



**CITY OF  
PHARR**

*On the Rise!*

**Audited  
Financial Report  
Year Ended  
September 30, 2003**

**Issued by  
Benito Lopez,  
City Manager  
and  
Ruben C. Luna,  
Finance Director**



CITY OF PHARR, TEXAS  
*ANNUAL FINANCIAL REPORT*  
FOR THE YEAR ENDED SEPTEMBER 30, 2003



*Introductory Section*



City Of Pharr, Texas  
Annual Financial Report  
For The Year Ended September 30, 2003

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**CITY OF PHARR, TEXAS**  
*LIST OF PRINCIPAL OFFICIALS*  
*SEPTEMBER 30, 2003*

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Elected Officials

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<u>Name</u>	<u>Office</u>
Leo Palacios	Mayor
Reynaldo Zuniga	Commissioner
Pablo Soto	Commissioner
Raul Gonzalez	Commissioner
Victor Garcia	Commissioner
Carlos Villegas	Commissioner
Irma Elizondo	Commissioner

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Appointed Officials

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<u>Name</u>	<u>Position</u>
Benito Lopez	City Manager
Fed Sandoval	Assistant City Manager
Ruben Luna	Finance Director
Adelaida Vega	City Clerk



*Financial Section*





Oscar R. Gonzalez

*Certified Public Accountant*

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Email: org110n@aol.com

## Independent Auditor's Report on Financial Statements

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

### Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City Of Pharr, Texas as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City Of Pharr, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City Of Pharr, Texas as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, I have also issued my report dated June 25, 2004, 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.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City Of Pharr, Texas's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the supporting schedules listed in the table of





contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Oscar R. Gonzalez, CPA*

Oscar R. Gonzalez CPA

June 25, 2004



*Management's Discussion and Analysis*



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City Of Pharr, Texas's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2003. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

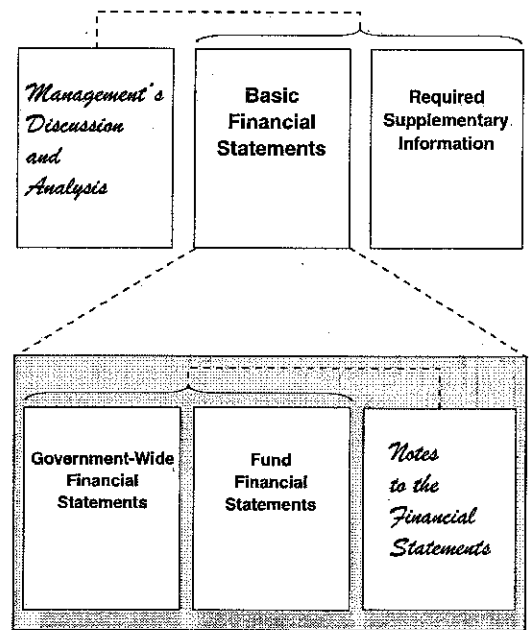
- The City's total combined net assets were \$ 68,643,501 at September 30, 2003.
- During the year, the City's expenses were \$ 31,359,188 and \$ 37,308,390 were generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$ 3,542,924.
- The City issued approximately \$ 18,465,000 in refunding bonds during fiscal year ended September 30, 2003.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

**Figure A-1F, Required Components of the City's Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Summary ↔ Detail

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Fund Statements	
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the true agent for someone's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets
	Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency does not currently report capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds like the government-wide statements provide both long-term and short-term

- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities..
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$ 68,643,501 at September 30, 2003. (See Table A-1).

**Table A-1**  
**City's Net Assets**

	Governmental		Business-type		Total		F
	Activities		Activities				
	2003	2002	2003	2002	2003	2002	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 6,735,876	(1)	\$ 3,598,303	(1)	\$ 10,334,179	(1)	
Property taxes	2,296,304	(1)	-	(1)	2,296,304	(1)	
Accounts	1,072,546	(1)	1,093,010	(1)	2,165,556	(1)	
Assessments	-	(1)	448,107	(1)	448,107	(1)	
Other	52,869	(1)	452,939	(1)	505,808	(1)	
Inventories	60,778	(1)	139,716	(1)	200,494	(1)	
Prepaid items	347,167	(1)	166,631	(1)	513,798	(1)	
Deferred charges	-	(1)	1,296,819	(1)	1,296,819	(1)	
Note receivable-revolving loans	257,071	(1)	-	(1)	257,071	(1)	
Capitalized Interest	210,012	(1)	443,816	(1)	653,828	(1)	
<b>Restricted assets:</b>							
Cash and time investments	-	(1)	15,084,372	(1)	15,084,372	(1)	
Intergovernmental receivable	2,314,577	(1)	-	(1)	2,314,577	(1)	
<b>Capital Assets ( net of accumulated depreciation):</b>							
Land	2,352,453	(1)	2,223,157	(1)	4,575,610	(1)	
Buildings	12,419,636	(1)	21,329,405	(1)	33,749,041	(1)	
Bridges	266,657	(1)	12,776,410	(1)	13,043,067	(1)	
Improvements other than buildings	608,384	(1)	808,735	(1)	1,417,119	(1)	
Machinery & Equipment	1,635,866	(1)	5,718,237	(1)	7,354,103	(1)	
Infrastructure	21,090,842	(1)	14,724,880	(1)	35,815,722	(1)	
Construction in Progress	7,686,095	(1)	910,095	(1)	8,596,190	(1)	
<b>Total Assets</b>	<b>\$ 59,407,133</b>	<b>(1) \$</b>	<b>81,214,632</b>	<b>(1) \$</b>	<b>140,621,765</b>	<b>(1)</b>	
<b>LIABILITIES:</b>							
Accounts Payable	\$ 756,653	(1)	213,573	(1)	970,226	(1)	
Other Current Liabilities	121,595	(1)	30,534	(1)	152,129	(1)	
Other Accrued Liabilities	640,547	(1)	493,168	(1)	1,133,715	(1)	
Accrued Interest Payable	-	(1)	264,529	(1)	264,529	(1)	
Customer Deposits	-	(1)	1,685,101	(1)	1,685,101	(1)	
Due to Primary Government	507,202	(1)	18,200	(1)	525,402	(1)	
Deferred Revenue – Grants	40,944	(1)	0	(1)	40,944	(1)	
Deferred Revenue – Other	958,143	(1)	448,569	(1)	1,406,712	(1)	
<b>Noncurrent Liabilities -</b>							
Due within one year	-	(1)	2,398,329	(1)	2,398,329	(1)	
Due in more than one year	28,628,182	(1)	34,773,000	(1)	63,401,182	(1)	
<b>Total Liabilities</b>	<b>31,653,266</b>	<b>(1)</b>	<b>40,325,003</b>	<b>(1)</b>	<b>71,978,269</b>	<b>(1)</b>	

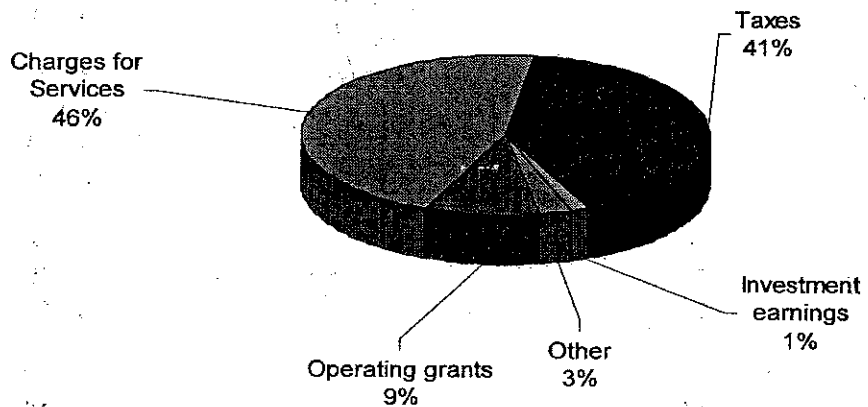
Invested in Capital Assets, Net of Related Debt	17,431,751	(1)	21,319,590	(1)	38,751,341	(1)
Restricted For:						
Federal and State Programs	310,068	(1)	-	(1)	310,068	(1)
Debt Service	260,647	(1)	4,349,408	(1)	4,610,055	(1)
Capital Projects	4,483,558	(1)	-	(1)	4,483,558	(1)
Unrestricted	5,267,846	(1)	15,220,633	(1)	20,488,479	(1)
Total Net Assets	<u>\$27,753,870</u>	(1) \$	<u>40,889,631</u>	(1) \$	<u>68,643,501</u>	(1)

(1) The City did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**Changes in net assets.** The City's total revenues were \$37,308,390. A significant portion, 41.3 percent, of the City's comes from taxes. (See Figure A-3.) 9.2 percent comes from grants, while only 45.7 percent relates to charges for services. 1.2 percent from investment earnings and 2.6 percent from other sources.

### Governmental Activities

**Figure A-3 City's Source of Revenue for Fiscal Year 2003**



**Table A-2  
Change in City's Net Assets**

	Governmental Activities		Business-type Activities		Total
	2003	2002	2003	2002	
Program Revenues:					
General government	(6,230,610)	(1)	-	(1)	(6,230,610)
Public safety	(10,083,847)	(1)	-	(1)	(10,083,847)
Highways and streets	(1,159,595)	(1)	-	(1)	(1,159,595)
Sanitation	602,435	(1)	-	(1)	602,435
Culture and recreation	(727,406)	(1)	-	(1)	(727,406)
Economic development and assistance	2,930,409	(1)	-	(1)	2,930,409
Debt Service	(1,880,472)	(1)	-	(1)	(1,880,472)
Utility	-	(1)	993,650	(1)	993,650
Toll Bridge	-	(1)	3,740,734	(1)	3,740,734
Golf Course	-	(1)	(268,326)	(1)	(268,326)
General revenue	<u>17,333,258</u>	(1)	<u>698,972</u>	(1)	<u>18,032,230</u>
Total changes in net assets	784,171	(1)	5,165,030	(1)	5,949,202



Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$ 23,239,111
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 6,756,464.
- By grants and contributions \$ 3,427,634.

### Business-type Activities

Revenues of the City's business-type activities were \$ 13,285,107, and expenses were \$ 8,120,077, which resulted in a change of net assets of \$ 5,165,030.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget 1 time. Even with this adjustment, actual expenditures were \$ 1,363,610 over final budget amounts.

On the other hand, resources available were \$ 1,471,688 above the final budgeted amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2003, the City had invested \$104,618,468 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-3  
City's Capital Assets

	Governmental Activities		Business-type Activities		Total		Total Percentag Change 2003- 200
	2003	2002	2003	2002	2003	2002	
Land	2,352,454	(1)	2,223,157	(1)	4,575,611	(1)	(1)
Land Improvements	1,657,420	(1)	960,594	(1)	2,618,014	(1)	(1)
Infrastructure	40,487,358	(1)	19,803,981	(1)	60,291,339	(1)	(1)
Buildings	17,100,747	(1)	27,928,300	(1)	45,029,047	(1)	(1)
Bridges	414,539	(1)	15,970,513	(1)	16,385,052	(1)	(1)
Machinery & Equipment	2,960,652	(1)	10,982,603	(1)	13,943,255	(1)	(1)
Construction in Progress	7,686,095	(1)	910,094	(1)	8,596,189	(1)	(1)
Totals at historical cost	70,306,811	(1)	76,556,085	(1)	151,438,507	(1)	(1)
Total accumulated depreciation	(26,599,332)	(1)	(20,288,274)	(1)	(46,887,606)	(1)	(1)
Net capital assets	43,707,479	(1)	56,267,811	(1)	99,975,290	(1)	(1)
Total net capital assets	46,059,933	(1)	58,490,968	(1)	104,550,901	(1)	(1)

(1) The City did not restate its 2002 financial statements in this first year of implementation.

## Long Term Debt

At year-end the City had \$65,789,509 in bonds and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

### Bond Ratings

The City's bonds presently carry "AAA" ratings with underlying ratings as follows: Fitch Investor Series AAA and S&P AAA

**Table A-5**  
City's Long Term Debt

	Governmental Activities		Business-type Activities		Total		Per C 200
	2003	2002	2003	2002	2003	2002	
Leases payable	2,146,758	(1)	289,328	(1)	2,436,086	(1)	
Compensated Absences	480,070	(1)	1,831,353	(1)	2,311,423	(1)	
Bonds payable	<u>24,170,000</u>	(1)	<u>36,872,000</u>	(1)	<u>61,042,000</u>	(1)	
Total bonds & notes payable	<u>28,628,181</u>	(1)	<u>37,161,328</u>	(1)	<u>65,789,509</u>	(1)	

(1) The City did not restate its 2002 financial statements in this first year of implementation

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2004 budget preparation is up \$ 177,694,067, or 15%.
- General operating fund spending increases in the 2004 budget from \$ 19,964,884 to \$ 21,742,069. This is a 8% increase.

Expenditures are budgeted to rise nearly 8 percent. The largest increments are increased staffing, and salary schedule adjustments. These competitive salary schedule adjustments allowed the City to open the 2004 city year with no vacancies. The City has added no major new programs or initiatives to the 2004 budget.

If these estimates are realized, the City's budgetary general fund fund balance is not expected to change appreciably by the close of 2004.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Business Services Department.

*Basic Financial Statements*



## CITY OF PHARR, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<i>Cash and investments</i>	\$ 6,735,876	\$ 3,598,303	\$ 10,334,179
<i>Property taxes</i>	2,296,304	--	2,296,304
<i>Accounts</i>	1,072,546	1,093,010	2,165,556
<i>Assessments</i>	--	448,107	448,107
<i>Other</i>	52,869	452,939	505,808
<i>Inventories</i>	60,778	139,716	200,494
<i>Prepaid items</i>	347,167	166,631	513,798
<i>Deferred charges</i>	--	1,296,819	1,296,819
<i>Note receivable-revolving loans</i>	257,071	--	257,071
<i>Capitalized Interest</i>	210,012	443,816	653,828
<b>Restricted assets:</b>			
<i>Cash and time investments</i>	--	15,084,372	15,084,372
<i>Intergovernmental receivable</i>	2,314,577	--	2,314,577
<b>Capital Assets ( net, of accumulated depreciation)</b>			
<i>Land</i>	2,352,453	2,223,157	4,575,610
<i>Buildings</i>	12,419,636	21,329,405	33,749,041
<i>Bridges</i>	266,657	12,776,410	13,043,067
<i>Improvements other than buildings</i>	608,384	808,735	1,417,119
<i>Machinery &amp; Equipment</i>	1,635,866	5,718,237	7,354,103
<i>Infrastructure</i>	21,090,842	14,724,880	35,815,722
<i>Construction in Progress</i>	7,686,095	910,095	8,596,190
<b>Total Assets</b>	<b>59,407,133</b>	<b>61,214,632</b>	<b>140,621,765</b>
<b>LIABILITIES:</b>			
<i>Accounts Payable</i>	756,653	213,573	970,226
<i>Other Current Liabilities</i>	121,595	30,534	152,129
<i>Other Accrued Liabilities</i>	640,547	493,168	1,133,715
<i>Accrued Interest Payable</i>	--	264,529	264,529
<i>Customer Deposits</i>	--	1,685,101	1,685,101
<i>Due to Primary Government</i>	507,202	18,200	525,402
<i>Deferred Revenue - Grants</i>	40,944	--	40,944
<i>Deferred Revenue - Other</i>	958,143	448,569	1,406,712
<b>Noncurrent Liabilities -</b>			
<i>Due within one year</i>	--	2,398,329	2,398,329
<i>Due in more than one year</i>	28,628,182	34,773,000	63,401,182
<b>Total Liabilities</b>	<b>31,653,266</b>	<b>40,325,003</b>	<b>71,978,269</b>
<b>NET ASSETS</b>			
<i>Invested in Capital Assets, Net of Related Debt</i>	17,431,751	21,319,590	38,751,341
<b>Restricted For:</b>			
<i>Federal and State Programs</i>	310,068	--	310,068
<i>Debt Service</i>	260,647	4,349,408	4,610,055
<i>Capital Projects</i>	4,483,558	--	4,483,558
<i>Unrestricted</i>	5,267,846	15,220,633	20,488,479
<b>Total Net Assets</b>	<b>\$ 27,753,870</b>	<b>\$ 40,889,631</b>	<b>\$ 68,643,501</b>

The accompanying notes are an integral part of this statement.

**CITY OF PHARR, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
General government	\$ 6,484,189	\$ 124,978	\$ 1,031	\$ 127,500
Public safety	10,330,667	10,794	63,155	172,500
Highways and streets	1,159,595	--	--	--
Sanitation	2,453,014	3,055,449	--	--
Culture and recreation	825,944	71,169	14,916	12,400
Economic development and assistance	105,230	--	--	3,035,000
Debt service	1,880,472	--	--	--
Total Governmental Activities	<u>23,239,111</u>	<u>3,262,390</u>	<u>79,102</u>	<u>3,348,500</u>
<b>Business-type Activities:</b>				
Utility	5,084,938	6,078,588	--	--
Toll Bridge	2,070,567	5,811,301	--	--
Tierra Del Sol Golf Course	964,572	696,246	--	--
Total Business-type Activities	<u>8,120,077</u>	<u>12,586,135</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 31,359,188</u>	<u>\$ 15,848,526</u>	<u>\$ 79,102</u>	<u>\$ 3,348,500</u>

General Revenues:  
 Taxes  
 Licenses & permits  
 Intergovernmental  
 Fines  
 Interest  
 Other  
 Transfers  
 Total General Revenues

Change in Net Assets  
 Net Assets - Beginning  
 Prior Period Adjustment  
 Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (6,230,610)		\$ (6,230,610)
(10,083,847)		(10,083,847)
(1,159,595)		(1,159,595)
602,435		602,435
(727,406)		(727,406)
2,930,409		2,930,409
(1,880,472)		(1,880,472)
<u>(16,549,086)</u>		<u>(16,549,086)</u>
--	\$ 993,650	993,650
--	3,740,734	3,740,734
--	(268,326)	(268,326)
--	4,466,058	4,466,058
<u>(16,549,086)</u>	<u>4,466,058</u>	<u>(12,083,029)</u>
14,888,998	--	14,888,998
526,240	--	526,240
444,583	--	444,583
760,586	--	760,586
439,809	--	439,809
273,042	698,972	972,014
--	--	--
<u>17,333,258</u>	<u>698,972</u>	<u>18,032,230</u>
<u>784,172</u>	<u>5,165,030</u>	<u>5,949,202</u>
26,349,266	36,601,993	62,951,259
921,675	(877,392)	44,283
<u>\$ 28,055,113</u>	<u>\$ 40,889,631</u>	<u>\$ 68,944,744</u>

**CITY OF PHARR, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	<u>General Fund</u>	<u>Community Development Fund</u>
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
<i>Cash and investments</i>	\$ 2,447,474	\$ 30,418
<i>Property taxes</i>	1,933,160	--
<i>Accounts</i>	1,072,446	100
<i>Other</i>	51,497	1,072
<i>Due from other funds</i>	3,816,228	2,098
<i>Due from other governments</i>	1,770,551	362,026
<i>Inventories</i>	53,620	--
<i>Prepaid items</i>	230,141	--
<i>Note receivable-revolving loans</i>	--	257,071
<i>Capitalized Interest</i>	--	--
<b>Total Assets and Other Debits</b>	<b>\$ 11,375,117</b>	<b>\$ 652,785</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>		
Liabilities:		
<i>Accounts payable</i>	\$ 615,035	\$ 26,307
<i>Accrued expenses</i>	465,926	--
<i>Due to other funds</i>	3,601,973	360,063
<i>Due to other governments</i>	507,202	--
<i>Deferred revenue-taxes</i>	1,933,160	--
<i>Deferred revenue-grants</i>	40,944	--
<i>Deferred revenue-other</i>	561,358	249,271
<i>Other liabilities</i>	106,595	15,000
<b>Total Liabilities and other credits</b>	<b>7,832,193</b>	<b>650,641</b>
Equity and other credits:		
Fund balances:		
<i>Reserved</i>	53,620	--
<i>Unreserved</i>	3,489,304	2,144
<b>Total equity and other credits</b>	<b>3,542,924</b>	<b>2,144</b>
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>\$ 11,375,117</b>	<b>\$ 652,785</b>

The accompanying notes are an integral part of this statement.



Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,037,882	\$ 249,354	\$ 6,765,128
--	363,144	2,296,304
--	--	1,072,546
300	--	52,869
239,348	375,340	4,433,014
182,000	--	2,314,577
--	--	53,620
117,026	--	347,167
--	--	257,071
210,012	--	210,012
<u>\$ 4,786,568</u>	<u>\$ 987,838</u>	<u>\$ 17,802,308</u>

\$ 63,662	\$ 9,022	\$ 714,026
--	--	465,926
189,000	126,865	4,277,901
--	--	507,202
--	363,144	2,296,304
--	--	40,944
--	147,514	958,143
--	--	121,595
<u>252,662</u>	<u>646,545</u>	<u>9,382,041</u>
--	(14,390)	39,230
4,533,906	355,683	8,381,037
<u>4,533,906</u>	<u>341,293</u>	<u>8,420,267</u>
<u>\$ 4,786,568</u>	<u>\$ 987,838</u>	<u>\$ 17,802,308</u>



**CITY OF PHARR, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2003

Total fund balances - governmental funds balance sheet	\$ 8,420,26
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	44,952,34
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,296,30
The assets and liabilities of enterprise funds are not included in in the SNA.	(175,99
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,039,74
Payables for bond principal which are not due in the current period are not reported in the funds.	(24,170,00
Payables for capital leases which are not due in the current period are not reported in the funds.	(361,75
Payables for bond interest which are not due in the current period are not reported in the funds.	(150,62
Payables for notes which are not due in the current period are not reported in the funds.	(1,785,00
Payables for compensated absences which are not due in the current period are not reported in the funds.	(2,311,42
Net assets of governmental activities - statement of net assets	<u>\$ 27,753,87</u>

**CITY OF PHARR, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	General Fund	Community Development Fund
Revenue:		
<i>Taxes</i>	\$ 14,040,747	\$ --
<i>Licenses and permits</i>	688,194	--
<i>Intergovernmental</i>	287,139	2,857,429
<i>Charges for services</i>	3,051,780	--
<i>Other charges</i>	506,605	--
<i>Fines and forfeitures</i>	760,586	--
<i>Interest</i>	143,915	8,304
<i>Other</i>	740,978	4,980
Total revenues	<u>20,219,944</u>	<u>2,870,713</u>
Expenditures:		
Current:		
<i>General government</i>	7,483,617	2,815,435
<i>Public safety</i>	9,290,022	--
<i>Highways and streets</i>	1,287,328	--
<i>Sanitation</i>	2,235,128	--
<i>Culture and recreation</i>	752,580	--
<i>Economic development and assistance</i>	--	932,978
<i>Debt service</i>	274,819	278,781
Total expenditures	<u>21,323,494</u>	<u>4,027,194</u>
Excess (deficiency) of revenues (under) expenditures	(1,103,550)	(1,156,481)
Other financing sources (uses):		
<i>Operating transfers in</i>	970,000	--
Total other financing sources (uses)	<u>970,000</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(133,550)	(1,156,481)
Fund balances/equity, October 1	3,878,803	1,175,570
Prior period adjustment (Note L)	(202,329)	(16,945)
Fund balances/equity, September 30	<u>\$ 3,542,924</u>	<u>\$ 2,144</u>

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,010,301	\$ 15,051,048
--	--	688,194
16,540	444,584	3,605,692
--	--	3,051,780
--	--	506,605
--	--	760,586
219,962	67,628	439,809
546,000	25,978	771,936
<u>782,502</u>	<u>1,548,491</u>	<u>25,421,650</u>
6,232,969	2,575	16,534,596
--	477,100	9,767,122
--	--	1,287,328
--	--	2,235,128
--	--	752,580
--	--	932,978
507,738	2,107,836	3,169,174
<u>6,740,707</u>	<u>2,587,511</u>	<u>34,678,906</u>
(5,958,205)	(1,039,020)	(9,257,256)
--	1,016,402	1,986,402
<u>--</u>	<u>1,016,402</u>	<u>1,986,402</u>
(5,958,205)	(22,618)	(7,270,854)
10,536,076	362,876	15,953,325
(43,965)	1,035	(262,204)
<u>\$ 4,533,906</u>	<u>\$ 341,291</u>	<u>\$ 8,426,267</u>



**CITY OF PHARR, TEXAS**

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2003

	Enterprise Fund	Enterprise Fund
	Utility Fund	Toll Bridge Fund
<b>ASSETS</b>		
Assets:		
Cash and time deposits	\$ 651,426	\$ 2,805,955
Receivables ( net of allowances for uncollectibles):		
Accounts	956,408	136,602
Assessments	448,107	--
Other	21,138	420,725
Due from other funds	3,190,343	259,722
Inventories	76,595	--
Prepaid items	37,801	128,830
Capitalized Interest	--	443,816
Restricted assets:		
Cash and time investments	5,572,938	9,511,434
Deferred charges	51,621	1,205,198
Capital Assets ( net of accumulated depreciation):		
Land	404,170	819,645
Buildings	18,816,666	2,330,109
Bridges	--	12,776,410
Improvements other than Buildings	2,725	10,970
Machinery and Equipment	4,368,201	862,494
Infrastructure	14,724,880	--
Construction in Progress	910,095	--
Total Assets	<u>\$ 50,233,114</u>	<u>\$ 31,711,910</u>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 164,815	\$ 16,277
Due to other funds	1,201,044	46,872
Due to other government	17,714	--
Other liabilities	30,534	--
Accrued expenses payable	381,027	58,642
Payable from restricted assets:		
Accrued expenses payable	--	264,529
Current portion of revenue bonds payable	1,130,000	1,225,000
Current portion of leases payable	43,329	--
Deferred revenue-other	448,569	--
Revenue bonds payable, net of current portion	12,967,000	21,560,000
Leases and notes payable, net of current portion	44,188	--
Customer meter deposits	1,685,101	--
Total Liabilities	<u>18,113,321</u>	<u>23,171,320</u>
<b>NET ASSETS:</b>		
Investment in Capital Assets, Net of Related Debt	25,042,220	(5,985,372)
Restricted Net Assets	1,479,286	2,870,122
Unrestricted Net Assets	5,598,288	11,655,840
Total Net Assets	<u>\$ 32,119,794</u>	<u>\$ 8,540,590</u>

**CITY OF PHARR, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

Net change in fund balances - total governmental funds	\$ (7,270,85
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,131,358
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,854,276
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	162,057
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(2,215,107
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,351,545
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	269,476
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	175,000
(Increase) decrease in accrued interest from beginning of period to end of period	(150,621
The net revenue (expense) of internal service funds is reported with governmental activities.	(108,134
Change in net assets of governmental activities - statement of activities	<u>\$ 1,490,443</u>



# CITY OF PHARR, TEXAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Enterprise Fund	Enterprise Fund
	Utility Fund	Toll Bridge Fund
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 6,078,587	\$ 5,811,300
Total Operating Revenues	<u>6,078,587</u>	<u>5,811,300</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,799,991	750,712
Operation and maintenance	1,961,670	740,128
Depreciation	1,323,277	579,727
Total Operating Expenses	<u>5,084,938</u>	<u>2,070,567</u>
Operating Income (Loss)	<u>993,649</u>	<u>3,740,733</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenue	113,555	432,686
Bond interest and fiscal charges	(725,354)	(1,904,669)
Other income (expenses)	84,802	(33,203)
Total Non-operating Revenues (Expenses)	<u>(526,997)</u>	<u>(1,505,186)</u>
Net Income (Loss) before Operating Transfers	<u>466,652</u>	<u>2,235,547</u>
<b>TRANSFERS:</b>		
Interfund operating transfers in	--	--
Interfund operating transfers out	<u>(120,000)</u>	<u>(1,866,402)</u>
Change in Net Assets	<u>346,652</u>	<u>369,145</u>
Total Net Assets - Beginning	32,656,981	7,770,082
Contributed Capital	--	418,893
Prior period adjustment (Note L)	(883,839)	(17,530)
Total Net Assets - Ending	<u>\$ 32,119,794</u>	<u>\$ 8,540,590</u>

Nonmajor Enterprise Fund <u>Tierra Del Sol Golf Course Fund</u>	Total Enterprise Funds	Nonmajor Internal Service Fund <u>Internal Service Fund</u>
\$ 140,922	\$ 3,598,303	\$ (29,253)
--	1,093,010	--
--	448,107	--
11,076	452,939	--
65,613	3,515,678	178,152
63,121	139,716	7,158
--	166,631	--
--	443,816	--
--	15,084,372	--
40,000	1,296,819	--
999,342	2,223,157	--
182,630	21,329,405	694,000
--	12,776,410	--
795,040	808,735	183,102
487,542	5,718,237	338,850
--	14,724,880	--
--	910,095	--
<u>\$ 2,785,286</u>	<u>\$ 84,730,310</u>	<u>\$ 1,372,009</u>
\$ 32,481	\$ 213,573	\$ 42,626
2,443,753	3,691,669	157,271
486	18,200	--
--	30,534	--
53,499	493,168	24,000
--	264,529	--
--	2,355,000	--
120,682	164,011	--
--	448,569	--
--	34,527,000	--
81,130	125,318	--
--	1,685,101	--
<u>2,732,031</u>	<u>44,016,672</u>	<u>223,897</u>
2,262,742	21,319,590	1,107,586
--	4,349,408	--
(2,209,487)	15,044,641	(67,841)
<u>\$ 53,255</u>	<u>\$ 40,713,639</u>	<u>\$ 1,039,745</u>

Nonmajor Enterprise Fund Tierra Del Sol Golf Course Fund	Total Enterprise Funds	Nonmajor Internal Service Fund Internal Service Fund
\$ 696,246	\$ 12,586,133	\$ 613,708
<u>696,914</u>	<u>12,586,801</u>	<u>613,708</u>
450,361	3,001,064	119,837
412,316	3,114,114	505,051
101,895	2,004,899	97,368
<u>964,572</u>	<u>8,120,077</u>	<u>722,256</u>
(267,658)	4,466,724	(108,548)
17,964	564,205	414
--	(2,630,023)	--
--	51,599	--
<u>17,964</u>	<u>(2,014,219)</u>	<u>414</u>
<u>(249,694)</u>	<u>2,452,505</u>	<u>(108,134)</u>
--	--	--
--	(1,986,402)	--
<u>(249,694)</u>	<u>466,103</u>	<u>(108,134)</u>
278,972	40,706,035	(36,000)
--	418,893	--
23,977	(877,392)	1,183,879
<u>\$ 53,255</u>	<u>\$ 40,713,639</u>	<u>\$ 1,039,745</u>

**CITY OF PHARR, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Enterprise Funds		
	Utility Fund	Bridge Fund	Golf Course Fund
<b>Reconciliation of Net Income (Loss to Net Cash provided by (Used for) Operating Activities</b>			
Net Income (Loss)	\$ 346,652	\$ 369,145	\$ (249,690)
<b>Adjustments to reconcile net income (loss) from operation to net cash provided by operating activities</b>			
Depreciation	1,323,277	579,727	101,890
Amortization of capitalized interest	--	40,347	--
Amortization of deferred charges	24,234	69,975	2,500
Amortization of prepaid insurance	4,549	11,892	--
<b>Changes in Assets and Liabilities</b>			
(Increase) decrease in inventories	--	--	(9,760)
(Increase) decrease in accrued interest receivable	--	--	--
(Increase) decrease in accounts receivable	(59,457)	(136,602)	--
(Increase) decrease in due from other funds	(1,700)	(125,987)	(5,030)
(Increase) decrease in other receivables	(6,683)	(348,390)	(1,290)
(Increase) decrease in special assessments receivables	29,699	--	--
(Increase) decrease in prepaid items	--	229,524	2,000
(Increase) decrease in accounts payable	(41,522)	(51)	5,030
(Increase) decrease in accrued expenses	120,458	139,275	30,310
(Increase) decrease in due to other funds	98,702	(163,387)	665,890
(Increase) decrease in due to other governments	2,499	--	250
(Increase) decrease in customer meter deposits	141,482	--	--
(Increase) decrease in other payables	30,364	--	--
(Increase) decrease in escrow development	(29,399)	--	--
(Increase) decrease in deferred charges	3,835	(698,005)	--
(Increase) decrease in deferred revenues	(29,699)	--	--
Net cash provided (used) for operating activities	1,957,291	(32,537)	542,100
<b>Cash flows from investing activities</b>			
Additions/deletions to fixed assets (GASB 34)	163,916	(804,995)	(52,870)
Net cash used by investing activities	163,916	(804,995)	(52,870)
<b>Cash flows from financing activities</b>			
Contributed Capital	--	418,893	--
Bond proceeds	--	18,465,000	--
Lease proceeds	68,257	--	42,280
Prior period adjustment	(883,840)	(17,530)	23,970
Principal reduction on bonds	(1,106,000)	(15,075,000)	--
Principal reduction on leases	(94,117)	--	(116,110)
Net cash provided by financing activities	(2,015,700)	3,791,363	(49,840)
<b>Net increase (decrease) in cash</b>	105,508	2,953,831	439,388
Cash and restricted cash and investments, October 1,	6,118,855	9,363,559	(298,466)
Cash and restricted cash and investments, September 30, \$	6,224,363	12,317,390	140,922

EXHIBIT A-9

Total Enterprise Funds	City Garage Fund
\$ 466,103	\$ (108,134)
2,004,899	97,368
40,347	--
96,709	--
16,441	--
(9,764)	--
--	--
(196,059)	--
(132,718)	(45,504)
(356,370)	609
29,699	--
231,524	--
(36,542)	(5,270)
290,045	14,429
601,213	(4,253)
2,755	--
141,482	--
30,364	180
(29,399)	--
(694,170)	--
(29,699)	--
2,466,860	(50,575)
--	--
(693,951)	(1,184,669)
(693,951)	(1,184,669)
418,893	--
18,465,000	--
110,544	1,183,879
(877,393)	--
(16,181,000)	--
(210,227)	--
1,725,817	1,183,879
3,498,727	(51,365)
15,183,948	22,111
\$ 18,682,675	\$ (29,254)



**CITY OF PHARR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

A. Summary of Significant Accounting Policies

The combined financial statements of City Of Pharr, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's combined financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

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

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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General Fund. This is the City's primary operating fund. It accounts for all financial resources of City except those required to be accounted for in another fund.

CDBG Fund  
Capital Projects Fund

The City reports the following major enterprise funds:  
Utility Fund  
International Toll Bridge Fund

In addition, the City reports the following fund types:

Internal Service Funds: The City Garage fund is used to account for revenues and expenses related services provided to parties inside the City. These funds facilitate distribution of support costs to users of support services on a cost-reimbursement basis. Because the principal users of the inter services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the economic resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1988. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.



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3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded at expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end

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f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2003, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ and the bank balance was \$. The City's cash deposits at September 30, 2003 and during the year ended September 30, 2003, were entirely covered by FDIC insurance or pledged collateral held by the City's agent bank in the City's name.

Investments:

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of investment policies, the City is in compliance with the Act.

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Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

Capital asset activity for the period ended September 30, 2003, was as follows:

	Beginning Balances*	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	2,352,454	--	--	2,352,454
Total capital assets not being depreciated	\$ 2,352,454	\$ --	\$ --	\$ 2,352,454
<i>Capital assets being depreciated:</i>				
Land Improvements	1,657,420	--	--	1,657,420
Infrastructure	37,345,952	3,141,406	--	40,487,358
Buildings	15,880,615	1,220,132	--	17,100,747
Bridges	414,539	--	--	414,539
Machinery & Equipment	2,130,304	830,348	--	2,960,652
Construction in progress	1,746,623	5,939,472	--	7,686,095
Total capital assets being depreciated	\$ 59,175,453	\$ 11,131,358	\$ --	\$ 70,306,811
Less accumulated depreciation for:				
Land Improvements	(996,319)	(52,717)	--	(1,049,036)
Infrastructure	(18,044,252)	(1,352,264)	--	(19,396,516)
Buildings	(4,407,918)	(273,193)	--	(4,681,111)
Bridges	(138,671)	(9,212)	--	(147,883)
Machinery & Equipment	(1,157,895)	(166,891)	--	(1,324,786)
Total accumulated depreciation	(24,745,055)	(1,854,277)	--	(26,599,332)
Total capital assets being depreciated, net	34,430,398	7,841,587	--	43,707,479
Governmental activities capital assets, net	\$ 36,782,852	\$ 7,841,587	\$ --	\$ 46,059,933

Proprietary Funds:

A summary of proprietary fund type fixed assets at September 30, 2003, are as follows:

	Beginning Balances*	Increases	Decreases	Ending Balances
<u>Business type activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	2,223,157	--	--	2,223,157
Total capital assets not being depreciated	\$ 2,223,157	\$ --	\$ --	\$ 2,223,157
<i>Capital assets being depreciated:</i>				
Land Improvements	960,594	--	--	960,594
Infrastructure	16,844,855	2,959,126	--	19,803,981
Buildings	27,928,300	--	--	27,928,300
Bridges	15,970,513	--	--	15,970,513
Machinery & Equipment	10,045,976	936,627	--	10,982,603
Construction in progress	3,368,624	500,596	(2,959,126)	910,094

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Less accumulated depreciaton for:				
Land Improvements	(108,559)	(43,300)	--	(151,859)
Infrastructure	(4,665,088)	(414,013)	--	(5,079,101)
Buildings	(5,956,895)	(642,001)	--	(6,598,896)
Bridges	(2,794,832)	(399,271)	--	(3,194,103)
Machinery & Equipment	(4,660,634)	(603,682)	--	(5,264,316)
Total accumulated depreciation	<u>(18,186,007)</u>	<u>(2,102,267)</u>	<u>--</u>	<u>(20,288,274)</u>
Total capital assets being depreciated, net	56,932,855	2,294,082	(2,959,125)	56,267,812
Business activities capital assets, net	<u>\$ 59,156,012</u>	<u>\$ 2,294,082</u>	<u>\$ (2,959,125)</u>	<u>\$ 58,490,969</u>

\* Restated per American Appraisal Associates

**Depreciation was charged to functions as follows:**

General government	\$ 547,407
Public safety	914,653
Highway and streets	100,966
Culture and recreation	73,364
Sanitation	217,886
	<u>\$ 1,854,276</u>

**E. Interfund Balances and Activity**

**1. Interfund Receivables and Payables**

Fund	Due From Other Funds	Due To Other Funds
<b>General Fund:</b>		
Special Revenue Fund	\$ 442,493	\$ 103,079
Debt Service Fund	2,740	16,285
Capital Projects Fund	--	239,348
Enterprise Fund	2,943,856	2,735,033
Trust and Agency Fund	176,829	145,907
Internal Service Fund	94,926	126,679
Total General Fund	<u>3,660,843</u>	<u>3,366,330</u>
<b>Special Revenue Fund:</b>		
General Fund	103,079	425,393
Special Revenue Fund	58,795	58,795
Total Special Revenue	<u>161,874</u>	<u>484,188</u>
<b>Debt Service Fund:</b>		
General Fund	16,285	2,740
Enterprise Fund	10,279	--
Capital Projects Fund	189,000	--
Total Debt Service Fund	<u>215,563</u>	<u>2,740</u>
<b>Capital Projects Fund:</b>		
General Fund	239,348	--
Debt Service Fund	--	189,000
Total Capital Projects Fund	<u>239,348</u>	<u>189,000</u>
<b>Enterprise Fund:</b>		
Special Revenue Fund	958	958
General Fund	2,595,033	2,960,956
Debt Service Fund	--	10,279
Enterprise Fund	799,114	659,114
Internal Service Fund	61,758	51,473
Trust and Agency Fund	58,815	8,891

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Trust and Agency Fund:		
General Fund	145,907	176,829
Enterprise Fund	8,891	58,815
Internal Service Fund	588	--
Total Trust and Agency Fund	<u>155,386</u>	<u>235,644</u>
Internal Service Fund:		
General Fund	126,679	94,926
Enterprise Fund	51,473	61,758
Trust and Agency Fund	--	588
Total Internal Service Fund	<u>178,152</u>	<u>157,272</u>
<b>TOTAL ALL FUNDS</b>	<b>\$ <u>8,126,844</u></b>	<b>\$ <u>8,126,844</u></b>

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2003, consisted of the following:

	In	Out
General Fund		
Transfer In-Bridge	850,000	--
Transfer In-Utility	120,000	--
Utility Fund		
Transfer Out-General	--	120,000
Bridge Fund		
Transfer Out-General	--	850,000
Transfer Out-Debt Service	--	480,000
Transfer Out-Debt Service	--	536,402
Debt Service		
Transfer In-Bridge	480,000	--
Transfer In-Bridge	536,402	--
<b>TOTAL</b>	<b>\$ <u>1,986,402</u></b>	<b>\$ <u>1,986,402</u></b>

F. Short-Term Debt Activity

The City accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

G. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2003, are as follows:

	Beginning Balance	Additional Obligations	Retirements	Ending Balance
Enterprise capital leases	\$ 389,010	\$ 110,545	\$ 210,227	\$ 289,328
General obligation	25,500,000	--	1,330,000	24,170,000
Revenue bonds payable	34,598,000	18,465,000	16,191,000	36,872,000
Compensated absences	1,965,849	345,574	--	2,311,423
General obligation capital leases & notes payable	2,202,049	382,989	438,280	2,146,758
<b>Total</b>	<b>\$ 67,654,908</b>	<b>\$ 49,203,498</b>	<b>\$ 40,169,507</b>	<b>\$ 76,688,899</b>

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Bonds payable at September 30, 2003 are comprised of the following:

General Obligation Bonds:

\$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%	\$ 10,445,000
\$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%	1,905,000
\$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%	11,820,000
Total general obligation bonds	<u>\$ 24,170,000</u>

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%	\$ 1,055,000
\$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%	1,379,000
\$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%	2,135,000
\$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%	225,000
\$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%	1,865,000
\$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%	1,945,000
\$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%	778,000
\$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%	515,000
\$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%	4,200,000
\$18,465,000 2003 General Obligation and Revenue Refunding Bonds due in annual installments of \$160,000 to \$2,135,000 through August 15, 2015,	

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\$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% 1,025,000

\$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% 3,455,000

	36,882,000
Total revenue bonds	
Current portion of revenue bond	1,905,000
Revenue bond payable, net of current portion	\$ 34,977,000

General Obligations Notes Payable and Capital Leases:

\$3,144 lease payable to corporation in monthly installments of \$119.47 through March 1, 2005; \$ 1,823

\$140,000 lease payable to corporation in monthly installments of \$4,306.81 including interest through December 28, 2013 12,776

\$225,738 lease payable to corporation in monthly installments of \$6,765.57 including interest through June 8, 2005 38,170

\$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% 1,785,000

\$32,000 lease payable to corporation in monthly installments of \$607.68 through June 10, 2007 24,769

\$30,000 lease payable to corporation in monthly installments of \$569.70 through June 10, 2007 23,221

\$166,689 lease payable to corporation in monthly installments of \$4,943.80 through May 16, 2006 144,335

\$1,543,000 lease payable to corporation in monthly installments of \$2,894.67 through May 22, 2007 116,665

General Obligations Notes Payable and Capital Leases: \$ 2,146,759

Enterprise Capital Leases:

\$25,510 lease payable to corporation in monthly installments of \$763.41 through October 24, 2004 \$ 9,646

\$51,771 lease payable to corporation in monthly installments of \$1,534.24 through 2006 51,771

\$16,487 lease payable to corporation in monthly installments of \$511.06 through May 16, 2006 7,846

\$199,410 lease payable to corporation in monthly installments of \$3,766.00 including interest through October 15, 2004 111,222

\$193,130 lease payable to corporation in monthly installments of \$5,788.29 through October 15, 2004 73,098

\$81,265 lease payable to corporation in monthly installments of \$2,435.61 through June 8, 2005 24,470

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\$16,486 lease payable to corporation in monthly installments of \$488.94 through April 16, 2006

	14,275
Total enterprise capital leases	289,328
Less current portion	164,011
Enterprise capital leases, net of current portion	<u>\$ 125,317</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, 2003, 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, 2003, including interest are as follows:

Year Ended September 30	Bonds	Enterprise Revenue Bond	Notes Payable & Leases	Enterprise Leases	Totals
2004	\$ 2,065,120	\$ 3,898,050	\$ 438,032	\$ 176,144	\$ 6,577,356
2005	2,115,716	3,833,547	392,091	107,704	6,449,058
2006	2,156,716	3,967,971	366,962	21,833	6,513,482
2007	2,163,524	4,081,268	316,586	--	6,561,378
2008	2,157,435	4,009,606	281,373	--	6,448,414
Thereafter	26,563,703	28,881,502	854,913	--	56,300,118
	<u>37,222,214</u>	<u>48,671,944</u>	<u>2,649,957</u>	<u>305,681</u>	<u>88,849,796</u>
Less amount representing interest	13,052,214	11,789,944	503,199	16,353	25,361,710
Totals	<u>\$ 24,170,000</u>	<u>\$ 36,882,000</u>	<u>\$ 2,146,758</u>	<u>\$ 289,328</u>	<u>\$ 63,488,086</u>

2. Advance Refunding of Debt

The Series 2003 Bonds refunded the August 15, 2005 to August 15, 2014 maturities of the Combination Tax & Revenue Certificates of Obligation, Series 1993 (totaling \$13,750,000), the August 15, 2007 to August 15, 2015 maturities of the International Toll Bridge Combination Tax & Revenue Certificates of Obligation, Series 1994 (totaling \$2,820,000) and the August 15, 2004 to August 15, 2012 maturities of the Combination Tax & Revenue Limited Pledge Revenue Certificates of Obligation, Series 1991 (totaling \$530,000). This transaction resulted in gross savings to the City of \$ 938,047 and net present value savings to the City of \$ 876,226, or 5.124% of the refunded par amount.

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omission injuries to employees, and natural disasters. During fiscal year 2003, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan



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The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee 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, the City granted monetary credits for service 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 100 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 credit 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.

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. Plan provisions for the City were as follows (as of 4/7/03):

Deposit Rate:	<b>5%</b>
Matching Ratio (City to Employee):	<b>2 to 1</b>
A member is vested after:	<b>5 years</b>

Members can retire at certain ages, based on the years of service with the City.  
 The Service Retirement Eligibilities for the city are: 5 yrs/age 60, 20 yrs/any age

**2. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's 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. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2003 valuation is effective for rates beginning January 2005)

**3. Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date			12/31/2002
Actuarial Value of Assets	(A)	\$	15,009,474
Actuarial Accrued Liability	(B)	\$	17,730,042

**CITY OF PHARR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	(D)=(B)-(A)	\$	2,720,5
Annual Covered Payroll	(E)	\$	10,237,9
UAAL as a Percentage of Covered Payroll	(D)/(E)		26.6
Net Pension Obligation (NPO) at the Beginning of Period			-0-
Annual Pension Cost:			
Annual required contribution (ARC)	Plus		XX
Contributions Made	Less		XX
NPO at the end of the period			-0-

**Actuarial Assumptions**

Actuarial Cost Method-	Unit Credit
Amortization Method-	Level Percent of Payroll
Remaining Amortization Period-	25 Years -- Open Period
Asset Valuation Method-	Amortized Cost (to accurately reflect the requirements of GASB statement No. 25, paragraphs 36e and 138)
Investment Rate of Return-	8%
Projected Salary Increases-	None
Includes Inflation At-	None
Cost-of-Living Adjustments	None

Net Pension Obligation (NPO) at the Beginning of Period

Annual Pension Cost:  
 Annual required contribution

**2. Funding Policy**

Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute an actuarially determined rate; the current rate is 5% of annual covered payroll. The City's contributions to TMRs for the years ending September 30, 2003, 2002 and 2001 were \$, \$ and \$, respectively, and were equal to the required contributions for each year.

**3. Annual Pension Cost**

The City's annual pension cost of \$ for the Plan was equal to the City's required and actual contributions. Under the state law governing TMRs, the actuary annually determines the City's contribution rate. This rate consists of the 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 finances the currently accrued monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's 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

**CITY OF PHARR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

used for determining the City's contribution rate. 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 the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 1997 valuation is effective for rates beginning January 1999).

Since the TMRS does not value the assets of individual cities, the actuarial assumptions used to set the required contribution rate of the City are based on TMRS as a whole. For the December 31, 1997 valuation date, an 8% investment rate of return was assumed. No assumptions were made for projected salary increases, inflation or cost of living adjustments.

**J. Health Care Coverage**

During the year ended September 30, 2003, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$ per pay period per employee and dependents to the Plan. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the are available for the year ended, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**K. Commitments and Contingencies**

**1. Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. 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 immaterially affect the financial position of the City.

**L. Prior Period Adjustment**

The fund equities as of October 1, 2003 have been restated to reflect corrections made to fund balances.

<u>General Fund</u>	
Fund Balance, October 1	\$ 3,878,803
Adjustment for prior year's expenditures	(222,689)
Adjustment for prior year's revenues	20,359
Fund Balance, October 1	<u>\$ 3,676,473</u>

**CITY OF PHARR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<u>Special Revenue Fund</u>	
Fund Balance, October 1	\$ 1,177,570
Adjustment for deferred income	(28,000)
Adjustment for prior year's receivables	11,055
Fund Balance, October 1	<u>\$ 1,160,625</u>
<u>Capital Projects Fund</u>	
Fund Balance, October 1	\$ 10,536,096
Adjustment for prior year's expenditures	(43,965)
Fund Balance, October 1	<u>\$ 10,492,131</u>
<u>Debt Service Fund</u>	
Fund Balance, October 1	\$ 314,039
Adjustment for prior year's expenditures	1,035
Fund Balance, October 1	<u>\$ 315,074</u>
<u>Internal Service Fund</u>	
Fund Balance, October 1	\$ (36,000)
Adjustment for fixed assets	1,184,487
Adjustment for prior year's expenditures	(609)
Fund Balance, October 1	<u>\$ 1,147,878</u>
<u>Enterprise Fund</u>	
Fund Balance, October 1	\$ 40,706,035
Adjustment for fixed assets	(895,570)
Adjustment for prior year's revenues	4,501
Adjustment for prior year's expenditures	13,676
Fund Balance, October 1	<u>\$ 39,828,642</u>

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Government Accounting Standards Board but not considered a part of the basic financial statements.



**CITY OF PHARR, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Taxes</i>	\$ 13,477,328	\$ 13,477,328	\$ 14,046,747	\$ 563,419
<i>Licenses and permits</i>	663,500	621,500	688,194	66,694
<i>Intergovernmental</i>	262,728	262,728	287,139	24,411
<i>Charges for services</i>	2,675,000	2,675,000	3,051,780	376,780
<i>Other charges</i>	382,200	382,200	506,606	124,405
<i>Fines and forfeitures</i>	425,000	425,000	760,586	335,586
<i>Interest</i>	60,500	55,500	143,915	88,415
<i>Other</i>	850,000	849,000	740,978	(108,022)
<b>Total revenues</b>	<b>18,796,256</b>	<b>18,748,256</b>	<b>20,219,944</b>	<b>1,471,688</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	8,343,561	6,252,728	7,483,617	(1,230,889)
<i>Public safety</i>	9,527,993	9,527,993	9,290,022	237,971
<i>Highways and streets</i>	1,038,738	1,055,738	1,287,328	(231,590)
<i>Sanitation</i>	--	2,225,000	2,235,128	(10,128)
<i>Culture and recreation</i>	818,425	818,425	752,560	65,845
<i>Debt service</i>	80,000	80,000	274,819	(194,819)
<b>Total expenditures</b>	<b>19,808,717</b>	<b>19,959,884</b>	<b>21,323,494</b>	<b>(1,363,610)</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(1,012,461)</b>	<b>(1,211,628)</b>	<b>(1,103,550)</b>	<b>108,078</b>
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	1,015,200	1,015,200	970,000	(45,200)
<b>Total other financing sources (uses)</b>	<b>1,015,200</b>	<b>1,015,200</b>	<b>970,000</b>	<b>45,200</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>2,739</b>	<b>(196,428)</b>	<b>(133,550)</b>	<b>62,878</b>
<b>Fund balances/equity, October 1</b>	<b>3,878,803</b>	<b>3,878,803</b>	<b>3,878,803</b>	<b>--</b>
<b>Prior period adjustment (Note L)</b>	<b>(202,329)</b>	<b>(202,329)</b>	<b>(202,329)</b>	<b>--</b>
<b>Fund balances/equity, September 30</b>	<b>\$ 3,679,213</b>	<b>\$ 3,480,046</b>	<b>\$ 3,542,924</b>	<b>\$ 62,878</b>





**CITY OF PHARR, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental</i>	\$ --	\$ 3,289,923	\$ 2,857,429	\$ (432,494)
<i>Interest</i>	--	--	8,304	8,304
<i>Other</i>	--	5,000	4,980	(20)
<b>Total revenues</b>	<b>--</b>	<b>3,294,923</b>	<b>2,870,713</b>	<b>(424,210)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	--	1,927,351	2,815,435	(888,084)
<i>Economic development and assistance</i>	--	65,391	992,978	(867,587)
<i>Debt service</i>	--	340,000	278,781	61,219
<b>Total expenditures</b>	<b>--</b>	<b>2,332,742</b>	<b>4,027,194</b>	<b>(1,694,452)</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>--</b>	<b>962,181</b>	<b>(1,156,481)</b>	<b>(2,118,662)</b>
<b>Other financing sources (uses):</b>				
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>--</b>	<b>962,181</b>	<b>(1,156,481)</b>	<b>(2,118,662)</b>
<b>Fund balances/equity, October 1</b>	<b>--</b>	<b>1,175,570</b>	<b>1,175,570</b>	<b>--</b>
<b>Prior period adjustment (Note L)</b>	<b>--</b>	<b>(16,945)</b>	<b>(16,945)</b>	<b>--</b>
<b>Fund balances/equity, September 30</b>	<b>\$ --</b>	<b>\$ 2,120,806</b>	<b>\$ 2,144</b>	<b>\$ (2,118,662)</b>



**CITY OF PHARR, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
<i>Cash and investments</i>	\$ 106,495	\$ 142,859	\$ 249,354
<i>Property taxes</i>	--	363,144	363,144
<i>Due from other funds</i>	159,776	215,564	375,340
<b>Restricted assets:</b>			
<b>Other Debits:</b>			
<b>Total Assets and Other Debits</b>	<b>\$ 266,271</b>	<b>\$ 721,567</b>	<b>\$ 987,838</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
<i>Accounts payable</i>	\$ 9,022	\$ --	\$ 9,022
<i>Due to other funds</i>	124,125	2,740	126,865
<b>Payable from restricted assets:</b>			
<i>Deferred revenue-taxes</i>	--	363,144	363,144
<i>Deferred revenue-other</i>	147,514	--	147,514
<b>Total Liabilities and other credits</b>	<b>280,661</b>	<b>365,884</b>	<b>646,545</b>
<b>Equity and other credits:</b>			
<b>Retained earnings:</b>			
<b>Fund balances:</b>			
<i>Reserved</i>	(14,390)	--	(14,390)
<i>Unreserved</i>	--	355,683	355,683
<b>Total equity and other credits</b>	<b>(14,390)</b>	<b>355,683</b>	<b>341,293</b>
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>\$ 266,271</b>	<b>\$ 721,567</b>	<b>\$ 987,838</b>



**CITY OF PHARR, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ --	\$ 1,010,301	\$ 1,010,301
<i>Intergovernmental</i>	444,584	--	444,584
<i>Interest</i>	2,257	65,371	67,628
<i>Other</i>	25,978	--	25,978
Total revenues	<u>472,819</u>	<u>1,075,672</u>	<u>1,548,491</u>
Expenditures:			
Current:			
<i>General government</i>	150	2,425	2,575
<i>Public safety</i>	477,100	--	477,100
<i>Debt service</i>	58,795	2,049,041	2,107,836
Total expenditures	<u>536,045</u>	<u>2,051,466</u>	<u>2,587,511</u>
Excess (deficiency) of revenues (under) expenditures	(63,226)	(975,794)	(1,039,020)
Other financing sources (uses):			
<i>Operating transfers in</i>	--	1,016,402	1,016,402
Total other financing sources (uses)	<u>--</u>	<u>1,016,402</u>	<u>1,016,402</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(63,226)	40,608	(22,618)
Fund balances/equity, October 1	48,836	314,040	362,876
Prior period adjustment (Note L)	--	1,035	1,035
Fund balances/equity, September 30	<u>\$ (14,390)</u>	<u>\$ 355,683</u>	<u>\$ 341,293</u>



**CITY OF PHARR, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2003**

	Assets Sharing Fund	Law Enforcement Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
<i>Cash and investments</i>	\$ 25,621	\$ 80,874	\$ 106,495
<i>Due from other funds</i>	93,136	66,640	159,776
Restricted assets:			
Other Debits:			
<b>Total Assets and Other Debits</b>	<b>\$ 118,757</b>	<b>\$ 147,514</b>	<b>\$ 266,271</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
Liabilities:			
<i>Accounts payable</i>	\$ 9,022	\$ --	\$ 9,022
<i>Due to other funds</i>	124,125	--	124,125
Payable from restricted assets:			
<i>Deferred revenue-other</i>	--	147,514	147,514
<b>Total Liabilities and other credits</b>	<b>133,147</b>	<b>147,514</b>	<b>280,661</b>
Equity and other credits:			
Retained earnings:			
Fund balances:			
<i>Reserved</i>	(14,390)	--	(14,390)
<b>Total equity and other credits</b>	<b>(14,390)</b>	<b>--</b>	<b>(14,390)</b>
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>\$ 118,757</b>	<b>\$ 147,514</b>	<b>\$ 266,271</b>





**CITY OF PHARR, TEXAS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Assets Sharing Fund	Law Enforcement Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
<i>Intergovernmental</i>	\$ 444,584	\$ --	\$ 444,584
<i>Interest</i>	2,149	108	2,257
<i>Other</i>	25,978	--	25,978
Total revenues	<u>472,711</u>	<u>108</u>	<u>472,819</u>
Expenditures:			
Current:			
<i>General government</i>	150	--	150
<i>Public safety</i>	476,992	108	477,100
<i>Debt service</i>	58,795	--	58,795
Total expenditures	<u>535,937</u>	<u>108</u>	<u>536,045</u>
Excess (deficiency) of revenues (under) expenditures	(63,226)	--	(63,226)
Other financing sources (uses):			
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(63,226)	--	(63,226)
Fund balances/equity, October 1	48,836	--	48,836
Fund balances/equity, September 30	<u>\$ (14,390)</u>	<u>\$ --</u>	<u>\$ (14,390)</u>



**CITY OF PHARR, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT C-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Taxes</i>	\$ 995,381	\$ 995,381	\$ 1,010,301	\$ 14,920
<i>Interest</i>	55,000	55,000	65,371	10,371
Total revenues	<u>1,050,381</u>	<u>1,050,381</u>	<u>1,075,672</u>	<u>25,291</u>
Expenditures:				
Current:				
<i>General government</i>	--	--	2,425	(2,425)
<i>Debt service</i>	1,512,639	1,512,639	2,049,041	(536,402)
Total expenditures	<u>1,512,639</u>	<u>1,512,639</u>	<u>2,051,466</u>	<u>(538,827)</u>
Excess (deficiency) of revenues (under) expenditures	(462,258)	(462,258)	(975,794)	(513,536)
Other financing sources (uses):				
<i>Operating transfers in</i>	480,000	480,000	1,016,402	536,402
Total other financing sources (uses)	<u>480,000</u>	<u>480,000</u>	<u>1,016,402</u>	<u>(536,402)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	17,742	17,742	40,608	22,866
Fund balances/equity, October 1	314,040	314,040	314,040	--
Prior period adjustment (Note L)	1,035	1,035	1,035	--
Fund balances/equity, September 30	<u>\$ 332,817</u>	<u>\$ 332,817</u>	<u>\$ 355,683</u>	<u>\$ 22,866</u>



**CITY OF PHARR, TEXAS**  
**CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT C-6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental</i>	\$ --	\$ --	\$ 16,540	\$ 16,540
<i>Interest</i>	--	--	219,962	219,962
<i>Other</i>	--	--	546,000	546,000
<b>Total revenues</b>	<b>--</b>	<b>--</b>	<b>782,502</b>	<b>782,502</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	--	--	6,232,969	(6,232,969)
<i>Debt service</i>	--	--	507,738	(507,738)
<b>Total expenditures</b>	<b>--</b>	<b>--</b>	<b>6,740,707</b>	<b>(6,740,707)</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>--</b>	<b>--</b>	<b>(5,958,205)</b>	<b>(5,958,205)</b>
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	--	--	--	--
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>--</b>	<b>--</b>	<b>(5,958,205)</b>	<b>(5,958,205)</b>
<b>Fund balances/equity, October 1</b>	<b>--</b>	<b>10,536,076</b>	<b>10,536,076</b>	<b>--</b>
<b>Prior period adjustment (Note L)</b>	<b>--</b>	<b>(43,965)</b>	<b>(43,965)</b>	<b>--</b>
<b>Fund balances/equity, September 30</b>	<b>\$ --</b>	<b>\$ 10,492,111</b>	<b>\$ 4,533,906</b>	<b>\$ (5,958,205)</b>



**CITY OF PHARR, TEXAS**  
**UTILITY FUND**  
**ENTERPRISE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT C-7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Charges for services</i>	\$ 5,745,000	\$ 5,745,000	\$ 6,078,587	\$ (333,587)
Total Operating Revenues	5,745,000	5,745,000	6,078,587	(333,587)
<b>OPERATING EXPENSES:</b>				
<i>Personal services</i>	3,459,340	1,767,840	1,789,991	(32,151)
<i>Operation and maintenance</i>	740,000	3,412,500	1,961,670	1,450,830
<i>Depreciation</i>	--	--	1,323,277	(1,323,277)
Total Operating Expenses	4,199,340	5,180,340	5,084,938	95,402
Operating Income (Loss)	1,545,660	564,660	993,649	(428,989)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
<i>Interest revenue</i>	200,000	200,000	113,555	86,445
<i>Bond interest and fiscal charges</i>	(1,810,000)	(709,000)	(725,354)	16,354
<i>Other income (expenses)</i>	71,000	71,000	84,802	(13,802)
Total Non-operating Revenues (Expenses)	(1,539,000)	(438,000)	(526,997)	88,997
Net Income (Loss) before Operating Transfers	6,660	126,660	466,652	(339,992)
<b>TRANSFERS:</b>				
<i>Interfund operating transfers in</i>	--	--	--	--
<i>Interfund operating transfers out</i>	--	(120,000)	(120,000)	--
Net income	6,660	6,660	346,652	(339,992)
Retained earnings, October 1	(10,884,496)	(10,884,496)	10,884,496	--
Prior period adjustment (Note L)	883,839	883,839	(883,839)	--
Retained earnings, September 30	\$ (9,993,997)	\$ (9,993,997)	\$ 10,347,309	\$ (339,992)





**CITY OF PHARR, TEXAS**

TOLL BRIDGE FUND  
 ENTERPRISE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Charges for services</i>	\$ 5,360,000	\$ 5,440,000	\$ 5,811,300	\$ (371,300)
Total Operating Revenues	5,360,000	5,440,000	5,811,300	(371,300)
<b>OPERATING EXPENSES:</b>				
<i>Personal services</i>	674,212	674,212	750,712	(76,500)
<i>Operation and maintenance</i>	4,227,555	1,341,600	740,128	601,472
<i>Depreciation</i>	--	--	579,727	(579,727)
Total Operating Expenses	4,901,767	2,015,812	2,070,567	(54,755)
Operating Income (Loss)	458,233	3,424,188	3,740,733	(316,545)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
<i>Interest revenue</i>	280,000	280,000	432,686	(152,686)
<i>Bond interest and fiscal charges</i>	--	(2,227,956)	(1,904,669)	(323,287)
<i>Other income (expenses)</i>	--	(999)	(33,203)	32,204
Total Non-operating Revenues (Expenses)	330,000	(1,838,955)	(1,505,186)	(333,769)
Net Income (Loss) before Operating Transfers	788,233	1,585,233	2,235,547	(650,314)
<b>TRANSFERS:</b>				
<i>Interfund operating transfers in</i>	--	--	--	--
<i>Interfund operating transfers out</i>	--	(850,000)	(1,866,402)	1,016,402
Net income	788,233	735,233	369,145	366,088
Retained earnings, October 1	7,269,700	7,269,700	7,269,700	--
Prior period adjustment (Note L)	(17,530)	(17,530)	(17,530)	--
Retained earnings, September 30	\$ 8,040,403	\$ 7,987,403	\$ 7,621,315	\$ 366,088



## *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 required by other entities.



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**CITY OF PHARR, TEXAS**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2003*

Year Ended September 30	Beginning Balance 10/1/02	Current Year's Total Levy
1994 and Prior Years	\$ 304,557	\$ --
1995	76,061	--
1996	91,886	--
1997	117,580	--
1998	137,783	--
1999	202,522	--
2000	284,986	--
2001	443,398	--
2002	661,067	--
2003 (School Year Under Audit)	--	7,091,64
1000 Totals	<u>\$ 2,319,840</u>	<u>\$ 7,091,64</u>

Collections	Entire Year's Adjustments	Ending Balance 9/30/03
\$ 25,022	\$ (25,982)	\$ 253,553
7,233	(7,180)	61,648
12,043	(5,688)	74,155
17,761	(938)	98,881
31,406	5,555	111,932
55,206	8,452	155,768
68,405	8,513	225,094
128,194	8,881	324,085
242,264	3,518	422,321
6,329,583	6,485	768,546
<u>\$ 6,917,117</u>	<u>\$ 1,616</u>	<u>\$ 2,495,983</u>

Less: Allowance for uncollectable taxes \$ 199,679

Property taxes receivable, net of allowance \$ 2,296,304







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## **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

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

#### **Members of the City Council:**

I have audited the basic financial statements of City Of Pharr, Texas as of and for the year ended September 30, 2003, and have issued my report thereon dated June 25, 2004. 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

As part of obtaining reasonable assurance about whether City Of Pharr, Texas's basic 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, I considered City Of Pharr, Texas's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic 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 basic 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 City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Oscar R. Gonzalez CPA*

Oscar R. Gonzalez CPA





*Oscar R. Gonzalez*

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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

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

Members of the City Council:

#### Compliance

I have audited the compliance of City Of Pharr, Texas with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended September 30, 2003. City Of Pharr, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City Of Pharr, Texas's management. My responsibility is to express an opinion on City Of Pharr, Texas's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Of Pharr, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City Of Pharr, Texas's compliance with those requirements.

In my opinion, City Of Pharr, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

#### 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's 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



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 City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Oscar R. Gonzalez CPA

June 25, 2004



**CITY OF PHARR, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

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

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**





**CITY OF PHARR, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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**CITY OF PHARR, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**



**CITY OF PHARR, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING DEVELOPMENT</u></b>			
Direct Program:			
Home Loan	N/A	N/A	\$ 203,000
Total U.S. Department of Housing Development			<u>203,000</u>
<b><u>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
Direct Programs:			
Community Development Block Grant* *	14.218	B-00-MC-48-0507	1,008,000
Section 108 Loan	14218	B-00-MC-48-0507	340,000
Total Direct Programs			<u>1,348,000</u>
Total U. S. Department of Housing & Urban Development			<u>1,348,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,551,000</u></b>

\* 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 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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.

