1, 2006; interest at 3.95% to 4.65%
 \$1,651,000 1998 waterworks and sewer system revenue serial bonds due in annual installments of \$65,000 to \$133,000 through September 1, 2018; interest at 4.54% to 5.89%
 \$2,160,000 1998A waterworks and sewer system revenue serial bonds due in annual installments of \$5,000 to \$180,000 through September 1, 2023; interest at 4.39% to 5.79%
 \$720,000 1987 waterworks and sewer system junior lien revenue serial bonds due in annual installments of \$20,000 to \$65,000 through September 1, 2007; interest at 7.4%
 \$3,260,000 1988 waterworks and sewer system junior lien revenue serial bonds due in annual installments of \$75,000 to \$190,000 through September 1, 2013; interest at 8.05%
 \$2,570,000 1996 waterworks and sewer system revenue bonds due in annual installments of \$75,000 to \$205,000 through September 1, 2016; interest at 4.9% to 5.75%
 \$978,000 waterworks and sewer system revenue bonds series 1996-A due in annual installments of \$25,000 to \$78,000 through September 30, 2017; interest at 5.49% to 6.74%
 \$630,000 waterworks and sewer system revenue bonds series 1997-B due in annual installments of \$15,000 to \$55,000 through September 1, 2017; interest at 6.26%
 \$4,230,000 waterworks and sewer system revenue bonds series 1997-C due in annual installments of \$5,000 to \$400,000 through September 30, 2017; interest at 5.00%

\$ 1,725,000
 1,435,000
 2,140,000
 270,000
 2,035,000
 2,045,000
 813,000
 535,000
 4,205,000

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

\$20,800,000 1993 toll bridge certificates of obligation due in annual installments of \$750,000 to \$1,725,000 through August 15, 2014; interest at 4.00% to 5.25%

\$4,435,000 1994 toll bridge certificates of obligation due in annual installments of \$140,000 to \$400,000 through August 15, 2015; interest at 5.50% to 6.95%

Total revenue bonds	3,645,000
Current portion of revenue bond	2,271,000
Revenue bond payable, net of current portion	<u>\$ 32,327,000</u>

General Obligations Notes Payable and Capital Leases:

\$85,153 lease payable to corporation in monthly installments of \$2,555.93 through January 21, 2003

\$34,498 lease payable to corporation in monthly installments of \$1,052.38 through February 2, 2003

\$19,400 lease payable to corporation in monthly installments of \$591.80 through June 12, 2003

\$55,867 lease payable to corporation in monthly installments of \$1,708.54 through November 2, 2003

\$106,255 lease payable to corporation in monthly installments of \$3,211.90 through November 10, 2002

\$27,833 lease payable to corporation in monthly installments of \$1,698.09 through February 15, 2003

\$3,144 lease payable to corporation in monthly installments of \$119.47 through March 1, 2005;

\$168,799 lease payable to corporation in monthly installments of \$59,602.09 including interest through January 17, 2013

\$140,000 lease payable to corporation in monthly installments of \$4,306.81 including interest through December 28, 2013

\$225,738 lease payable to corporation in monthly installments of \$6,765.57 including interest through June 8, 2005

\$2,165,000 note payable to HUD due in annual installments of \$165,000 to \$270,000 through August 1, 2011, interest at 5.610.%

Total G.O. notes payable and capital leases

	1,960,000
	<u>\$ 2,202,049</u>

Enterprise Capital Leases:

\$58,200 lease payable to corporation in monthly installments of \$1,775.39 through June 12, 2003

\$27,833 lease payable to corporation in monthly installments of \$849.05 through February 15, 2003

\$49,342 lease payable to corporation in monthly installments of \$1,491.52 through November 10, 2002

**CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002**

\$179,024 lease payable to corporation in quarterly installments of \$10,805.35 including interest through September 30, 2003

\$199,410 lease payable to corporation in monthly installments of \$3,766.00 including interest through October 15, 2004

\$193,130 lease payable to corporation in monthly installments of \$5,788.29 through October 15, 2004

\$8,265 lease payable to corporation in monthly installments of \$2,435.61 through June 8, 2005

Total enterprise capital leases	389,010
Less current portion	198,992
Enterprise capital leases, net of current portion	<u>190,018</u>

General obligations and revenue bonds payable contain certain covenants, the more restrictive of which require maintenance of cash reserves for current future debt service and for contingencies and improvements of the system.

The covenants also require net revenues at specified levels and adequate insurance coverage. At September 30, 2002, and for the year then ended, the City was in substantial compliance with all bond covenants on outstanding revenue and general obligation bonded debt.

The annual requirements to amortize all bonds and capital leases outstanding as of September 30, 2002, including interest are as follows:

Year Ended	Bonds	Notes Payable & Leases	Enterprise Revenue Bond	Enterprise Leases	Totals
September 30	\$ 2,100,231	\$ 481,690	\$ 4,027,929	\$ 217,829	\$ 6,827,679
2003	2,147,295	330,560	3,993,313	136,582	6,607,750
2004	2,194,831	283,184	4,078,811	61,789	6,618,615
2005	2,237,726	283,493	3,701,160	--	6,222,379
2006	2,246,034	282,832	3,575,358	--	6,104,224
2007	29,129,788	1,136,286	29,078,164	--	59,344,238
Thereafter	40,055,905	2,798,045	48,454,735	416,200	91,724,885
Less amount representing interest	14,555,905	595,996	13,856,735	27,190	29,035,826
Totals	\$ 25,500,000	\$ 2,202,049	\$ 34,598,000	\$ 389,010	\$ 62,689,059

9. Litigation

Various lawsuits are pending against the City involving general liability and civil rights actions. The City attorney estimates that most of the lawsuits are covered by insurance. With respect to the non-insured claims, it is the City attorney's opinion that the potential claims resulting from such litigations would not materially affect the financial position of the City.

10. Segment Information for Enterprise Fund

The City maintains three Enterprise Funds, the Utility Fund, the Toll Bridge Fund and the Tierra Del Sol Golf Course Fund. Segment information for the year ended September 30, 2002, is as follows:

Operating revenues	\$ 11,765,260
Depreciation	1,643,473
Operating income	4,608,727

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

Net income (loss)	2,018,272
Additions to fixed assets	1,591,133
Net working capital (excluding restricted assets)	3,149,143
Restricted assets	13,129,082
Total assets	81,568,170
Current year capital contribution	—
Total contributed capital	23,589,062
Retained earnings	17,116,973
Total equity	40,706,035

11. Prior Period Adjustments

The fund equities as of October 1, 2002 have been restated to reflect corrections made to fund balances.

General Fund	\$ 4,150,987
Fund Balance, October 1	50,508
Adjustment for prior year's expenditures	\$ 4,201,495
Special Revenue Fund	\$ 241,760
Fund Balance, October 1	975,663
Adjustment for deferred income	(61,193)
Adjustment for prior year's receivables	\$ 1,156,230
Capital Projects Fund	\$ 12,421,936
Fund Balance, October 1	1,521,562
Adjustment for prior year's revenue	\$ 13,943,498

12. Employee Retirement Benefits

A. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 745 administered by TMRS, an agent multiple-employer public retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest and the city-financed monetary credits, with interest. At the date the plan began, City granted monetary credits for services rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer financed monetary credits with interest were used to purchase an annuity. Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

B. Contributions

The contribution rate for the employees is 5%, and the City matching percent is currently 1 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate annually determined by the actuary. This rate consist of normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate, the City as an employee's retirement date, not at the time the employees contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January, 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one year delay between the actuarial valuation that is basis for the rate and the calendar year when the rate goes to effect. (i.e. December 31, 2000 valuation is effective for rates beginning January 2002)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Data	\$	13,159,411	12/31/01
Actuarial Value of Assets	\$	15,416,585	
Actuarial Accrued Liability			85.4%
Unfunded (Over-funded) Actuarial Accrued Liability	\$	2,257,174	
Annual Covered Payroll	\$	9,737,817	
UAAAL as a Percentage of Covered Payroll			23.2%
Net Pension Obligation (NPO) at the beginning of Period	\$	--	
Annual Pension Cost:			
Annual required contribution (ARC)	\$	583,280	
Interest on NPO	--		
Adjustment to the (ARC)	\$	583,280	
Contributions Made	\$	583,280	
Increase in NPO			
NPO at the end of the period	\$	--	

The City of Pharr is one of 745 municipalities having the benefit plan administered by TMRS. Each of the 745 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-00 valuations are contained in the 2000 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

13. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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Required Supplementary Information

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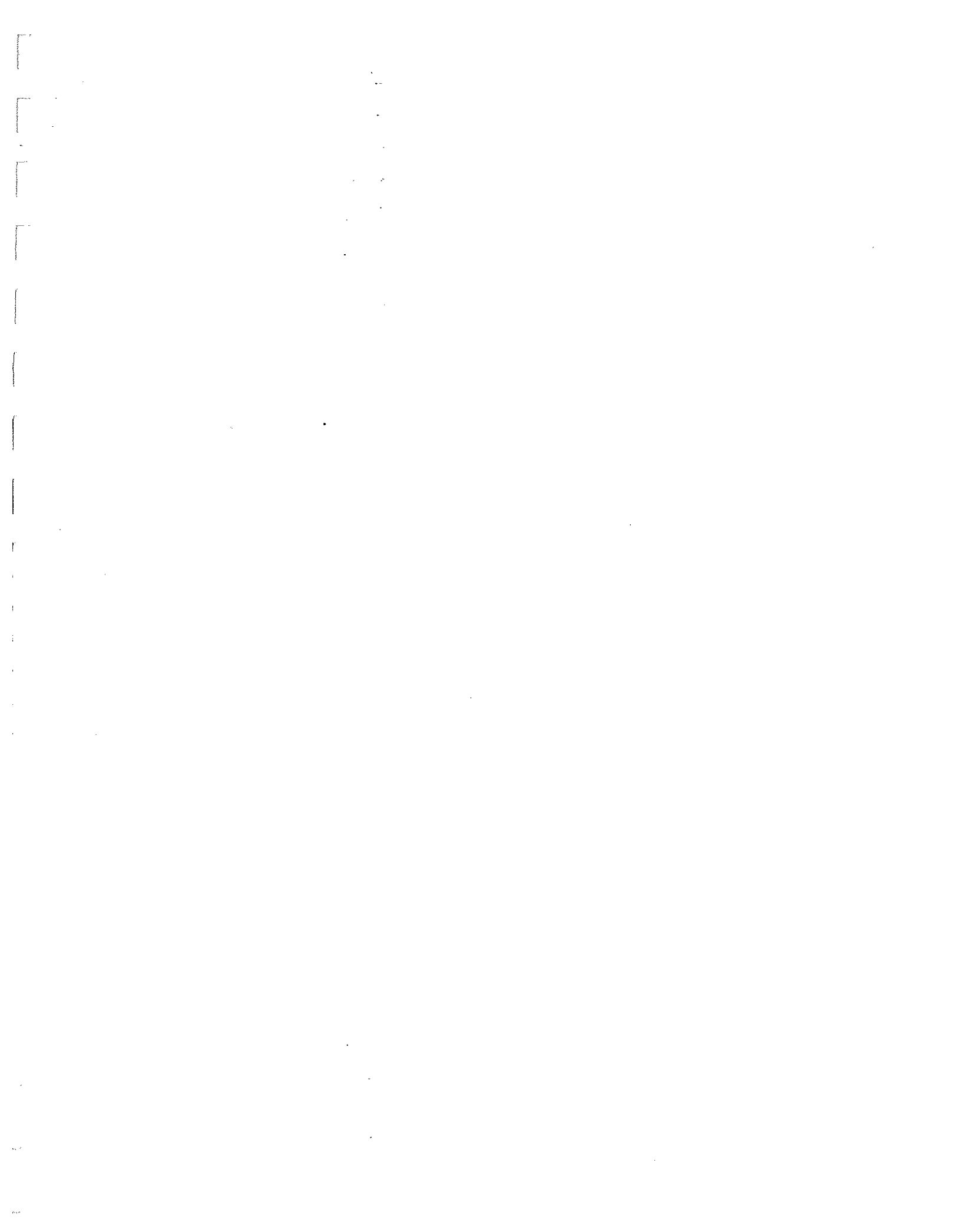
General Fund

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.



CITY OF PHARR, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
2002	2001	2002	2001
Assets:			
Cash and investments	\$ 2,189,091	Receivables (net of allowances for uncollectibles):	
Property taxes	1,676,974	Property taxes	1,676,974
Accounts	480,610	Accounts	480,610
Other	109,081	Other	109,081
Due from other funds	2,632,940	Due from other funds	2,632,940
Due from other governments	1,580,678	Due from other governments	1,580,678
Inventories	59,992	Inventories	59,992
Total Assets	\$ 10,314,093	Total Liabilities, Equity & Other Credits	\$ 10,314,093
Liabilities:			
Accounts payable	\$ 561,578	Accounts payable	561,578
Accrued expenses	187,830	Accrued expenses	187,830
Due to other funds	1,534,603	Due to other funds	1,534,603
Due to other governments	338,577	Due to other governments	338,577
Payable from restricted assets:		Deferred revenue-taxes	1,785,597
Deferred revenue-taxes	1,676,974	Deferred revenue-grants	12,917
Deferred revenue-grants	--	Deferred revenue-other	405,086
Other liabilities	91,068	Other liabilities	121,011
Total Liabilities and other credits	4,578,379	Total Liabilities and other credits	4,578,379
Equity and other credits:		Equity and other credits:	
Fund balances:		Fund balances:	
Reserved	59,992	Reserved	59,992
Unreserved	4,090,995	Unreserved	4,090,995
Total equity and other credits	4,150,987	Total equity and other credits	4,150,987

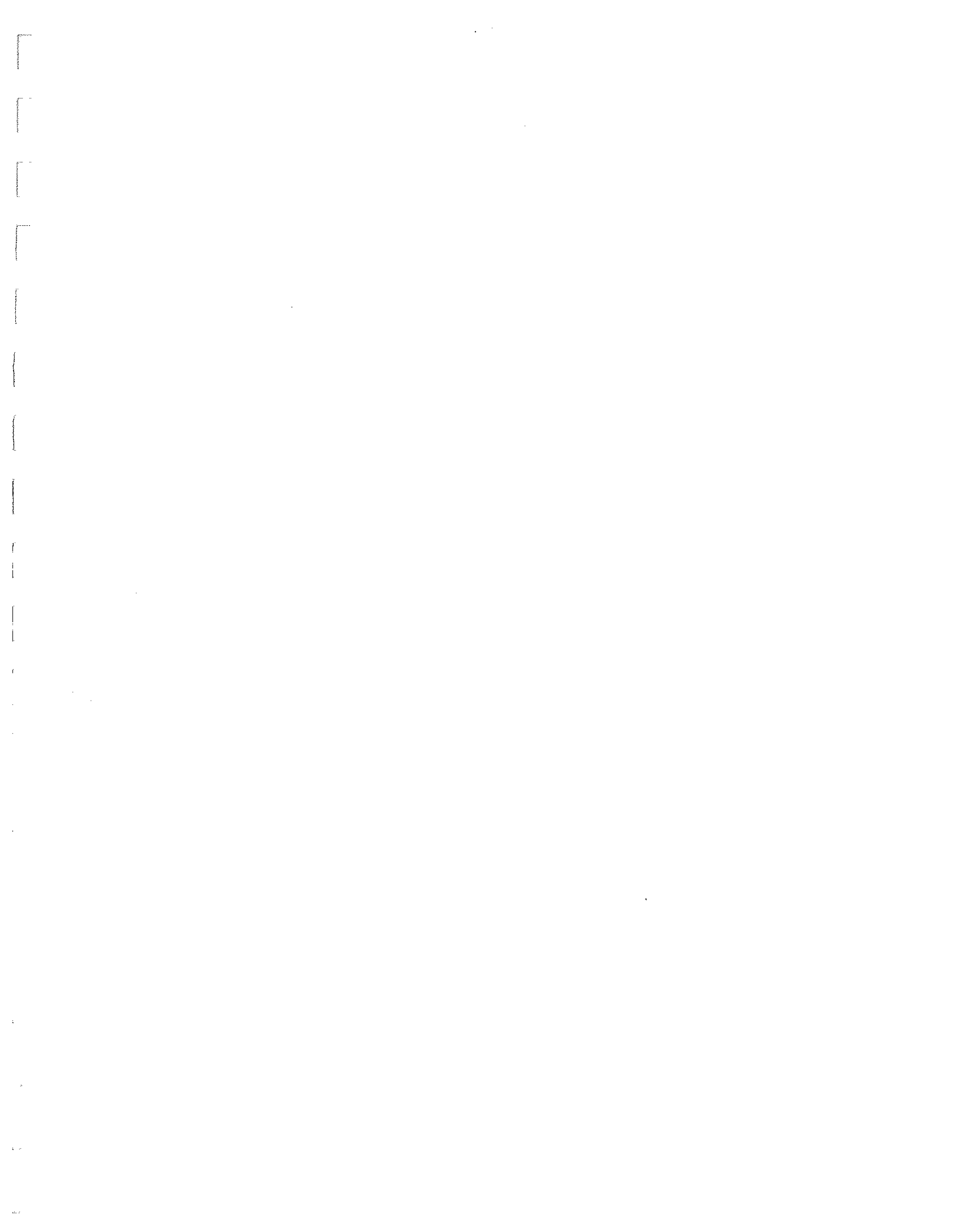


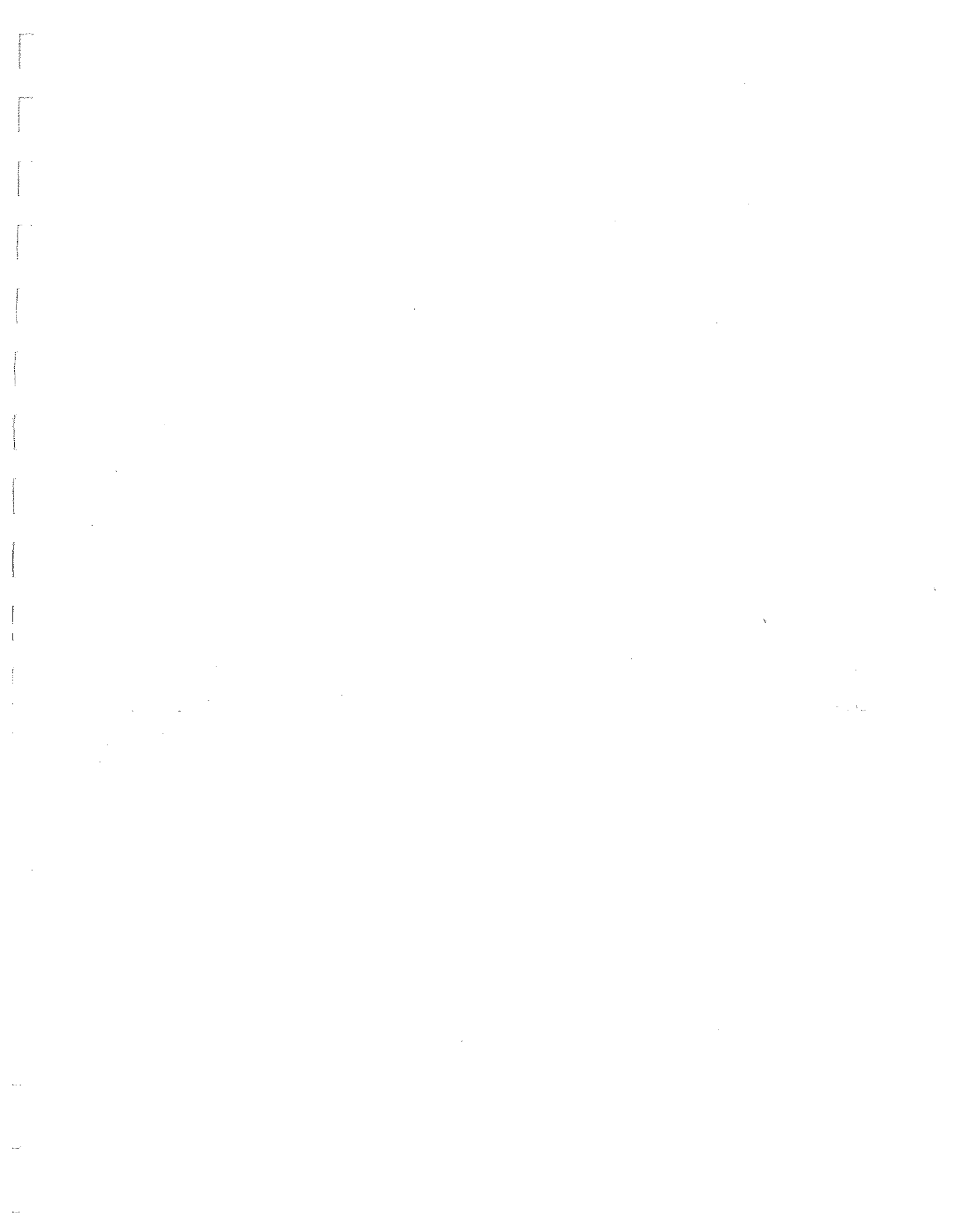
CITY OF PHARR, TEXAS

GENERAL FUND

**COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	2002	2001
Revenue:		
Taxes	\$ 13,277,414	\$ 11,810,111
Licenses and permits	711,846	533,395
Intergovernmental	263,940	471,274
Charges for services	2,627,685	2,527,371
Other charges	413,905	257,916
Fines and forfeitures	517,714	410,674
Interest	52,741	75,423
Other	908,483	568,939
Total revenues	<u>18,773,728</u>	<u>16,655,103</u>
Expenditures:		
Current:		
General government	5,317,543	4,652,847
Public safety	8,599,200	7,769,557
Highways and streets	942,259	739,876
Sanitation	2,225,793	2,107,581
Culture and recreation	600,567	477,537
Capital outlay	1,715,685	292,794
Debt service	329,002	210,182
Total expenditures	<u>19,730,049</u>	<u>16,250,374</u>
Excess (deficiency) of revenues (under) expenditures	(956,321)	404,729
Other financing sources (uses):		
Operating transfers in	640,000	427,031
Total other financing sources (uses)	<u>640,000</u>	<u>427,031</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(316,321)	831,760
Fund balances/equity, October 1	4,150,987	3,207,061
Prior period adjustment (Note 1)	50,508	103,667
Increase (decrease) in reserve for inventories	(6,371)	8,499
Fund balances/equity, September 30	<u>\$ 3,878,803</u>	<u>\$ 4,150,987</u>





CITY OF PHARR, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2002	2001
Community Development	193,036	155,324
Personal Services	4,000	5,270
Supplies and materials	1,000	846
Maintenance	26,100	29,510
Other services and charges	224,136	190,950
Total Community Development	420,272	381,800
Public Safety	4,820,491	4,454,515
Police Department	64,500	73,818
Personal Services	27,000	15,282
Supplies and materials	21,575	5,425
Maintenance	597,243	(157,743)
Other services and charges	439,500	495,661
Total Police Department	5,351,491	5,039,276
Fire Department	2,198,802	1,980,622
Personal Services	30,300	31,814
Supplies and materials	35,000	39,755
Maintenance	322,000	108,916
Other services and charges	2,586,102	2,320,775
Total Fire Department	3,073,402	2,781,260
Traffic Safety	303,500	259,258
Personal Services	49,250	34,494
Supplies and materials	5,000	5,499
Maintenance	188,700	110,255
Other services and charges	516,450	409,506
Total Traffic Safety	792,350	669,754
Highways and streets	607,889	533,934
Personal Services	23,000	22,529
Supplies and materials	13,000	10,437
Maintenance	327,800	172,976
Other services and charges	971,689	739,876
Total Highways and streets	1,335,478	1,146,818
Sanitation	2,100,000	2,107,581
Other services and charges	2,225,793	(125,793)
Total Sanitation	4,325,793	1,981,788
Total General Government	5,644,120	4,652,847
Non-Departmental	2,458,419	1,751,512
Other services and charges	1,781,448	551,178
Total Non-Departmental	2,458,419	1,751,512
Total	8,102,539	6,404,689
Budget	8,102,539	
Actual		6,404,689
Variance		(1,697,850)
Favorable		
(Unfavorable)		



CITY OF PHARR, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2001

2002	2001	Variance
Actual	Actual	Favorable (Unfavorable)
484,263	369,053	(34,807)
18,000	13,681	(8,206)
24,517	15,181	(7,017)
64,528	55,953	17,472
599,514	453,868	(32,558)
566,956	453,868	(32,558)
449,456	369,053	(34,807)
Municipal Library		
Personal Services		
Supplies and materials		
Maintenance		
17,500	15,181	(7,017)
82,000	55,953	17,472
566,956	453,868	(32,558)
566,956	477,537	(33,611)
Total Culture and Recreation		
329,002	210,182	(329,002)
Debt service		
Non-departmental		
17,886,708	16,250,374	(1,843,341)
Total expenditures		
Excess (deficiency) of revenues (under) expenditures		
(684,783)	404,729	(271,538)
Other financing sources (uses):		
Operating transfers in		
685,200	427,031	(45,200)
Total other financing sources (uses)		
685,200	427,031	(45,200)
Excess of revenues and other financing sources over		
(under) expenditures and other financing uses		
417	831,760	(316,738)
Fund balances/equity, October 1		
4,150,987	3,207,061	--
Prior period adjustment (Note 1)		
50,508	103,667	--
Increase (decrease) in reserve for inventories		
(6,371)	8,499	--
\$ 4,195,541	\$ 4,150,987	\$ (316,738)
\$ 3,878,803	\$ 3,878,803	\$ (316,738)
Fund balances/equity, September 30		



Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.



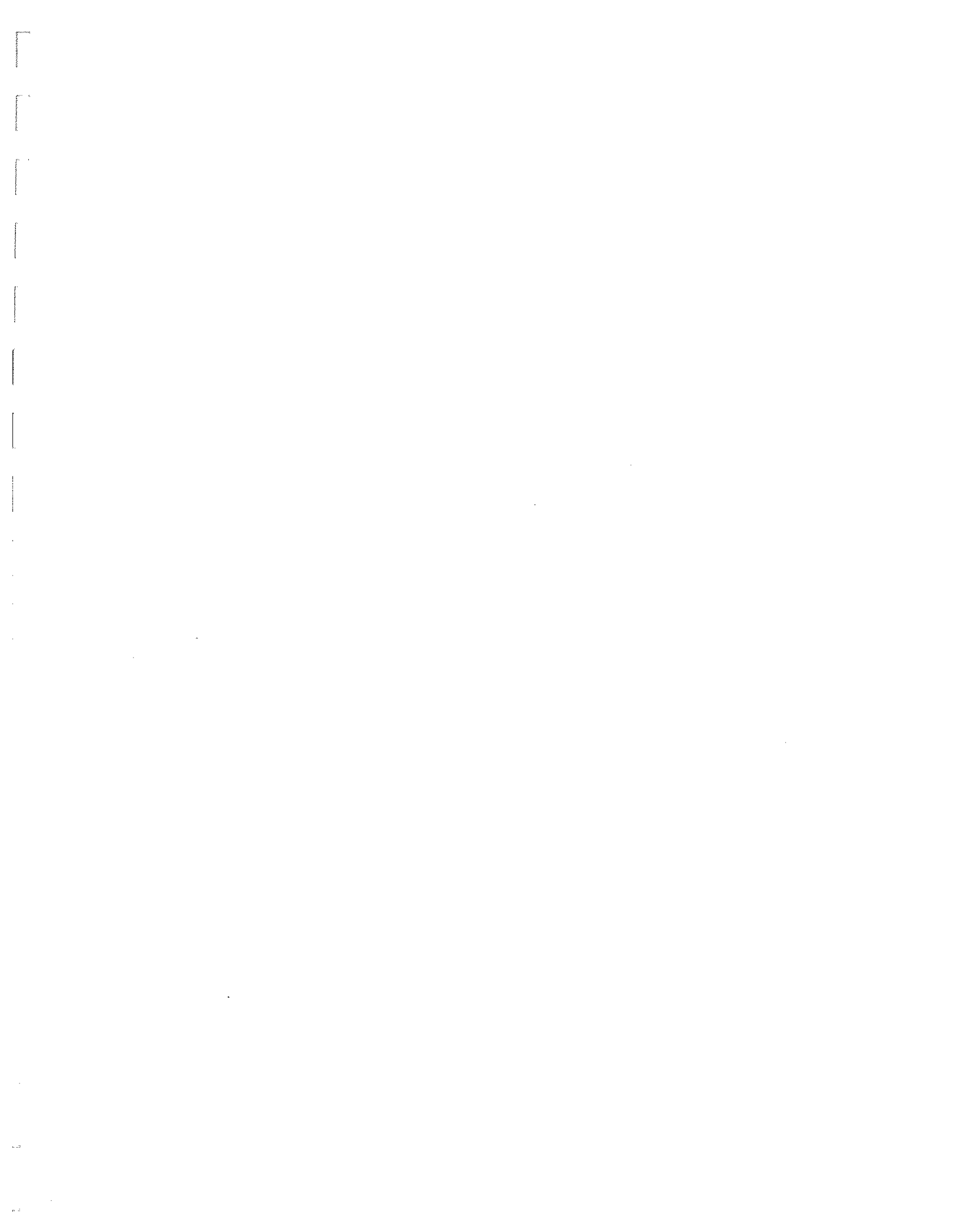
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Law Enforcement Fund		Totals	
September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
\$ 14,114	\$ 2,042,808	\$ 1,280,772	\$ 2,042,808
456	2,600	2,600	2,600
66,640	91,420	156,207	91,420
--	95,684	21,107	95,684
--	71,706	107,906	71,706
81,210	1,942,590	159,072	1,942,590
81,210	750	750	750
--	15,000	15,000	15,000
--	6,374	6,374	6,374
--	58,469	138,527	58,469
--	39,275	24,463	39,275
81,210	2,062,458	344,186	2,062,458
--	73,610	1,024,499	73,610
--	168,150	199,907	168,150
--	241,760	1,224,406	241,760
\$ 81,210	\$ 2,304,218	\$ 1,568,592	\$ 2,304,218

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2002

Revenue:			
Intergovernmental	\$	196,567	\$
Interest		1,405	
Other		13,050	
Total revenues		<u>211,022</u>	
Expenditures:			
Current:			
General government		200	
Public safety		108,777	
Economic development and assistance		--	
Capital outlay		58,545	
Debt service		58,795	
Total expenditures		<u>226,317</u>	
Excess (deficiency) of revenues (under) expenditures		(15,295)	
Other financing sources (uses):			
Operating transfers in		--	
Operating transfers out		(9,479)	
Lease proceeds		--	
Total other financing sources (uses)		<u>(9,479)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses		(24,774)	
Fund balances/equity, October 1		73,610	
Prior period adjustment		--	
Fund balances/equity, September 30	\$	<u>48,836</u>	\$
			<u>1,175,570</u>
			914,470
			168,150
			92,950
			<u>1,771,074</u>
			272,379
			77,710
			116,939
			--
			1,304,046
			<u>1,864,024</u>
			32,855
			23,293
			<u>1,807,876</u>
			1,807,876





CITY OF PHARR, TEXAS

ASSETS SHARING FUND

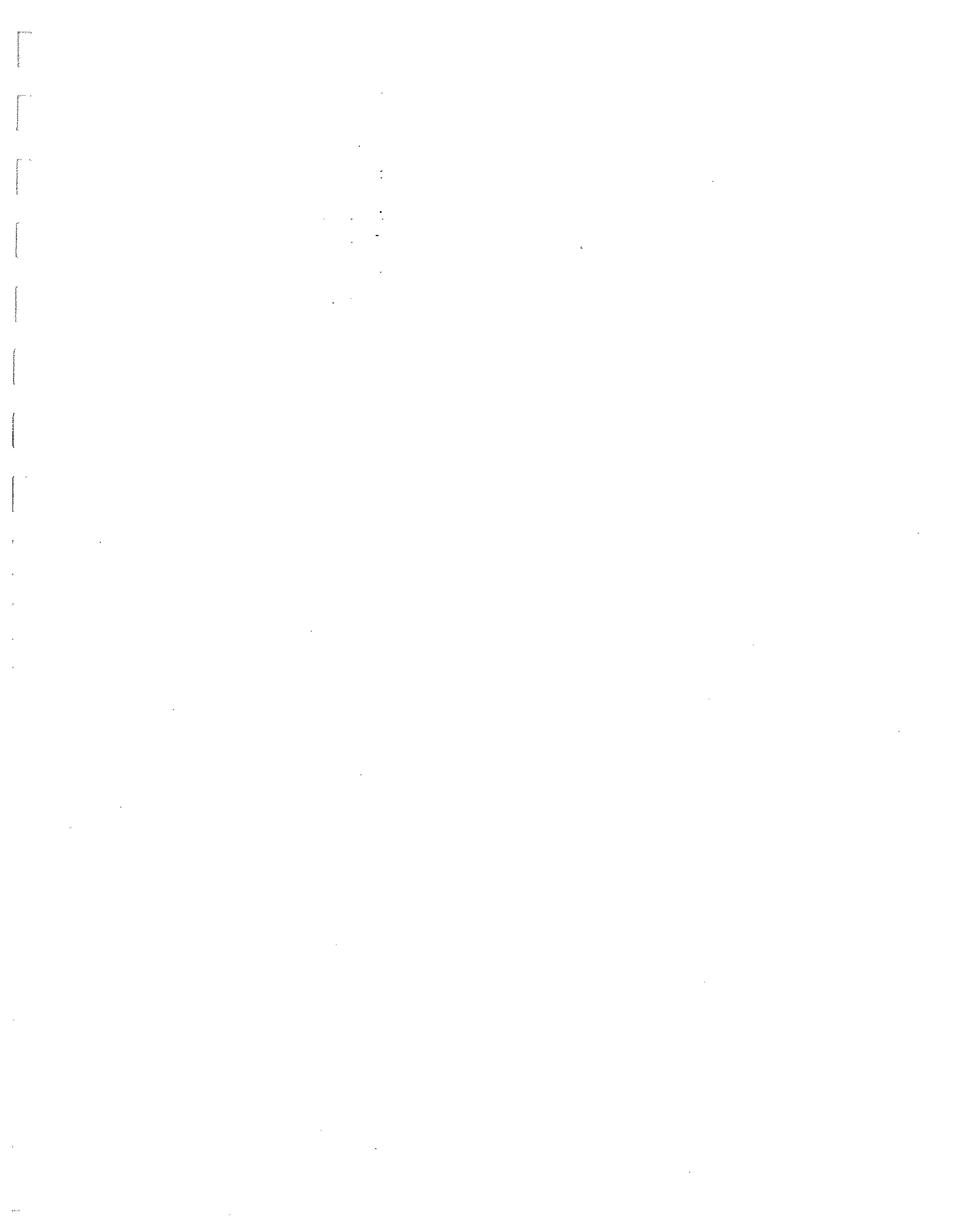
SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES,

EXPENDITURES AND CHANGES IN FUND BALANCES

YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
Revenue:		
Intergovernmental	\$ 196,567	\$ 205,320
Interest	1,405	2,169
Other	13,050	-
Total revenues	<u>211,022</u>	<u>207,489</u>
Expenditures:		
Current:		
General government	200	10,000
Public safety	108,777	88,814
Capital outlay	58,545	205,956
Debt service	58,795	59,602
Total expenditures	<u>226,317</u>	<u>364,372</u>
Excess (deficiency) of revenues (under) expenditures	(15,295)	(156,883)
Other financing sources (uses):		
Operating transfers out	(9,479)	(20,000)
Lease proceeds	--	168,800
Total other financing sources (uses)	<u>(9,479)</u>	<u>148,800</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(24,774)	(8,083)
Fund balances/equity, October 1	73,610	81,693
Fund balances/equity, September 30	<u>\$ 48,836</u>	<u>\$ 73,610</u>



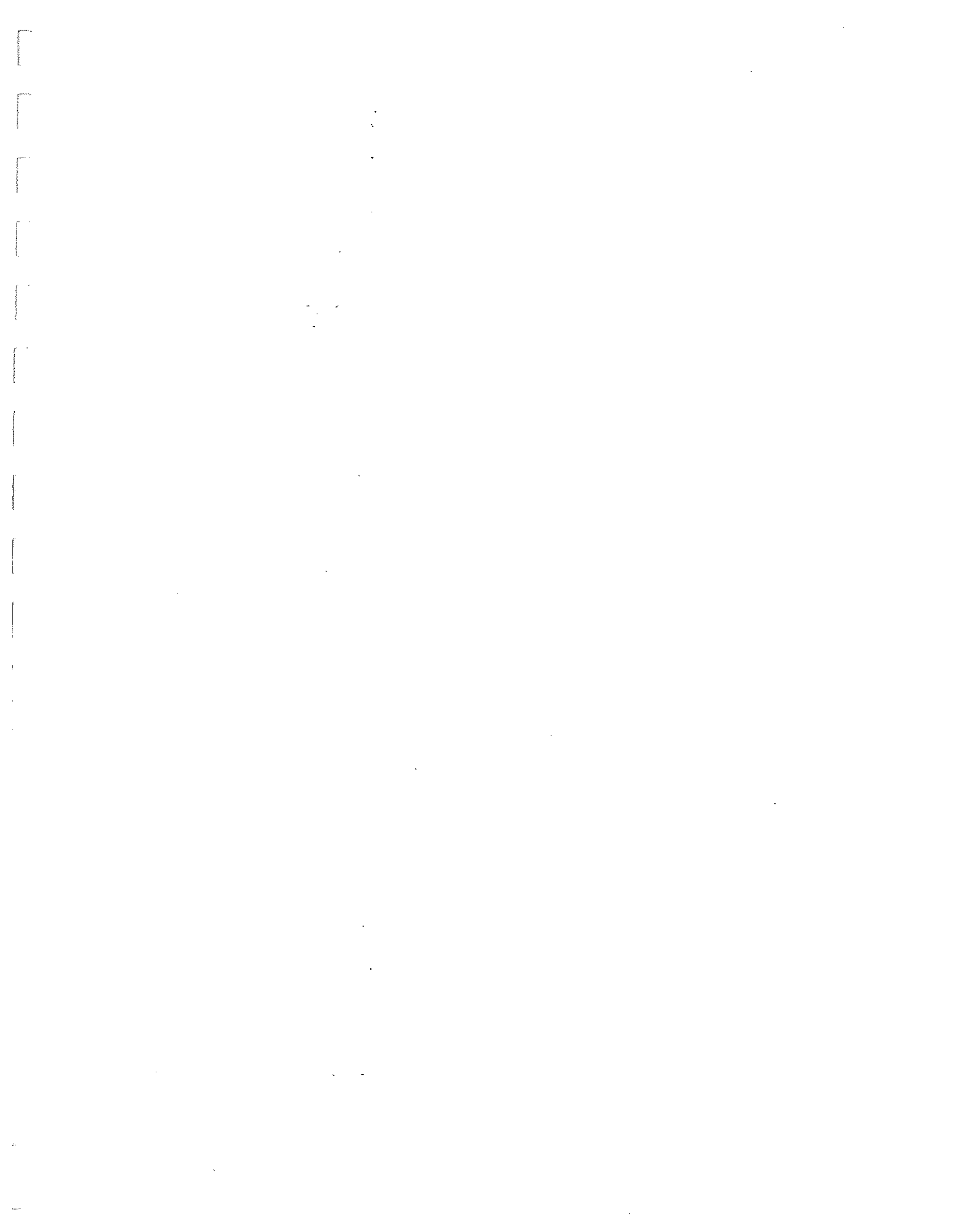
CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
	2002	2001	
Assets:			
Cash and investments	\$ 1,180,401	\$ 2,010,462	
Other	2,144	2,144	
Due from other funds	2,098	2,098	
Due from other governments	21,107	95,299	
Note receivable-revolving loans	107,906	71,706	
Total Assets	\$ 1,313,656	\$ 2,181,709	
Liabilities:			
Accounts payable	\$ 21,108	\$ 34,106	
Due to other funds	16,992	16,992	
Due to other governments	6,374	6,374	
Escrow	15,000	15,000	
Other	750	750	
Deferred revenue-other	77,862	1,940,337	
Total Liabilities and other credits	138,086	2,013,559	
Equity and other credits:			
Fund balances:			
Reserved	975,663	-	
Unreserved	199,907	168,150	
Total equity and other credits	1,175,570	168,150	
Total Liabilities, Equity & Other Credits	\$ 1,313,656	\$ 2,181,709	



CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
Revenue:		
Intergovernmental	\$ 1,807,876	\$ 881,027
Interest	32,855	10,144
Other	23,293	116,180
Total revenues	<u>1,864,024</u>	<u>1,007,351</u>
Expenditures:		
Current:		
General government	1,304,046	13,350
Economic development and assistance	116,939	470,213
Capital outlay	77,710	423,144
Debt service	272,379	-
Total expenditures	<u>1,771,074</u>	<u>905,705</u>
Excess (deficiency) of revenues (under) expenditures	92,950	101,646
Other financing sources (uses):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	92,950	101,646
Fund balances/equity, October 1	168,150	66,504
Prior period adjustment	914,470	-
Fund balances/equity, September 30	<u>\$ 1,175,570</u>	<u>\$ 168,150</u>



ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
	2002	2001	
Assets:			
Cash and investments	\$ 14,114	\$ (1,264)	
Other	456	456	
Due from other funds	66,640	5,209	
Due from other governments	--	385	
Total Assets	\$ 81,210	\$ 4,786	
Liabilities:			
Accounts payable	\$ --	\$ 5,169	
Due to other funds	--	(2,636)	
Deferred revenue-other	81,210	2,253	
Total Liabilities and other credits	81,210	4,786	
Equity and other credits:			
Fund balances:			
Total equity and other credits	--	--	
Total Liabilities, Equity & Other Credits	\$ 81,210	\$ 4,786	



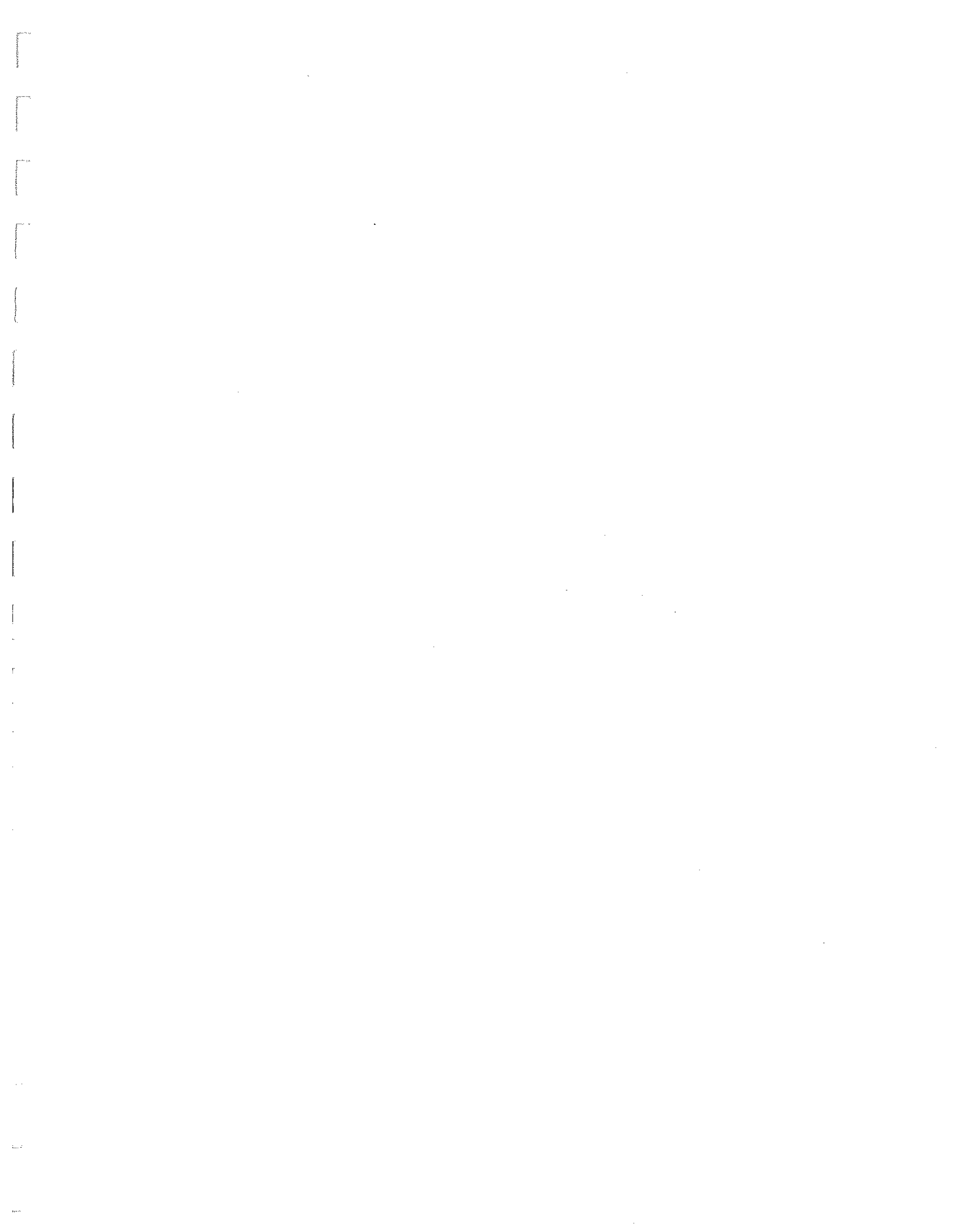
CITY OF PHARR, TEXAS
LAW ENFORCEMENT FUND
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
Revenue:		
Intergovernmental	\$ 6,351	\$ 116,825
Interest	245	15,590
Total revenues	<u>6,596</u>	<u>132,415</u>
Expenditures:		
Public safety	80	41,772
Capital outlay	15,995	90,643
Total expenditures	<u>16,075</u>	<u>132,415</u>
Excess (deficiency) of revenues (under) expenditures	(9,479)	--
Other financing sources (uses):		
Operating transfers in	9,479	--
Total other financing sources (uses)	<u>9,479</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--
Fund balances/equity, October 1	--	--
Fund balances/equity, September 30	\$ --	\$ --



Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.



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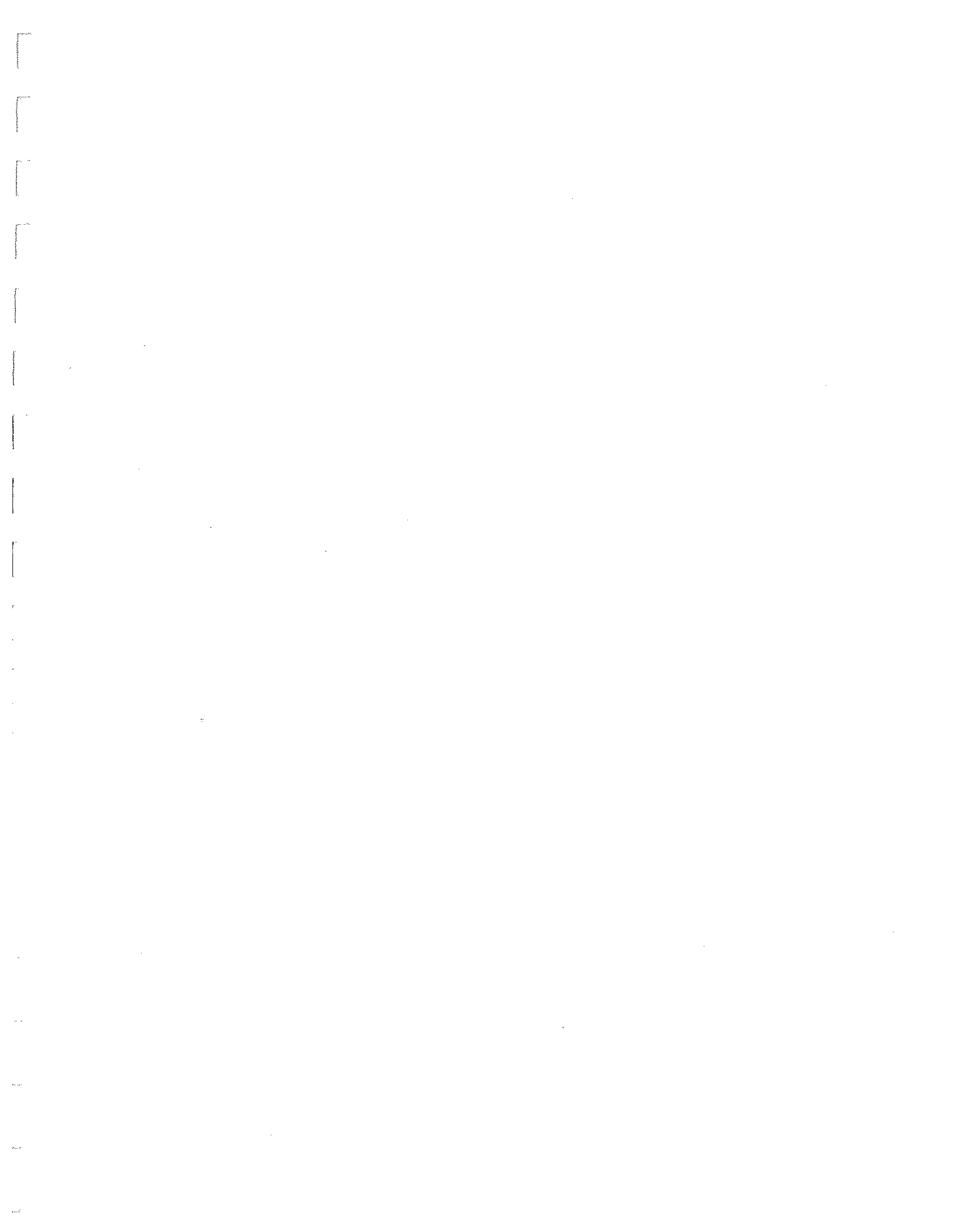
CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
YEAR ENDED SEPTEMBER 30, 2002

	Utility	Toll Bridge		
OPERATING REVENUES:	\$ 5,905,826	\$ 5,361,289		
Charges for services				
Total Operating Revenues	5,905,826	5,361,289		
OPERATING EXPENSES:				
Personal services	1,592,781	663,490		
Operation and maintenance	2,019,324	316,157		
Depreciation	978,174	545,811		
Total Operating Expenses	4,590,279	1,525,458		
Operating Income (Loss)	1,315,547	3,835,831		
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	132,369	311,332		
Bond interest and fiscal charges	(780,294)	(1,111,212)		
Other income (expenses)	86,892	(71,873)		
Total Non-operating Revenues (Expenses)	(561,033)	(871,753)		
Net Income (Loss) before Operating Transfers	754,514	2,964,078		
TRANSFERS:				
Interfund operating transfers in	--	--		
Interfund operating transfers out	(120,000)	(1,020,000)		
Net income	634,514	1,944,078		
Retained earnings/fund balances, October 1	11,218,573	5,205,836		
Prior period adjustment	--	--		
Retained earnings/fund balances, September 30	\$ 11,853,087	\$ 7,149,914		

Terra Del Sol Golf Course Fund		Totals	
\$ 498,145	\$ 11,765,260	September 30,	September 30,
498,145	11,765,260	2002	2001
548,231	2,804,502	2,370,971	2,370,971
373,077	2,708,558	2,816,508	2,816,508
119,488	1,643,473	1,631,373	1,631,373
1,040,796	7,156,533	6,818,852	6,818,852
(542,651)	4,608,727	4,436,684	4,436,684
203	443,904	642,072	642,072
(17,872)	(1,909,378)	(2,014,733)	(2,014,733)
--	15,019	83,138	83,138
(17,669)	(1,450,455)	(1,289,523)	(1,289,523)
(560,320)	3,158,272	3,147,161	3,147,161
--	--	--	--
(1,140,000)	(1,140,000)	(407,031)	(407,031)
(560,320)	2,018,272	2,740,130	2,740,130
(1,325,708)	16,098,701	12,341,305	12,341,305
--	--	17,266	17,266
\$ (1,886,028)	\$ 17,116,973	\$ 15,098,701	\$ 15,098,701



	2002	2001
ASSETS AND OTHER DEBITS		
Assets:		
Cash and investments	\$ 221,136	\$ 1,577,839
Accounts	896,951	988,192
Assessments	477,806	509,830
Accrued interest	--	47,233
Other	14,455	11,631
Due from other funds	3,188,643	1,887,143
Inventories	76,595	97,000
Prepaid items	42,350	46,900
Restricted assets:		
Cash and time investments	5,897,719	6,759,828
Deferred charges	79,591	73,237
Fixed assets (net, where applicable, of accumulated depreciation)	40,714,030	40,326,937
Other Debits:	\$ 51,609,276	\$ 52,325,770
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts payable	\$ 206,337	\$ 231,635
Accrued expenses	260,569	235,907
Due to other funds	1,102,342	1,478,774
Due to other governments	15,215	15,719
Other	170	125
Current portion of lease payable	91,905	83,187
Payable from restricted assets:		
Escrow development liability	29,399	32,789
Current portion of revenue bonds	1,106,000	1,043,000
Revenue bonds payable, net of current portion	14,097,000	15,203,000
Lease payable, net of current portion	21,471	67,275
Deferred revenue-other	478,268	511,466
Customer meter deposits	1,543,619	1,400,426
Total Liabilities and other credits	18,952,295	20,303,303
Equity and other credits:		
Contributed capital	20,803,894	20,803,894
Retained earnings:		
Reserved per revenue bond ordinances	1,479,286	1,479,286
Unreserved	10,373,801	9,739,287
Fund balances:		
Total equity and other credits	32,656,981	32,022,467
Total Liabilities, Equity & Other Credits	\$ 51,609,276	\$ 52,325,770



CITY OF PHARR, TEXAS

UTILITY FUND

ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Charges for services	\$ 5,905,826	\$ 5,658,631
Total Operating Revenues	5,905,826	5,658,631
OPERATING EXPENSES:		
Personal services	1,592,781	1,251,801
Operation and maintenance	2,019,324	1,982,970
Depreciation	978,174	978,174
Total Operating Expenses	4,590,279	4,212,945
Operating Income (Loss)	1,315,547	1,445,686
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	132,369	423,540
Bond interest and fiscal charges	(780,294)	(840,765)
Other income (expenses)	86,892	58,290
Total Non-operating Revenues (Expenses)	(561,033)	(358,935)
Net Income (Loss) before Operating Transfers	754,514	1,086,751
TRANSFERS:		
Interfund operating transfers in	(120,000)	--
Interfund operating transfers out	634,514	986,751
Net Income	11,218,573	10,246,573
Retained earnings/fund balances, October 1	--	(14,751)
Prior period adjustment	11,853,087	11,218,573
Retained earnings/fund balances, September 30	\$ 11,853,087	\$ 11,218,573



CITY OF PHARR, TEXAS

UTILITY FUND

ENTERPRISE FUND

**SCHEDULE OF NET INCOME AND REVENUE BOND COVERAGE
YEARS ENDED SEPTEMBER 30, 2002**

EXHIBIT B-16

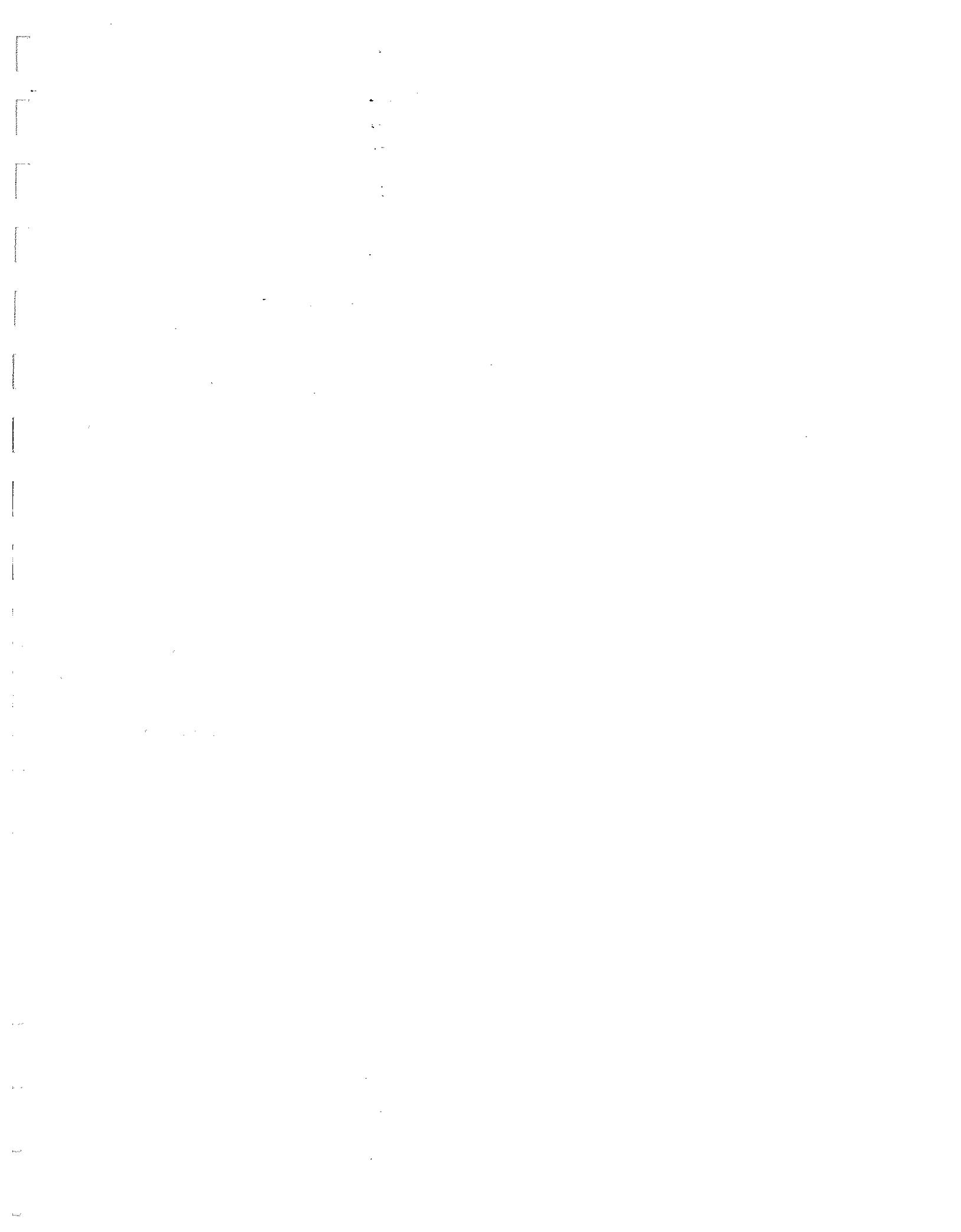
Gross revenues	\$	6,125,087			
Total expenses		5,370,573			
Net Income	\$	<u>754,514</u>			
Net revenue available for debt service:					
Net income	\$	754,514			
Add back:					
Depreciation		978,174	\$		
Interest and fiscal charges		<u>780,294</u>			
NET REVENUE AVAILABLE FOR DEBT SERVICE	\$	<u>1,758,468</u>			
Coverage (net revenue available for debt service divided by the annual debt service requirements)					<u>1.40</u>

Note:
The revenue bond ordinance for the 1987 waterworks and sewer system revenue bonds requires that the Utility Fund's net revenues be 1.25 times the annual debt service requirements of the Utility Fund.



CITY OF PHARR, TEXAS
TOLL BRIDGE FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
2002	2001	2002	2001
Assets:		Liabilities:	
Cash and investments	2,132,196	Accounts payable	16,328
Other	72,335	Accrued expenses	51,027
Due from other funds	133,735	Due to other funds	210,259
Prepaid items	370,246	Payable from restricted assets:	
Capitalized interest	484,162	Accrued expenses	132,869
		Current portion of revenue bonds	1,165,000
		Revenue bonds payable, net of current portion	18,230,000
		Total Liabilities and other credits	19,805,483
		Equity and other credits:	
		Contributed capital	620,168
		Retained earnings:	
		Reserved per revenue bond ordinances	2,870,122
		Unreserved	4,279,792
		Total equity and other credits	7,770,082
		Total Assets	
		\$ 27,575,565	
		\$ 26,956,609	



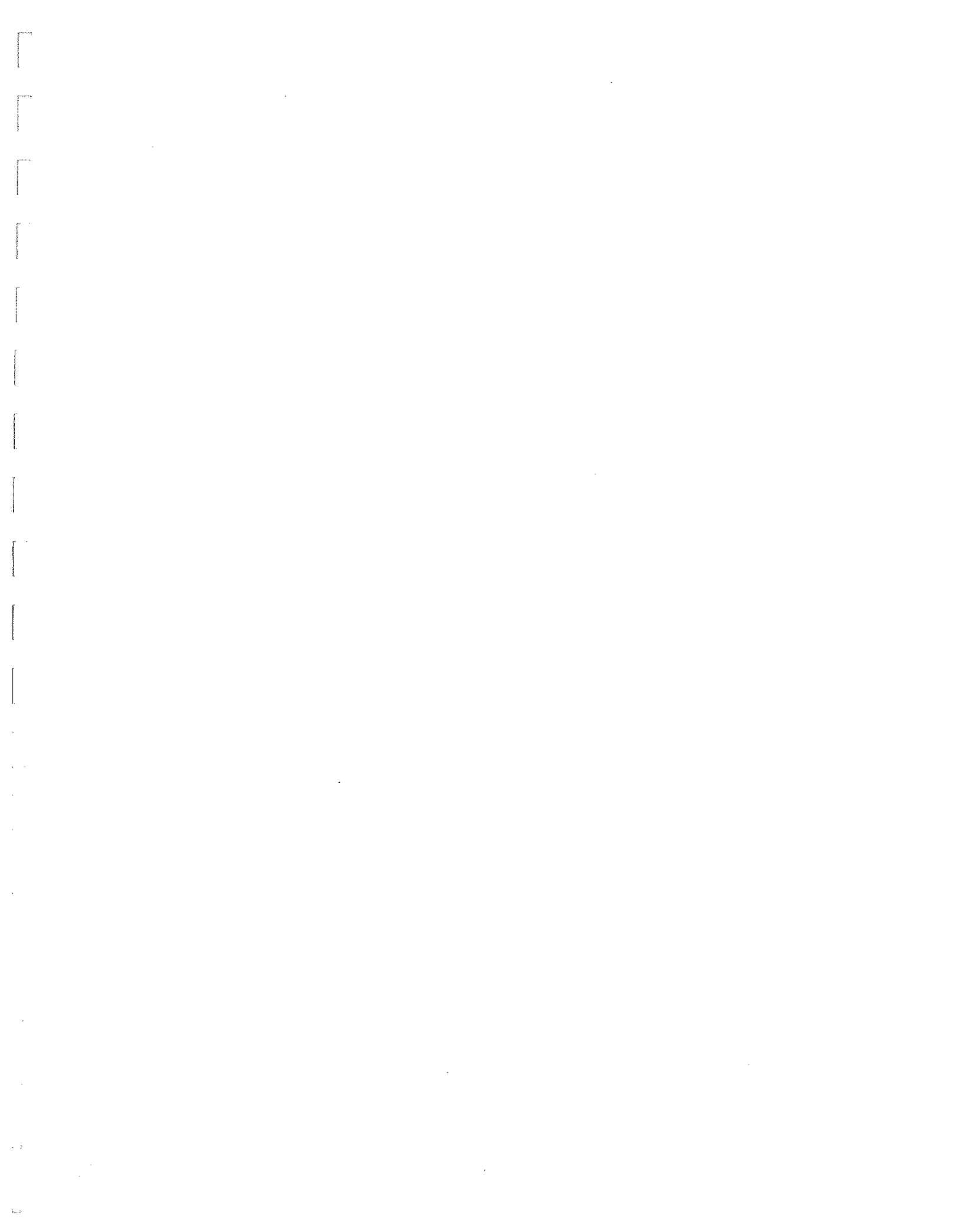
CITY OF PHARR, TEXAS
TOLL BRIDGE FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Charges for services	\$ 5,361,289	\$ 5,181,749
Total Operating Revenues	5,361,289	5,181,749
OPERATING EXPENSES:		
Personal services	663,490	545,326
Operation and maintenance	316,157	409,315
Depreciation	545,811	544,574
Total Operating Expenses	1,525,458	1,499,215
Operating Income (Loss)	3,835,831	3,682,534
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	311,332	217,182
Bond interest and fiscal charges	(1,111,212)	(1,162,033)
Other income (expenses)	(71,873)	24,848
Total Non-operating Revenues (Expenses)	(871,753)	(920,003)
Net Income (Loss) before Operating Transfers	2,964,078	2,762,531
TRANSFERS:		
Interfund operating transfers in	(1,020,000)	-
Interfund operating transfers out	-	(307,031)
Net Income	1,944,078	2,455,500
Retained earnings/fund balances, October 1	5,205,836	2,750,336
Retained earnings/fund balances, September 30	\$ 7,149,914	\$ 5,205,836



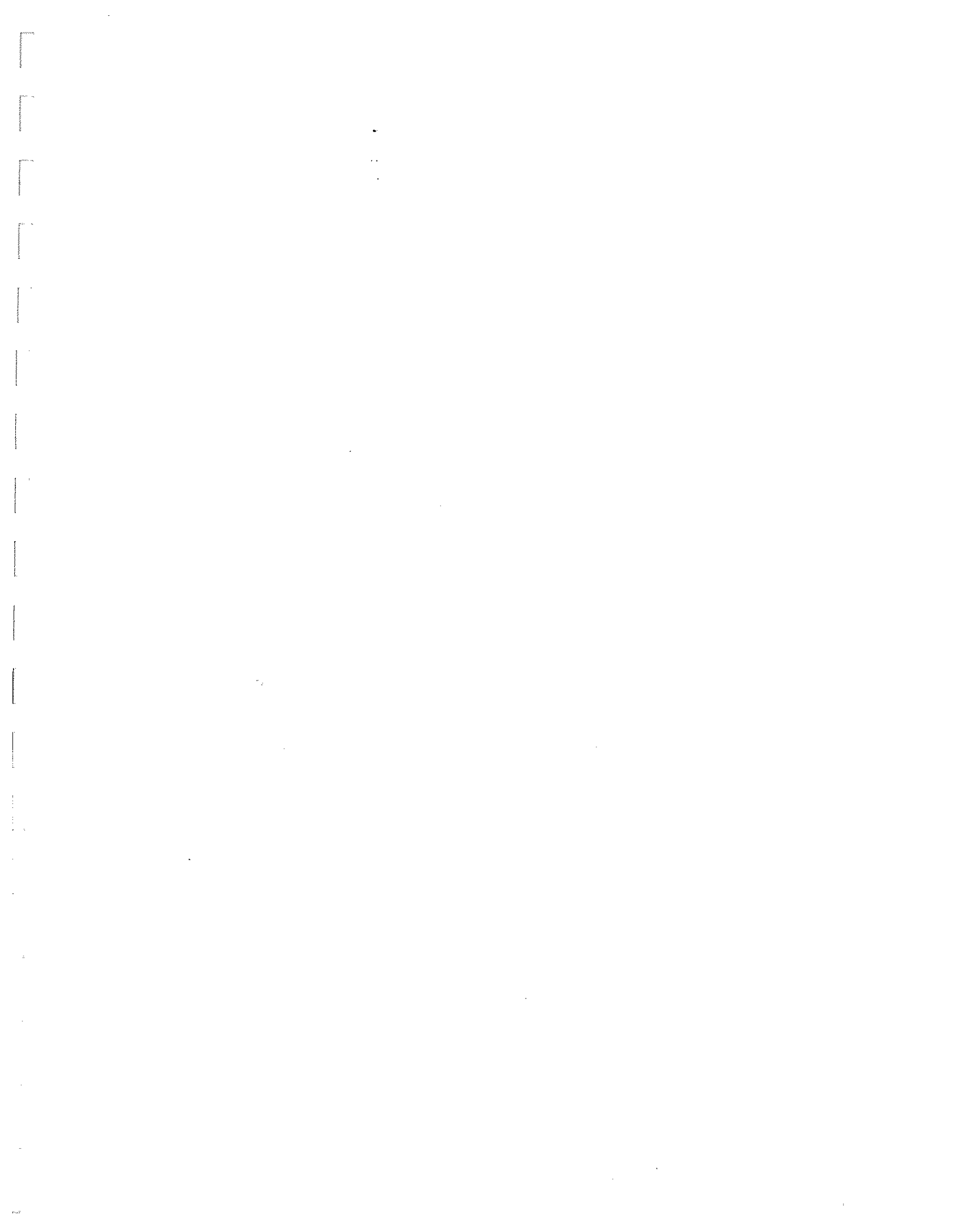
CITY OF PHARR, TEXAS
TIERRA DEL SOL GOLF COURSE FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
2002	2001	2002	2001
Assets:		Liabilities:	
Cash and investments	17,463	Accounts payable	31,265
Other	2,869	Accrued expenses	48,773
Due from other funds	60,582	Due to other funds	1,520,422
Inventories	51,160	Due to other governments	1,260
Prepaid items	--	Current portion of lease payable	37,373
Deferred charges	45,000	Lease payable, net of current portion	132,546
Fixed assets (net, where applicable, of accumulated depreciation)	2,513,577	Total Liabilities and other credits	1,771,639
Other Debits:		Equity and other credits:	
Total Assets	\$ 2,610,931	Contributed capital	2,165,000
		Retained earnings:	
		Unreserved	(1,325,708)
		Total equity and other credits	839,292
		Total Liabilities, Equity & Other Credits	\$ 2,610,931



CITY OF PHARR, TEXAS
TERRA DEL SOL GOLF COURSE FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Charges for services	\$ 498,145	\$ 415,156
Total Operating Revenues	498,145	415,156
OPERATING EXPENSES:		
Personal services	548,231	573,844
Operation and maintenance	373,077	424,223
Depreciation	119,488	108,625
Total Operating Expenses	1,040,796	1,106,692
Operating Income (Loss)	(542,651)	(691,536)
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	203	1,350
Bond interest and fiscal charges	(17,872)	(11,935)
Total Non-operating Revenues (Expenses)	(17,669)	(10,585)
Net Income (Loss) before Operating Transfers	(560,320)	(702,121)
TRANSFERS:		
Interfund operating transfers in	--	--
Interfund operating transfers out	--	--
Net income	(560,320)	(702,121)
Retained earnings/fund balances, October 1	(1,325,708)	(655,604)
Prior period adjustment	-	32,017
Retained earnings/fund balances, September 30	\$ (1,886,028)	\$ (1,325,708)



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.



ASSETS AND OTHER DEBITS		LIABILITIES, EQUITY AND OTHER CREDITS	
2002	2001	2002	2001
Assets:			
Cash and investments	\$ 22,111	\$ 47,896	\$ 38,782
Other	609	9,571	8,167
Due from other funds	132,648	161,524	145,173
Due from other governments	-		
Inventories	7,158		
Fixed assets (net, where applicable, of accumulated depreciation)	20,465	192,122	192,122
Total Assets	\$ 182,991	\$ 182,991	\$ 198,215
Liabilities:			
Accounts payable	\$ 47,896	\$ 47,896	\$ 38,782
Accrued expenses	9,571	9,571	8,167
Due to other funds	161,524	161,524	145,173
Total Liabilities and other credits	218,991	218,991	192,122
Equity and other credits:			
Contributed capital	328,622	328,622	328,622
Retained earnings:			
Unreserved	(364,622)	(364,622)	(322,529)
Total equity and other credits	(36,000)	(36,000)	6,093
Total Liabilities, Equity & Other Credits	\$ 182,991	\$ 182,991	\$ 198,215



CITY OF PHARR, TEXAS

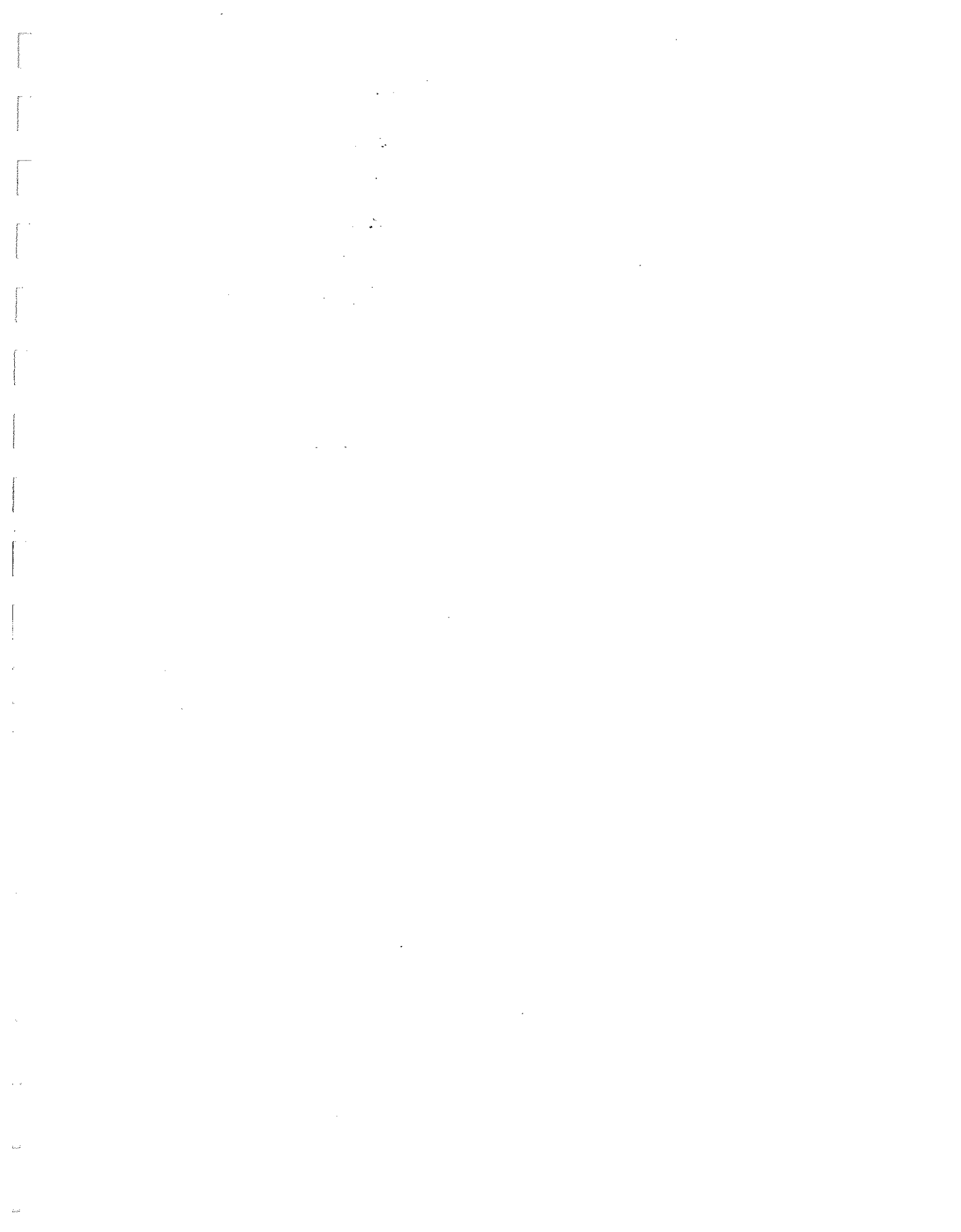
**INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	2002	2001
OPERATING REVENUES:		
Charges for services	\$ 548,535	\$ 517,162
Total Operating Revenues	548,535	517,162
OPERATING EXPENSES:		
Personal services	100,206	85,670
Operation and maintenance	487,946	485,817
Depreciation	3,317	3,317
Total Operating Expenses	591,469	574,804
Operating Income (Loss)	(42,934)	(57,642)
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	841	1,590
Total Non-operating Revenues (Expenses)	841	1,590
Net Income (Loss) before Operating Transfers	(42,093)	(56,052)
TRANSFERS:		
Interfund operating transfers in	--	--
Interfund operating transfers out	--	--
Net Income	(42,093)	(56,052)
Retained earnings/fund balances, October 1	(322,529)	(266,477)
Retained earnings/fund balances, September 30	\$ (364,622)	\$ (322,529)



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



CITY OF PHARR, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
YEAR ENDED SEPTEMBER 30, 2002

With Comparative Amounts for Year Ended September 30, 2001

General Fixed Assets	
2002	2001
\$ 2,352,454	\$ 2,352,454
Land	
Buildings	4,892,793
Improvements other than buildings	36,900,863
Machinery and equipment	7,851,221
Books	401,392
Capital leases	725,822
Construction in progress	1,965,496
Total general fixed assets	\$ 55,090,041
	\$ 47,723,636
Investment in General Fixed Assets	
General obligation bonds	8,928,659
Federal grants	12,914,989
State grants	50,626
General fund revenues	10,419,517
Special revenue and fund revenues	6,122,924
Water and sewer fund revenues	9,686
Capital projects	14,363,271
Contributions from Urban County	1,197,127
Contributions from developers	88,868
Contributions from PEDC	49,322
Donations	29,400
Police Department	915,652
Total investment in general fixed assets	\$ 55,090,041
	\$ 47,723,636



CITY OF PHARR, TEXAS
SCHEDULE OF LONG-TERM OBLIGATIONS
SEPTEMBER 30, 2002

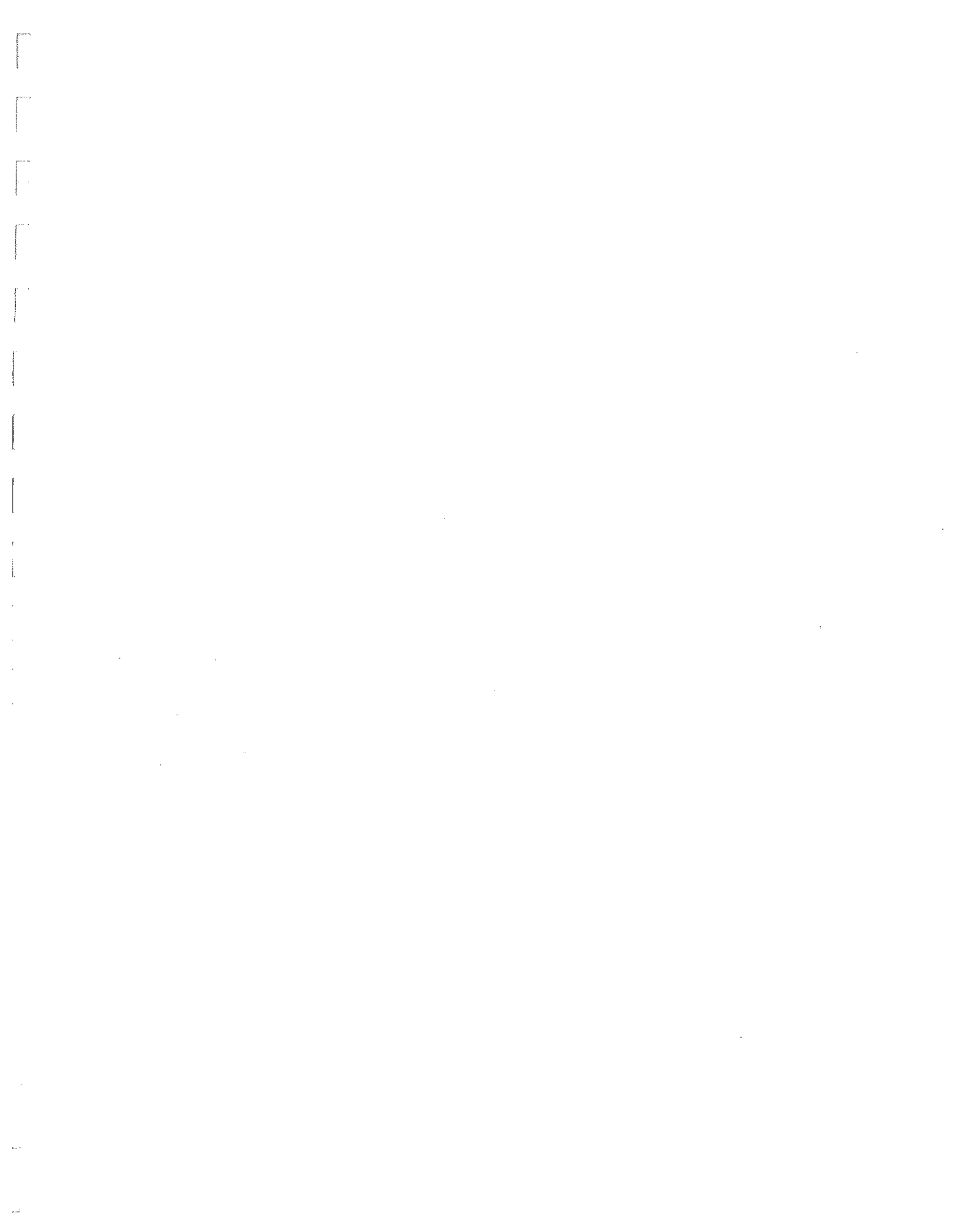
With Comparative Amounts for September 30, 2001


Amounts Available and to be Provided for the	2002	2001
Payment of Long-Term Obligations		
Amount available in debt service fund	\$ 314,039	\$ 270,867
Amount to be provided for retirement of general long-term debt	29,353,858	28,058,482
Total amount available and to be provided	<u>\$ 29,667,897</u>	<u>\$ 28,329,349</u>
General Long-Term Obligations Payable		
General obligations bonds payable	\$ 25,500,000	\$ 26,060,000
Notes payable	1,960,000	--
Leases payable	242,049	593,751
Accumulated unpaid compensated absences	1,965,848	1,675,598
Total general long-term obligations payable	<u>\$ 29,667,897</u>	<u>\$ 28,329,349</u>





Overall Compliance, Internal Controls and Federal Awards Section




Oscar R. Gonzalez
Certified Public Accountant

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Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Independent Auditor's Report

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
City of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Board of Trustees:

I have audited the general purpose financial statements of City of Pharr, Texas, as of and for the year ended September 30, 2002, and have issued my report thereon dated June 15, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.


Compliance

City of Pharr, Texas general purpose financial statements are free of material misstatement. I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

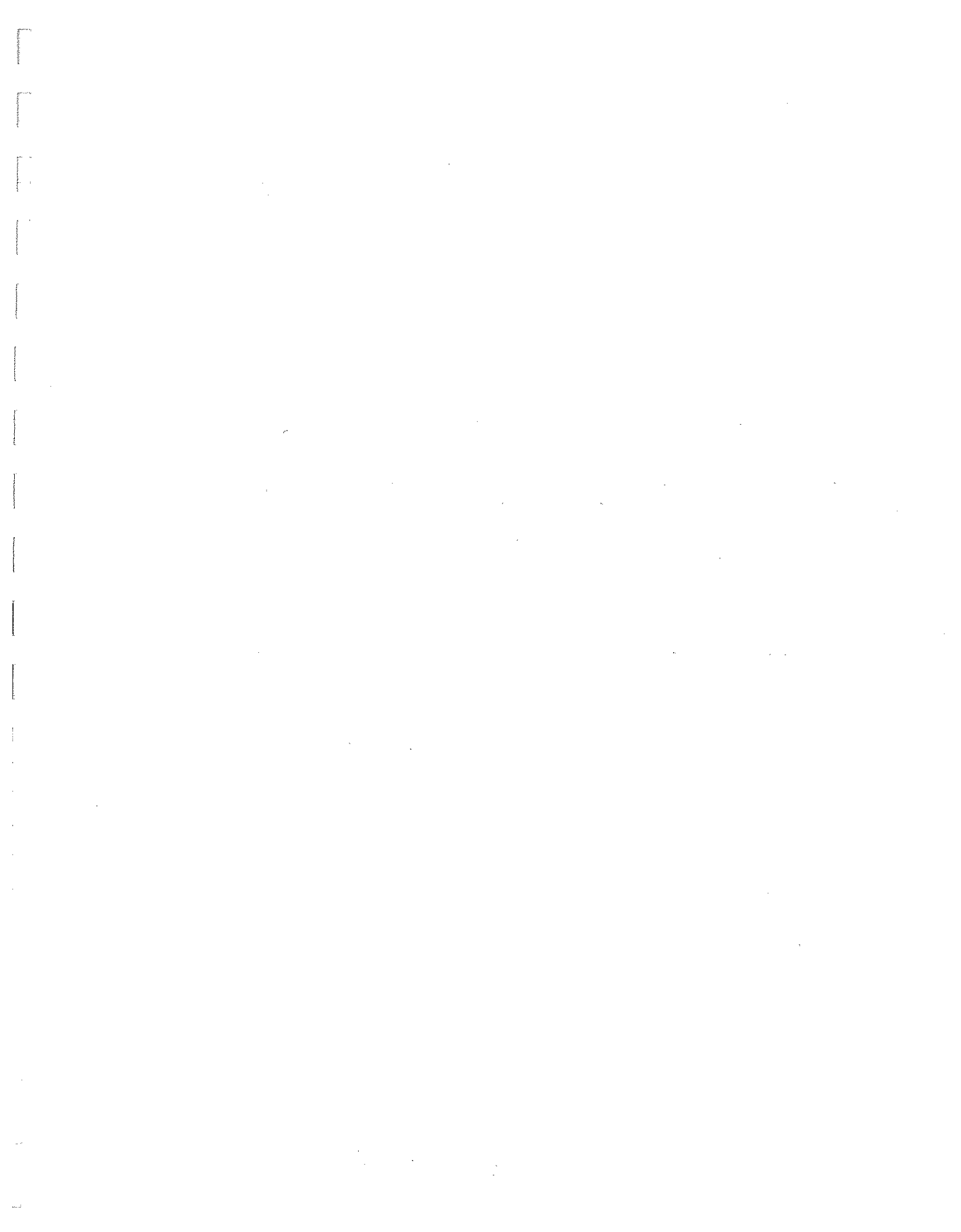
Internal Control Over Financial Reporting


In planning and performing my audit, City of Pharr, Texas order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I considered to be material weaknesses.

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


Oscar R. Gonzalez CPA

June 10, 2003




Oscar R. Gonzalez
Certified Public Accountant

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Independent Auditor's Report

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

Board of Trustees
City of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Board of Trustees:

Compliance
I have audited the compliance of City of Pharr, Texas with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended September 30, 2002.

City of Pharr, Texas 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 management. My responsibility is to express an opinion on City of Pharr, Texas compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

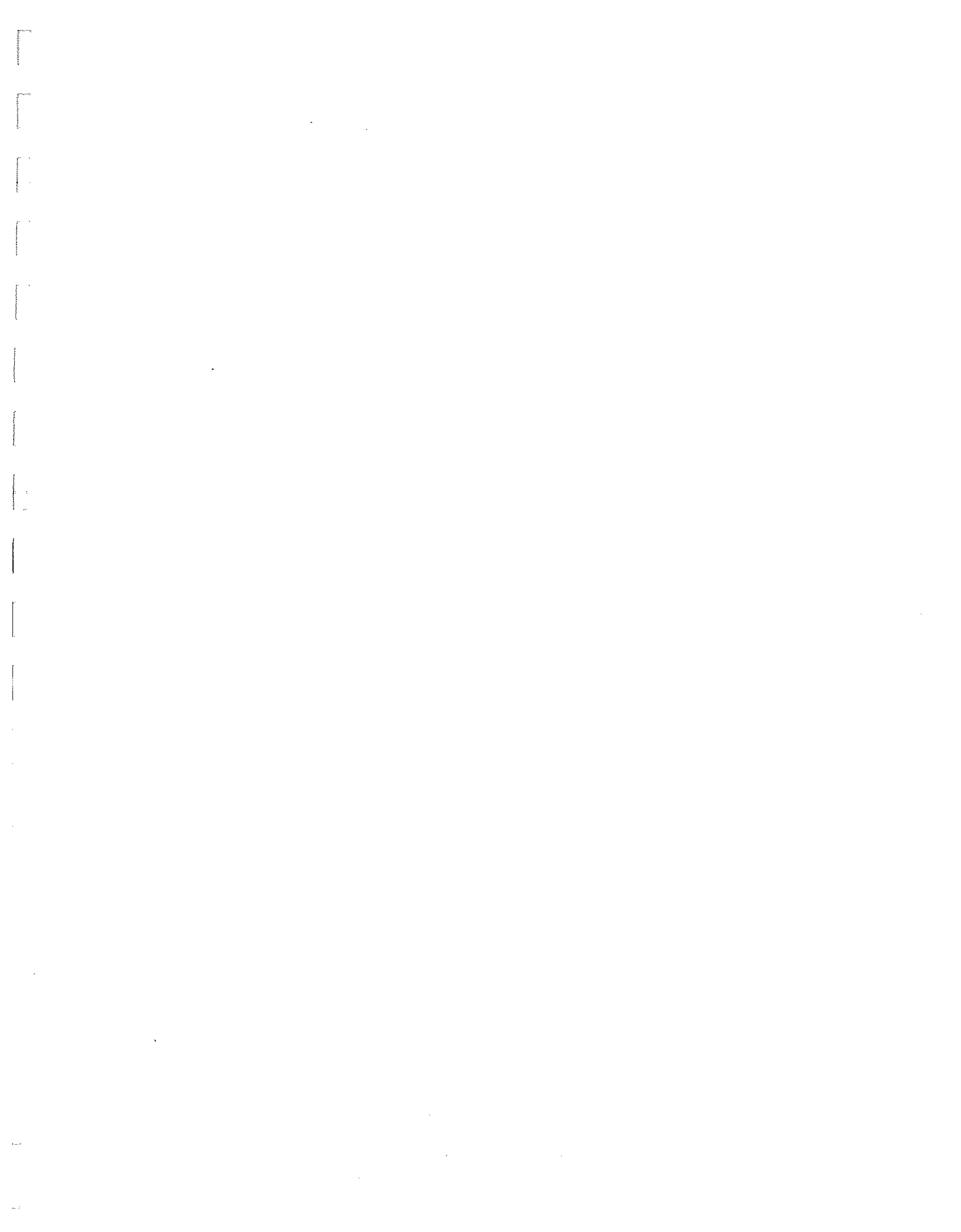
An audit includes examining, on a test basis, evidence about City of Pharr, Texas, compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City of Pharr, Texas compliance with those requirements.

In my opinion, City of Pharr, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance


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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the



risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

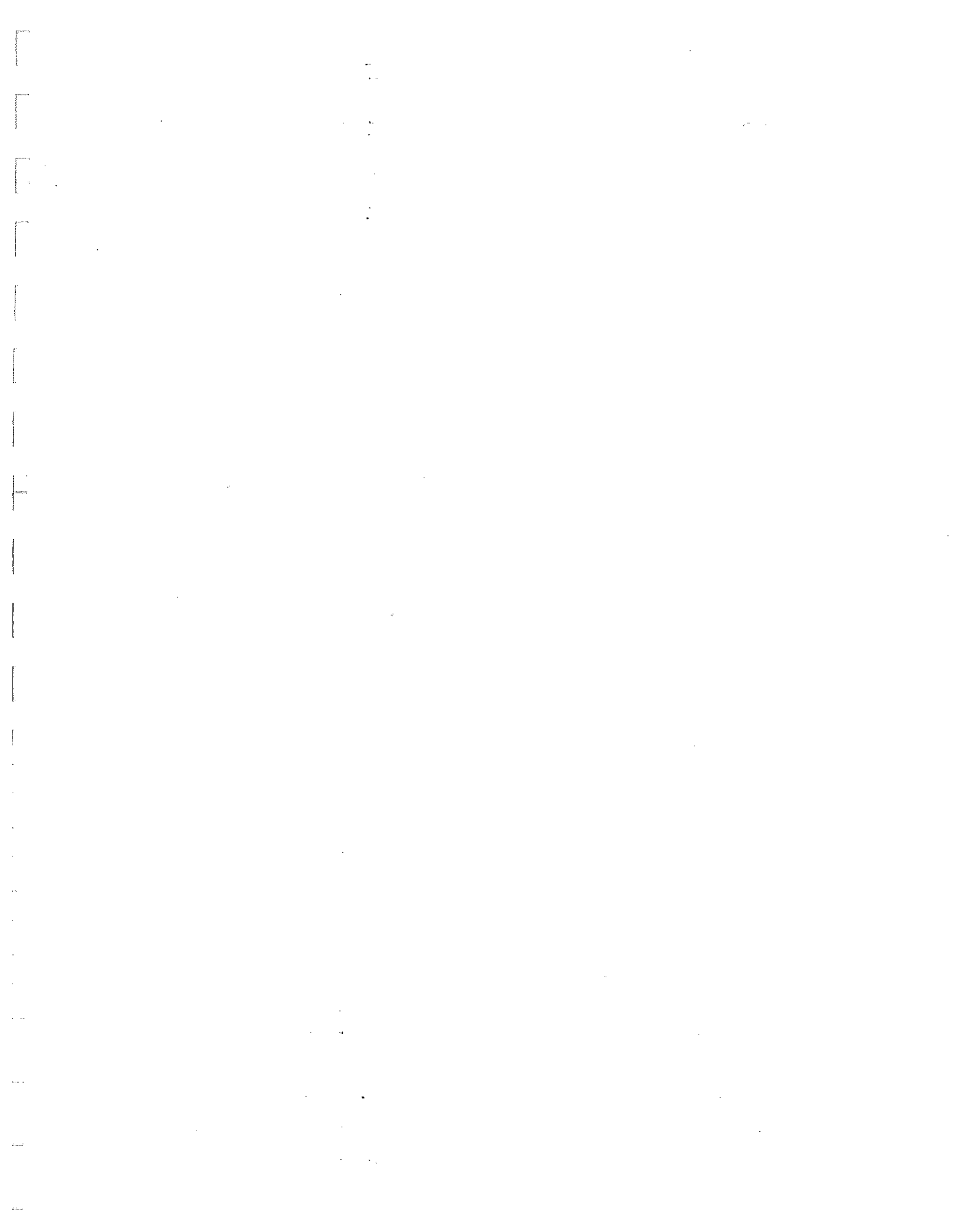
This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Oscar R. Gonzalez CPA

June 10, 2003

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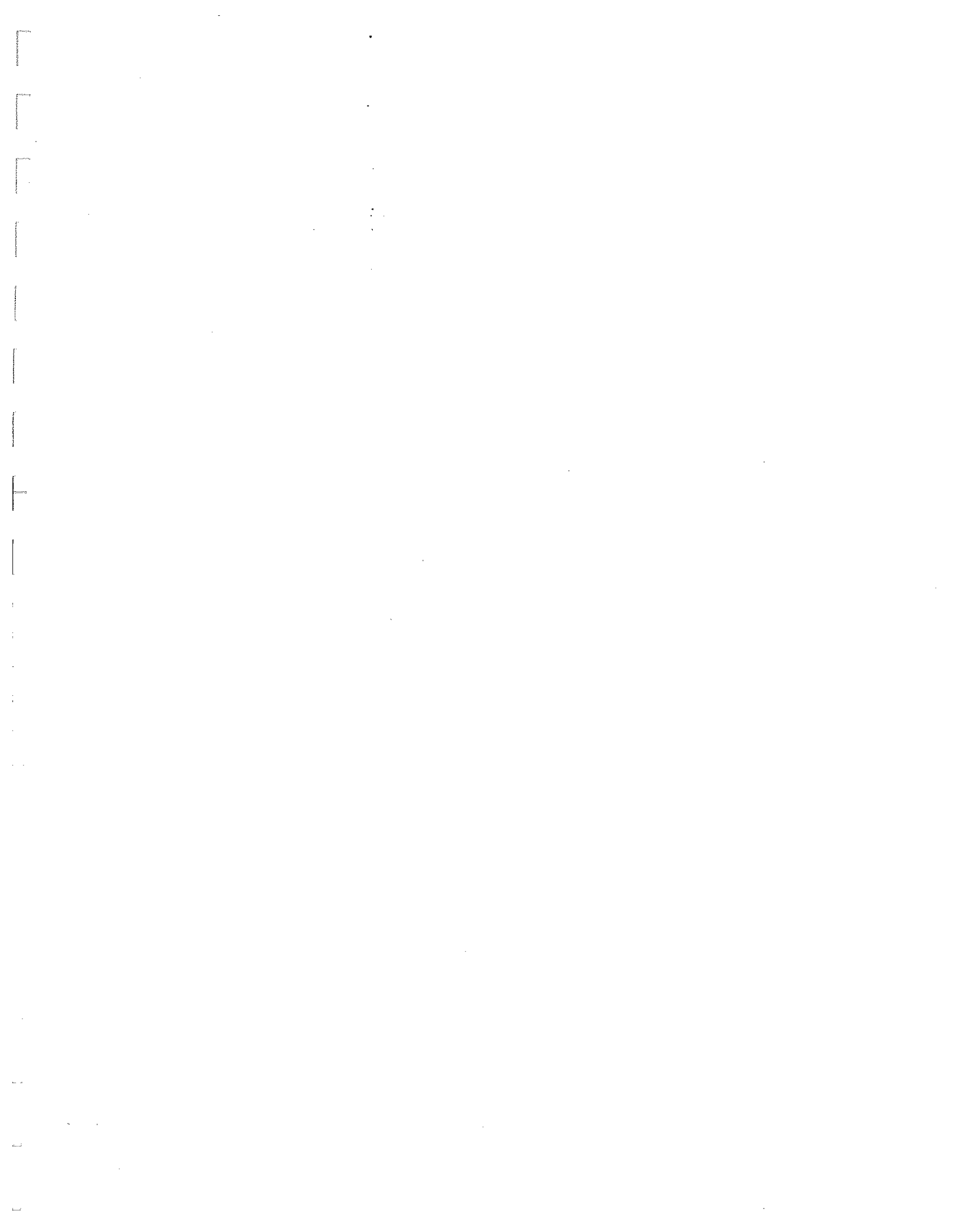
CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2002

NONE

Finding/Recommendation

Current Status

Management's Explanation
If Not Implemented



CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2002

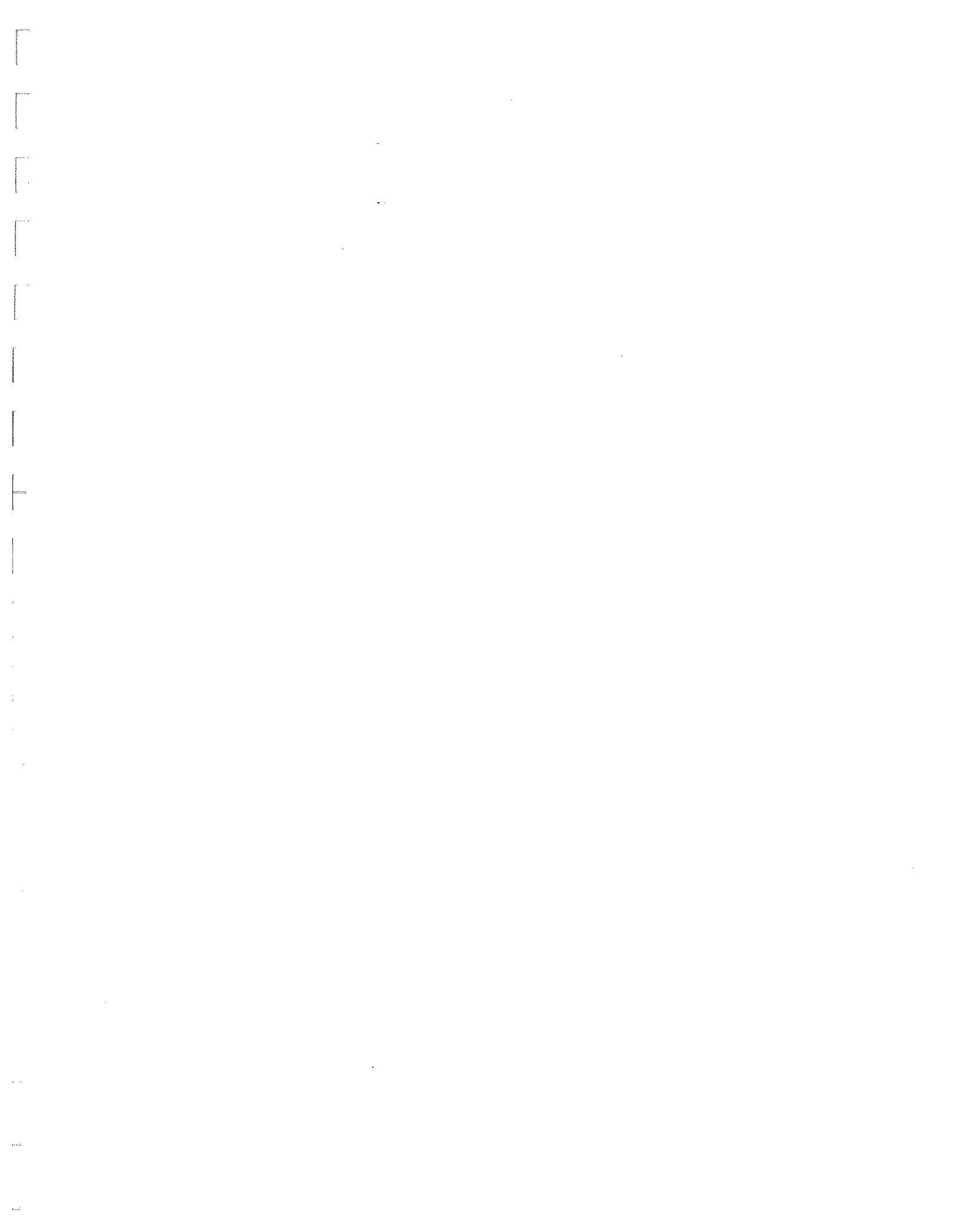
NONE



Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct Program:			
Assets Seizure	N/A	--	\$ 196,567
Passed Through U.S. Department of Justice:			
Law Enforcement	N/A	--	6,351
Total U.S. DEPARTMENT OF JUSTICE			202,918
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grant *	14.218	B-00-MC-48-0507	804,176
Section 108 Loan	N/A	B-00-MC-48-0507	893,412
Home Program		--	23,292
Total Direct Programs			1,720,880
Total U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			1,720,880
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,923,798

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

The accompanying notes are an integral part of this schedule.



CITY OF PHARR, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2002

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City Of Pharr Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

