



CITY OF PHARR, TX

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



Fiscal Year Ended September 30, 2007

City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2007

ELECTED OFFICIALS

Leo "Polo" Palacios, Jr. - Mayor

Adan Farias
Francis Quintanilla
Ricardo Medina

Raul Martinez
Raul Gonzalez
Arturo J. Cortez

CITY MANAGER

Fred Sandoval

FINANCE DIRECTOR

Juan G. Guerra, CPA,

INDEPENDENT AUDITORS

Oscar R. Gonzalez, CPA

Prepared by the Finance Department

CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION



February 5, 2008

MAYOR
Leo "Polo" Palacios, Jr.

COMMISSIONERS
Arturo J. Cortez
Raul Martinez
Raul Gonzalez
Ricardo Medina
Francisca Quintanilla
Adan Farias

CITY MANAGER
Fred Sandoval



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

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

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

The Pharr Economic Development Corporation (PEDC) was formed to administer a special .5% sales tax for economic development. It is a non-profit, industrial development corporation. Since the City appoints all PEDC board members, the City can remove board members at will, and must approve PEDC's budget and plan of work, City management has included PEDC in its financial reports as a blended component unit.

PROFILE OF THE GOVERNMENT

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

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

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

ECONOMIC CONDITION AND OUTLOOK

Pharr is strategically located in the middle of the Rio Grande Valley of South Texas, only minutes from the Mexico border. Today with a healthy economy and steady growth, Pharr is the hub of transportation for the region and a major gateway for NAFTA-oriented businesses. It is strategically located to reap the benefits of explosive growth in commerce and trade. The Pharr area offers a top-quality workforce on both sides of the border. Well over 250,000 visitors enjoy the diversity of Pharr's culture, business and people with its variety and retail outlets, residential neighborhoods and cultural events – Pharr's rich heritage is unwavering. The spirit of tradition and a strong sense of community are flourishing in Pharr.

Over the last 10 years, Pharr has experienced unprecedented growth and economic development. Its population has steadily increased to over 60,000 people. The housing industry has been booming, businesses continue to move to Pharr and the Pharr-Reynosa International Bridge traffic is at an all time high. The sales tax base should reverse its negative trend in the upcoming year and increase, creating more jobs. Pharr's road to success has been rising and now the city has arrived. The economic future looks bright for Pharr. A few of the upcoming projects include:

- Healthcare facility
- Additional industrial warehouses

- Two large auto dealership in the region
- Redevelopment of Mall
- Retail and restaurant companies

MAJOR INITIATIVES

The City Commission and staff have identified several initiatives to address significant issues in our community. These programs are briefly described below:

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

Property Tax: Tax year 2007, which will be in effect during next fiscal year, is expected to see an increase in tax appraisals that will provide the City with levies of approximately \$1 million more than this fiscal year. This is the result of the appraisal district's county-wide increase in property values. Although the result of this has created some frustration by property owners, the City is not responsible for the increase and cannot do anything to change the results. The property tax rate is not expected to increase nor decrease.

Sales Tax: Sales tax revenue is used by the City as an economic indicator. This fiscal year, sales tax revenues were budgeted at a 7% increase from last fiscal year. Out of the twelve months of sales tax revenues, eight of them were negative growth from the previous fiscal year. What that means is that the City received less sales tax revenues in this fiscal year than the previous one. Another result of this year's sales tax collection is that the City did not meet the budgeted expectations by over \$600 thousand. This created a shortage of funds thereby creating a need to borrow from other funds within the City. This trend began this fiscal year and is expected to continue for at least one more. Several sales tax producing entities are moving to Pharr. It is expected that this negative trend will be completely positive by the fiscal year ending September 30, 2009.

Public Safety Assets Upgrade: Ensuring that the public safety personnel have the tools that they need to ensure the safety of the City is always a priority to the Commissioner's and management. A long term lease was entered into to assist in providing much needed assets to the Police and Fire personnel.

The Police Department began what is anticipated to be a continuous fleet replacement program. In the next fiscal year, over a quarter of the patrol vehicles will be replaced. To assist the police department with better quality recordings, all police vehicle camera's will upgrade their VHS quality to digital. The recently built police building will have a parking lot added to assist with the proper control of employee and customer parking. These assets are an investment of nearly \$1 million.

The Fire Department is in need of updated fire trucks. A new Quint ladder truck will be added to the current fleet. This should enable the fire department to have the tools necessary to keep the citizens safe. In addition to the ladder truck, a new pumper truck will also be purchased. These two trucks are an investment of nearly \$1.4 million.

Public Works: The cost of infrastructure continues to rise while the need for the projects continues to be a priority. In an effort to position the City in being able to fulfill the needs of better infrastructure, the Public Works department will purchase assets that can be used to pave and/or repave streets in a cost effective manner. This investment in infrastructure improvement is nearly \$500 thousand.

Utility Infrastructure: A major project to increase the utility capacity and distribution capabilities is needed. The City is in the process of obtaining the funds in order to increase its utility assets; the main source of the funds come via debt issuances. Debt service for utility revenue debt will increase in the next fiscal year by nearly \$2.3 million.

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

FINANCIAL INFORMATION

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

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

GENERAL FUND BALANCE

	<u>2006 - 07</u>	<u>2005 - 06</u>	<u>2004 - 05</u>
Unreserved, Undesignated General Fund, Fund Balance (in millions)	\$ (6.4)	\$ 0.2	\$ 0.6
Days Expenditure	(74)	9	9

The entire General Fund fund balance is \$4.6 million; the unreserved, undesignated fund balance is (\$6.4) million and is not equal to one day of operating expenditures. This balance does not provide adequate protection against unforeseen occurrences and significantly increases the likelihood of the City entering the short-term debt market to pay for current operating expenditures. There are no plans in entering into short-term debt for operating expenditures.

UTILITY NET ASSETS: The unreserved, available assets of the Utility Fund are reflected in the table below. The increase in available assets in fiscal year 2006 - 07 was due to an infusion of cash associated with the issuance of debt and an increase in utility rates which are needed to for the mandated utility capital improvement projects.

	<u>Fiscal Year</u>		
	<u>2006 - 07</u>	<u>2005 - 06</u>	<u>2004 - 05</u>
Unrestricted, Available Assets (in millions)	\$ 8.5	\$ 1.9	\$ 3.9
Days Expense	574	125	295

DEBT ADMINISTRATION: State law provides for and limits the issuance of debt. Furthermore, the amount of bonds issued or to be issued by the City, or on the City's behalf, shall at no time exceed ten percent of the value of property within the City that is subject to ad valorem tax. As of September 30, 2007, the principal amount of all City of Pharr bonds and certificates of obligations outstanding (capital leases and accrued compensated absences are not included), as a percentage of net assessed taxable property was 1.29%.

General obligation bonds are backed by the full faith and credit of the City of Pharr and are used to finance permanent public improvements. They are repaid through an apportionment of the ad valorem tax. The presently outstanding tax supported debt of the City is rated "Baa2" by Moody's Investors Service, Inc. and "A" by Standard and Poor's Ratings Services.

Revenue bonds are used to make permanent improvements in an enterprise fund and are repaid through the earnings of the fund. As an alternative, the Greater Texoma Utility Authority can acquire additional facilities for the City as needed. The acquisition of additional feet of water rights is currently in the process of being financed through the Utility Authority and is anticipated to be completed by next fiscal year.

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

Cash not required for operations is invested according to the City's written investment policy. The policy emphasizes safety and liquidity in investing public funds. As of September 30, 2007, all of the City's funds were available within one year. Investments mainly consisted of investment pools and certificates of deposits.

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

OTHER INFORMATION

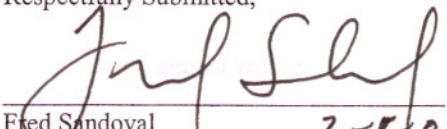
INDEPENDENT AUDIT: The City's financial statements have been audited by Oscar R. Gonzalez, CPA, a firm of a licensed certified public accountant and his degreed accounting staff. As a result of the audit, the City's financial statements have received an unqualified opinion. This indicates that there was no limitation on the scope of the auditor's examination, that the financial statements conform to generally accepted accounting principles and that the statements present fairly, in all material respects, the financial position of the City at September 30, 2007.

AWARDS: The Government Finance Officers Association of the United States and Canada (GFOA) has never awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pharr for its Comprehensive Annual Financial Report. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.


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

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

Respectfully Submitted,


Fred Sandoval
City Manager

2-1-08


Juan G Guerra
Director of Finance

CURRENT CITY OFFICIALS

Elected Officials

Mayor	Leo "Polo" Palacios, Jr.
Mayor – Pro Tem	Adan Farias
Alternate Mayor – Pro Tem	Francis Quintanilla
Commissioner	Ricardo Medina
Commissioner	Raul Martinez
Commissioner	Auturo J. Cortez
Commissioner	Raul Gonzalez

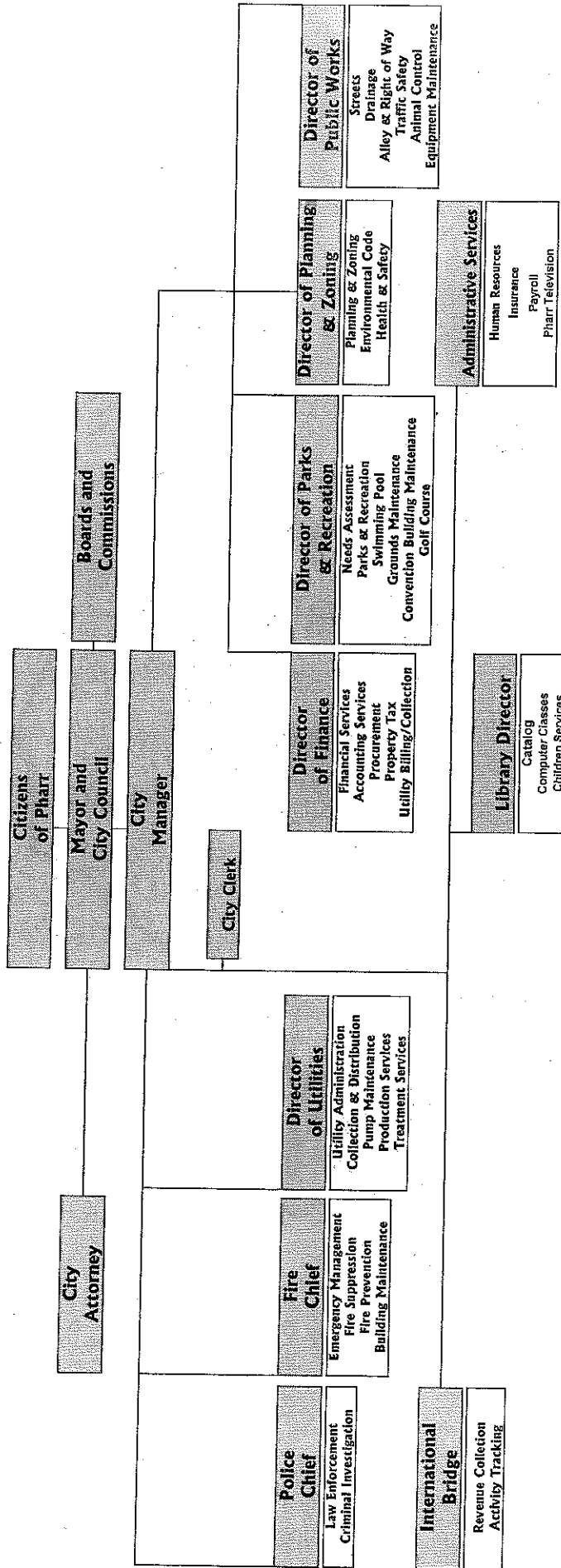
Appointed Officials

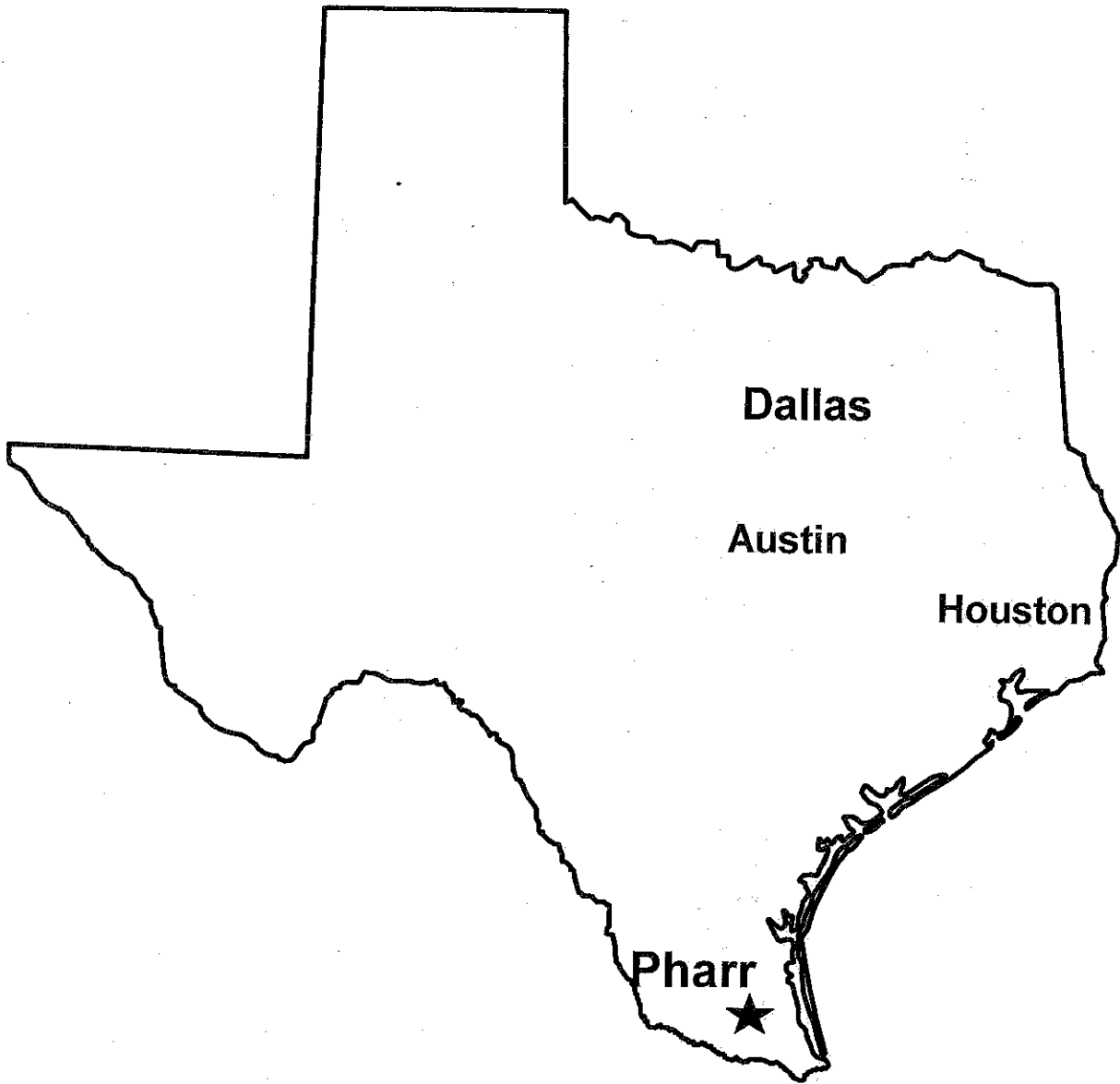
City Manager	Fred Sandoval
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Department Directors

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

ORGANIZATION CHART - CITY OF PHARR





FINANCIAL SECTION

Independent Auditor's Report



Oscar R. Gonzalez

Certified Public Accountant

110 North Cage • Pharr, Texas 78577

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

Email: org110n@aol.com

Independent Auditor's Report on Financial Statements

Members of the City Council
City Of Pharr, Texas
118 S. Cage
Pharr, Texas 78577

Members of the Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of and for the year ended September 30, 2007, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of September 30, 2007, 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.

The Management's Discussion and Analysis and the budgetary comparison 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I 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 schedules listed in the table of contents are presented for purposes of additional analysis and are not required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Oscar R. Gonzalez CPA

January 31, 2008

Management's Discussion & Analysis (MD&A)

Management's Discussion and Analysis

As management of the City of Pharr, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Pharr for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

FINANCIAL HIGHLIGHTS

- Total net assets increased over \$16.3 million, or a change of 17.2% from last fiscal year's net assets. This increase was mainly due to an increase of over \$14.4 million of Capital Assets net of depreciation.
- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$57.5 million (net assets), this is an increase of over \$13.8 million or 31.8%. Of this amount, over \$2.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This increase was mainly due to an increase of over \$9.6 million of Capital Assets net of depreciation.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$54 million (net assets), this is an increase of over \$2.4 million or 4.8%. Of this amount, over \$5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This increase was mainly due to contributed capital of over \$3.1 million of contributed capital.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: the Education Finance Authority and the Pharr Economic Development Corporation.

The government-wide financial statements begin on page 16 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The City adopts an annual appropriated budget for all of its governmental funds excluding the Capital Projects Fund. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with this budget.

The City's governmental funds financial statements begin on page 18 of this report.

Proprietary Funds

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

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

The basic proprietary funds financial statements begin on page 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The City does not have any fiduciary funds.

Notes to the Financial Statements

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

The notes to the financial statements begin on page 29 of this report.

Other Information

The City's progress in funding its obligations to provide pension benefits to its employees can be found at the end of the notes to the financial statements beginning on page 52.

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

Required supplementary information begins on page 57 of this report.

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

Combining and individual fund information and other supplementary statements and schedules begin on page 62 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by over \$111.7 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (77.6%) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's condensed Statement of Net Assets along with last fiscal year's numbers is presented for comparison in table number 1 located on the next page.

A portion of the City's net assets, \$17.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7.2 million or 6.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

City of Pharr's Net Assets

Table 1 – Dollars in Millions

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and other assets	\$21.6	\$18.7	\$59.4	\$12.5	\$81.0	\$31.2
Capital assets	70.9	61.3	67.1	62.2	138.0	123.5
Total assets	<u>\$92.5</u>	<u>\$80.0</u>	<u>\$126.5</u>	<u>\$74.7</u>	<u>\$219.0</u>	<u>\$154.7</u>
Liabilities						
Long-term liabilities	\$30.7	\$28.0	\$69.4	\$21.1	\$100.1	\$49.1
Other liabilities	4.2	8.3	2.9	1.9	7.1	10.2
Total liabilities	<u>\$34.9</u>	<u>\$36.3</u>	<u>\$72.3</u>	<u>\$23.0</u>	<u>\$107.2</u>	<u>\$59.3</u>
Net Assets						
Invested in capital assets, net of related debt	\$40.2	\$28.8	\$46.6	\$38.3	\$86.8	\$67.1
Restricted	14.8	6.8	3.0	2.0	17.8	8.8
Unrestricted	2.6	8.1	4.6	11.4	7.2	19.5
Total net assets	<u>\$57.6</u>	<u>\$43.7</u>	<u>\$54.2</u>	<u>\$51.7</u>	<u>\$111.8</u>	<u>\$95.4</u>

Governmental Activities

The City's condensed Changes in Net Assets along with last fiscal year's numbers are presented for comparison in table number 2 located on the following page.

The City's changes in net assets increased by \$8.4 million, or a change of 8.8% from last fiscal year's total net assets, during the current fiscal year. Governmental activities increased the City's net assets by \$13.9 million or 31.8%. Key elements of this increase are described as follows:

- Transfer of \$7 million from the Toll Bridge fund for capital projects
- Contributed capital from local developers of \$6.7 million using GASB-34 principals

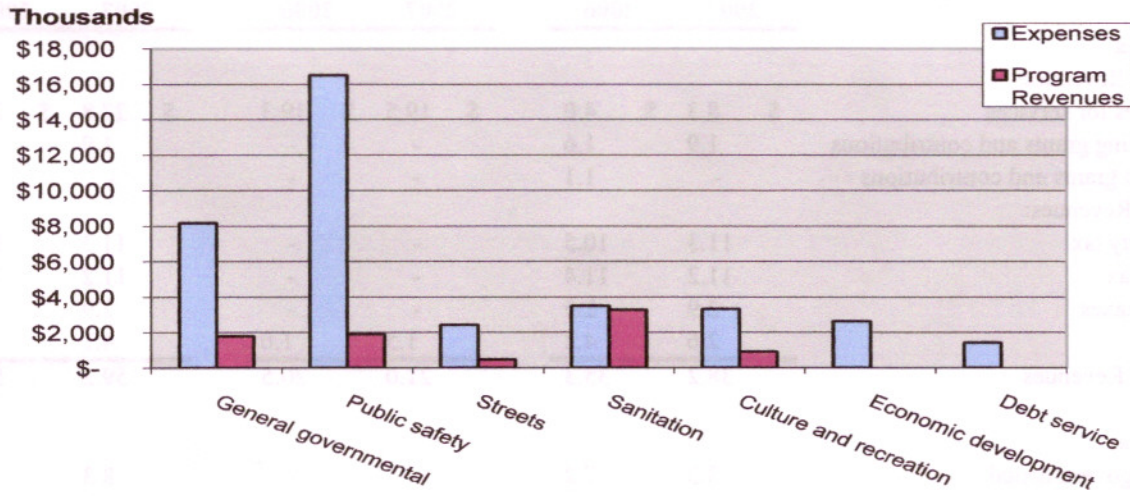
City of Pharr's Changes in Net Assets

Table 2 – Dollars in Millions

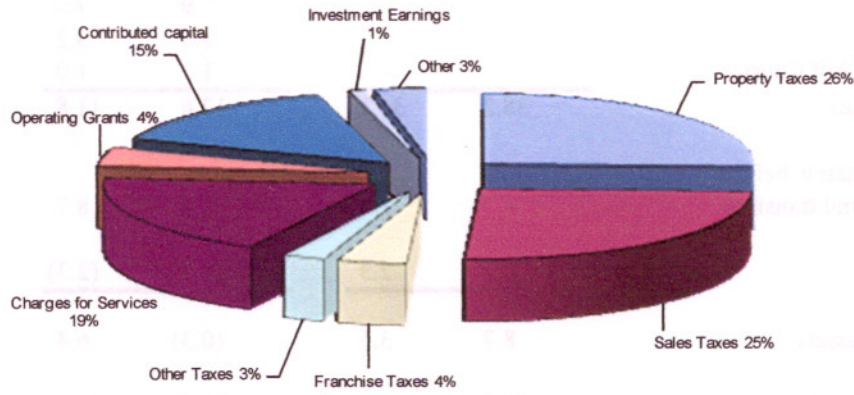
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program Revenues:						
Charges for services	\$ 8.3	\$ 4.0	\$ 19.5	\$ 19.3	\$ 27.8	\$ 23.3
Operating grants and contributions	1.9	1.6	-	-	1.9	1.6
Capital grants and contributions	-	1.1	-	-	-	1.1
General Revenues:						
Property tax	11.3	10.5	-	-	11.3	10.5
Sales tax	11.2	11.4	-	-	11.2	11.4
Other taxes	2.9	2.5	-	-	2.9	2.5
Other	2.6	4.2	1.5	1.0	4.1	5.2
Total Revenues	38.2	35.3	21.0	20.5	59.2	55.6
Expenses:						
General governmental	8.3	7.2	-	-	8.3	7.2
Public safety	16.5	15.0	-	-	16.5	15.0
Streets	2.5	2.4	-	-	2.5	2.4
Health and welfare	3.5	3.2	-	-	3.5	3.2
Culture and recreation	3.3	3.2	-	-	3.3	3.2
Economic development	2.7	1.7	-	-	2.7	1.7
Interest of debt service	1.4	1.4	-	-	1.4	1.4
Utility	-	-	7.9	7.6	7.9	7.6
Toll bridge	-	-	3.5	3.2	3.5	3.2
Tierra Del Sol Golf Course	-	-	1.2	1.0	1.2	1.0
Total Expenses	38.2	34.1	12.6	11.8	50.8	45.9
Increase in net assets before special items and transfers	-	1.2	8.4	8.7	8.4	9.7
Transfers	8.7	2.3	(8.7)	(2.3)	-	-
Increase in net assets	8.7	3.5	(0.3)	6.4	8.4	9.7
Net assets - beginning	43.7	39.9	51.7	44.8	95.2	84.7
Capital contributions	6.7	-	3.1	0.2	9.8	0.2
Prior period adjustment	(1.5)	0.3	(0.3)	0.3	(1.8)	0.6
Net assets - ending	\$ 57.6	\$ 43.7	\$ 54.2	\$ 51.7	\$ 111.6	\$ 95.2

The City's governmental activities' expenses and program revenues are presented below.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

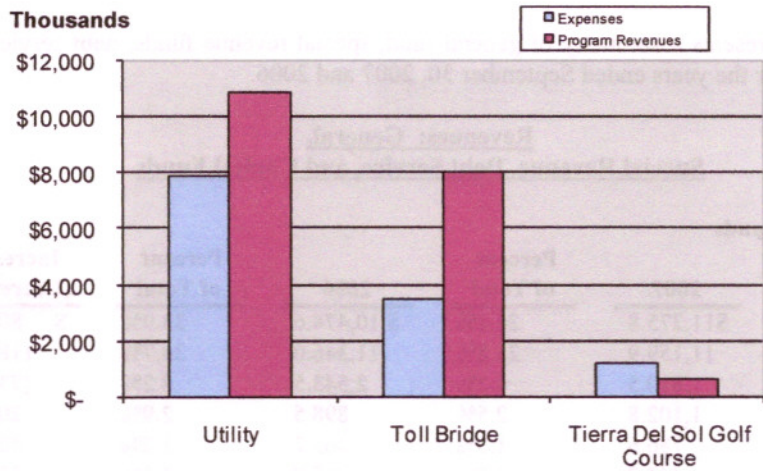


Business-Type Activities

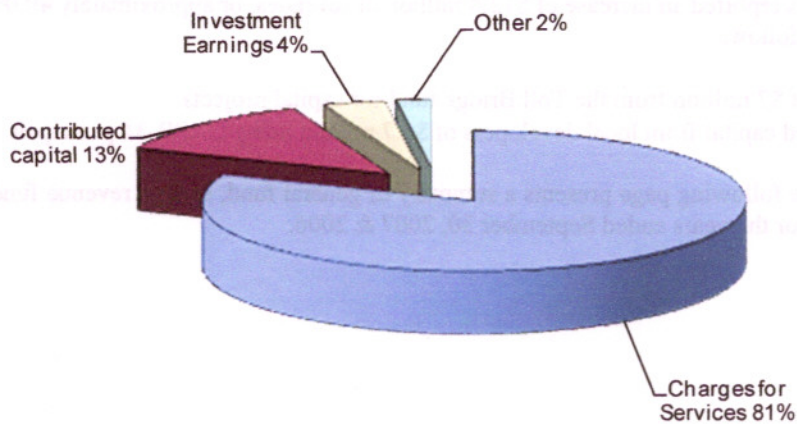
The City's business-type activities' net assets increased by \$2.5 million, or a change of 4.8% from last fiscal year's total net assets, during the current fiscal year. This increase was mainly due to \$3.1 million of contributed capital from local developers using GASB-34 principals

The City's Business-Type activities' expenses and program revenues are presented below.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Pharr uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of resources that may be spent. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects funds revenues for the years ended September 30, 2007 and 2006.

**Revenues: General,
Special Revenue, Debt Service, and Capital Funds**

Table 3 - Dollars in thousands

	<u>2007</u>	<u>Percent of Total</u>	<u>2006</u>	<u>Percent of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Property taxes	\$11,275.8	26.1%	\$ 10,474.6	33.9%	\$ 801.2	7.6%
Sales taxes	11,159.9	25.8%	11,346.0	36.7%	(186.1)	-1.6%
Franchise taxes	1,810.5	4.2%	2,543.5	8.2%	(733.0)	-28.8%
Other taxes	1,102.8	2.5%	898.5	2.9%	204.3	22.7%
Other revenues	786.6	1.8%	365.2	1.2%	421.4	115.4%
Interest	444.7	1.0%	968.0	3.1%	(523.3)	-54.1%
Intergovernmental	1,166.0	2.7%	419.2	1.4%	746.8	178.1%
Gain on sale of land	205.9	0.5%	1,621.5	5.2%	(1,415.6)	0.0%
Transfers	8,654.6	20.0%	2,287.6	7.4%	6,367.0	278.3%
Contributed capital	6,675.0	15.4%	-	0.0%	6,675.0	100.0%
	<u>\$43,281.8</u>	<u>100.0%</u>	<u>\$ 30,924.1</u>	<u>100.0%</u>	<u>\$12,357.7</u>	<u>40.0%</u>

Governmental funds reported an increase of \$12.4 million of revenues, or approximately 40.0%. Key elements of this increase are as follows:

- Transfer of \$7 million from the Toll Bridge fund for capital projects
- Contributed capital from local developers of \$6.7 million using GASB-34 principals

The schedule on the following page presents a summary of general fund, special revenue funds, and capital projects fund expenditures for the years ended September 30, 2007 & 2006.

Expenditures: General,
Special Revenue, Debt Service and Capital Funds

Table 4 - Dollars in thousands

	2007	Percent of Total	2006	Percent of Total	Increase (Decrease)	Percent of Increase (Decrease)
General	\$ 8,178.5	21.48%	\$ 7,181.2	21.03%	\$ 997.3	13.9%
Public safety	16,503.7	43.35%	14,999.7	43.93%	1,504.0	10.0%
Highways and streets	2,442.2	6.42%	2,361.5	6.92%	80.7	3.4%
Sanitation	3,517.5	9.24%	3,227.1	9.45%	290.4	9.0%
Culture and recreation	3,340.1	8.77%	3,252.7	9.53%	87.4	2.7%
Economic development	2,653.2	6.97%	1,753.8	5.14%	899.4	51.3%
Debt service	1,433.3	3.77%	1,365.2	4.00%	68.1	5.0%
	<u>\$ 38,068.5</u>	<u>100.00%</u>	<u>\$ 34,141.2</u>	<u>100.00%</u>	<u>\$ 3,927.3</u>	<u>11.5%</u>

Governmental funds reported an increase of \$3.9 million of expenditures, thereby accounting for an increase of approximately 11.5%. Key elements of this increase are as follows:

- An increase of \$1.5 million, or 10.0% in public safety expenditures. This increase was mainly due to the increase in police and fire personnel budgeted and placed into active service
- An increase of almost \$1 million, or 13.9% of general governmental expenditures. This increase was mainly due to the purchase of a building that is expected to be sold for a profit

Governmental Fund Balance

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was a negative \$6.4 million, while total fund balance reached \$4.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents negative 20.2% of total general fund expenditures, while total fund balance represents 14.5% of that same amount.

Fund Balance: General,
Capital Funds, Special Revenue and Debt Service

Table 5	2007	2006	Increase (Decrease)	Percent of Increase (Decrease)
General fund	\$ 4,600,125	\$ 7,600,364	\$ (3,000,239)	-39.5%
Capital projects	781,544	(2,590,251)	3,371,795	130.2%
Special revenue	6,481,785	5,589,574	892,211	16.0%
Debt service	1,225,846	1,043,904	181,942	17.4%
	<u>\$ 13,089,300</u>	<u>\$ 11,643,591</u>	<u>\$ 1,445,709</u>	<u>12.4%</u>

The fund balance in the governmental funds increased approximately \$1.4 million, or (12.4%). The fund balance of the City's general fund decreased by \$3.0 million, or (39.5%), during the fiscal year. The key factors to this decrease are:

- Prior period adjustments totaling \$1.4 million, see Note II-F for details
- Operating loss of \$1.5 million due to the purchase of property and the transfer of an investment to the Toll Bridge Fund

The fund balance of the City's Capital Projects Fund increased by \$3.4 million, or 130.2%, during the fiscal year, reflecting the transfer from the Toll Bridge Fund for contribution to the capital projects of the general government.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has three proprietary funds, the Utility Fund, the Toll Bridge Fund, and the Tierra Del Sol Golf Course Fund.

Table number 6 provides an overview of the change in operating revenues and investment earnings for the business-type operations of the City.

Table 6 - Dollars in thousands

	2007	Percent of Total	2006	Percent of Total	Increase (Decrease)	Percent of Increase (Decrease)
Water sales	\$ 5,484.5	26.9%	\$ 6,655.1	32.9%	\$(1,170.6)	-17.6%
Sewer sales	4,562.7	22.4%	4,545.3	22.5%	17.4	0.4%
Toll fees	7,967.9	39.0%	7,698.1	38.1%	269.8	3.5%
Golf course fees	225.4	1.1%	350.3	1.7%	(124.9)	-35.7%
Other revenues	1,299.2	6.4%	110.0	0.5%	1,189.2	1081.1%
Interest	865.6	4.2%	864.3	4.3%	1.3	100.0%
	<u>\$ 20,405.3</u>	<u>100.0%</u>	<u>\$20,223.1</u>	<u>100.0%</u>	<u>\$ 182.2</u>	<u>0.9%</u>

Water consumption revenues decreased by roughly \$1.2 million, which was a decrease of 17.6%. This decrease was expected and believe that it is due to a very wet year.

The toll bridge fees increased revenues by nearly \$207 thousand, or 3.5%. This increase was due to the continued increase of commercial vehicles crossings.

The golf course fess decreased revenues by almost \$125 thousand, or (35.7%). This decrease was due to the golf course improvement projects that did not allow for the year round operations of the golf course.

Other revenues increase revenues by \$1.2 million, or 1,081.1%. This increase is mainly due to tap fees that resulted in revenues of \$717 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variations in overall budgeted expenditure amounts from the original General Fund budget is due only to the employee pay increase and annual pay supplement that was approved by the City Commission. (see the Notes to Basic Financial Statement, Note II-B for additional information on budgetary policy)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Pharr's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2007, amounts to \$138.0 million. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total increase in the City's investments in capital assets for the current fiscal year was \$14.5 million or approximately 11.7%.

Major capital asset events during the fiscal year included the following:

- Infrastructure increased in governmental and business-type activities by roughly \$7.1 and \$7.8 million respectively. This was mainly due to a contributed capital of over \$9.8 million and the construction of 24" waterline of over \$5.3 million

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

Table 7- Dollars in millions

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 5.8	\$ 5.0	\$ 2.4	\$ 2.2	\$ 8.2	\$ 7.2
Building and system improvements	19.1	19.2	18.8	19.4	37.9	38.6
Other improvements	4.3	2.2	2.9	0.8	7.2	3.0
Machinery and equipment	3.8	3.6	4.6	4.7	8.4	8.3
Infrastructure	35.9	28.8	33.9	26.1	69.8	54.9
Construction in progress	2.0	2.5	4.5	9.0	6.5	11.5
	<u>\$ 70.9</u>	<u>\$ 61.3</u>	<u>\$ 67.1</u>	<u>\$ 62.2</u>	<u>\$ 138.0</u>	<u>\$ 123.5</u>

Additional information on the City's capital assets can be found in Note III-F of the Notes to the Financial Statements in this report

Long-Term Debt

Long-term debt for the Governmental activities decreased by \$1.9 million or 6.5%. This decrease was mainly due to the standard retirement in debt.

Long-term debt for the Business-Type activities increased by \$48.3 million or 239.1%. This increase was mainly due to the Utility Fund's issuance of debt for the capital project to increase the water and sewer plant along with the addition of utility lines.

The details of the change in debt from 2006 through 2007 are indicated in table number 8 located on the following page.

Table 8 - Dollars in millions

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent Change</u>
Governmental				
Bonds	\$ 15.9	\$ 16.0	\$ (0.1)	-0.62%
Certificates of obligation	5.0	6.1	(1.1)	-18.03%
Capital leases	1.5	1.5	-	0.00%
Notes	5.0	5.7	(0.7)	-12.28%
	<u>27.4</u>	<u>29.3</u>	<u>(1.9)</u>	<u>-6.48%</u>
Business-Type				
Bonds	61.7	20.0	41.7	208.50%
Notes	6.0	-	6.0	100.00%
Capital leases	0.8	0.2	0.6	300.00%
	<u>68.5</u>	<u>20.2</u>	<u>48.3</u>	<u>239.11%</u>
Total	<u>\$ 95.9</u>	<u>\$ 49.5</u>	<u>\$ 46.4</u>	<u>93.74%</u>

Additional information on the City's long-term debt can be found in the Notes to Basic Financial Statement, Note III-G of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Plans for a mid-sized entertainment center by local investors have been drawn up for tourism, property, hotel/motel, and sales tax funds to increase.
- New owners of the retail shopping mall have shown interest in upgrading the area and allowing for an opportunity for economic growth.
- The need for a new comprehensive master plan has been identified. This will allow for better management growth for the city of Pharr.
- Annexation plans and public hearing that would almost double the current acreage area of the city has already begun.
- Major telemarketing company (Convergy's) has announced plans for employee and business expansion.

All of these factors were considered in preparing the City's budget for the 2007-08 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



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CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Education Finance Authority
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 6,974,096	\$ 34,965,441	\$ 41,939,537	\$ 5,000
Receivables (net of allowance for uncollectibles)				
Property taxes	2,174,332	-	2,174,332	-
Warrants	2,069,824	-	2,069,824	-
Accounts	1,171,959	2,532,211	3,704,170	-
Sales tax	1,793,109	-	1,793,109	-
Notes	295,801	-	295,801	4,850,581
Other	794,776	106,250	901,026	-
Internal balances	1,640,011	(1,640,011)	-	-
Inventories	107,241	105,004	212,245	-
Prepays	150	150,000	150,150	-
Noncurrent assets:				
Restricted assets:				
Cash and investments	3,627,271	20,128,732	23,756,003	40,041
Intergovernmental receivable	128,092	-	128,092	-
Unamortized Bond issuance costs	834,510	3,062,206	3,896,716	74,403
Capital assets not being depreciated:				
Land	5,824,933	2,401,610	8,226,543	-
Construction in progress	1,964,278	4,463,413	6,427,691	-
Capital assets net of accumulated depreciation:				
Buildings and system	19,134,877	18,811,145	37,946,022	-
Improvements other than buildings	4,305,445	2,912,195	7,217,640	-
Machinery and equipment	3,782,862	4,570,697	8,353,559	-
Infrastructure	35,903,339	33,941,584	69,844,923	-
Total assets	\$ 92,526,906	\$ 126,510,477	\$ 219,037,383	\$ 4,970,025
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 2,576,791	\$ 152,573	\$ 2,729,364	\$ 7,047
Accrued payroll	218,036	-	218,036	-
Accrued liabilities	119,238	-	119,238	-
Other current liabilities	303,602	12,182	315,784	-
Other accrued liabilities	-	16,003	16,003	-
Accrued interest payable	118,980	223,198	342,178	-
Customer deposits	-	2,511,004	2,511,004	-
Deferred revenue - other	873,103	28,330	901,433	4,890,621
Noncurrent liabilities:				
Due within one year	4,081,305	4,115,858	8,197,163	234,046
Due in more than one year	26,662,336	65,274,318	91,936,654	4,616,535
Total liabilities	34,953,391	72,333,466	107,286,857	9,748,249
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	40,172,093	46,565,827	86,737,920	-
Restricted for:				
Federal and state programs	2,954,714	-	2,954,714	-
Debt service	2,262,995	2,627,599	4,890,594	-
Capital projects	4,964,993	390,846	5,355,839	-
Economic development	4,598,403	-	4,598,403	-
Unrestricted	2,620,317	4,592,739	7,213,056	(4,778,224)
Total net assets	57,573,515	54,177,011	111,750,526	(4,778,224)
Total liabilities and net assets	\$ 92,526,906	\$ 126,510,477	\$ 219,037,383	\$ 4,970,025

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

CITY OF PHARR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Operating		Primary Government		Total		Education Finance Authority
		Charges for Service	Grants and Contributions	Governmental Activities	Business-Type Activities			
Primary government:								
Governmental activities:								
City Manager	\$ 2,392,756	\$ 288,531	\$ 560,919	\$ (1,543,306)	\$	\$ (1,543,306)		
Finance	778,361	217,771	12,661	(547,929)		(547,929)		
Police Department	9,641,914	293,513	283,899	(9,064,502)		(9,064,502)		
P.D. Traffic Safety	2,210,737	312,920	18,192	(1,879,625)		(1,879,625)		
Municipal Court	388,980	108,830	6,327	(273,823)		(273,823)		
Fire Department	4,282,086	1,192,455	69,326	(3,000,305)		(3,000,305)		
Street Maintenance	2,442,220	472,038	27,443	(1,942,739)		(1,942,739)		
Sanitation	3,517,499	3,274,295	52,933	(190,271)		(190,271)		
Municipal Library	891,152	249,328	14,495	(627,329)		(627,329)		
Parks & Recreation	83,092	-	-	(83,092)		(83,092)		
Building Maintenance	2,365,823	681,915	38,482	(1,665,426)		(1,665,426)		
Community Development	306,269	35,112	1,154	(270,003)		(270,003)		
Planning & Code Enforcement	994,740	278,310	16,180	(700,250)		(700,250)		
Non-Departmental	3,699,090	970,316	55,528	(2,673,245)		(2,673,245)		
Economic Development	2,663,216	174,609	174,609	(2,478,607)		(2,478,607)		
General Administration	7,262	-	3,631	(3,631)		(3,631)		
Debt Service	1,433,315	-	531,607	(901,708)		(901,708)		
Total governmental activities	38,068,512	8,355,334	1,867,387	(27,845,791)		(27,845,791)		
Business-type activities:								
Utility								
Toll Bridge	7,879,101	10,851,393	-	2,972,292		2,972,292		
Tierra Del Sol Golf Course	3,453,875	8,088,103	-	4,604,228		4,604,228		
Total business-type activities	1,241,358	630,194	-	(611,164)		(611,164)		
Total primary government	50,642,846	27,895,024	1,867,387	(27,845,791)	\$	(20,880,435)		
Component unit:								
Education Finance Authority	\$ 5,179,547	\$ -	\$ -	\$ -	\$ (5,179,547)	\$ -	\$ (5,179,547)	
Total component unit	5,179,547	-	-	-	(5,179,547)	-	(5,179,547)	
General revenues:								
Property taxes				11,275,793		11,275,793		
Sales taxes				11,159,911		11,159,911		
Franchise taxes				1,810,509		1,810,509		
Other taxes				1,102,838		1,102,838		
Other revenues				786,615	97,800	884,415	399,903	
Interest				444,715	865,596	1,310,311	1,420	
Intergovernmental				1,165,053	397,506	1,563,559	-	
Gain on sale of land				205,919	-	205,919	-	
Transfers				8,654,649	(8,654,649)	-	-	
Total general revenues				36,607,002	(7,293,747)	29,313,255	401,323	
Change in net assets				8,761,211	(328,391)	8,432,820	(4,778,224)	
Net assets - beginning				43,679,266	51,686,754	96,366,020	-	
Contribution of Capital				6,675,120	3,133,495	9,808,615	-	
Prior period adjustment				(1,542,082)	(314,847)	(1,856,929)	-	
Net assets - ending				57,573,515	54,177,911	111,750,526	(4,778,224)	

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

CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General	Capital Projects	Economic Development Corporation	Other Governmental	Total Governmental
ASSETS					
Cash and investments	\$ 472,509	\$ -	\$ 3,733,870	\$ 2,741,833	\$ 6,948,212
Receivables (net of allowance for uncollectible):					
Property taxes	1,851,268	-	-	323,062	2,174,330
Warrants	2,069,824	-	-	-	2,069,824
Accounts	1,171,959	-	-	-	1,171,959
Notes	-	-	219,577	76,224	295,801
Sales tax	1,344,832	-	448,277	-	1,793,109
Other	591,940	-	19,589	183,247	794,776
Due from other funds	11,089,414	2,836,255	64,712	944,801	14,935,182
Inventories	87,930	-	-	-	87,930
Prepaid	-	-	150	-	150
Restricted assets:					
Cash and investments	318,553	3,308,721	-	-	3,627,274
Intergovernmental receivable	98,092	-	-	30,000	128,092
Total assets	\$ 19,096,321	\$ 6,144,976	\$ 4,486,175	\$ 4,299,167	\$ 34,026,639
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 1,996,927	\$ 28,111	\$ 13,192	\$ 1,241	\$ 2,039,471
Accrued payroll	218,036	-	4,240	-	222,276
Accrued liabilities	119,238	-	-	-	119,238
Accrued interest payable	-	-	-	118,980	118,980
Due to other funds	7,731,191	5,335,321	412,480	226,366	13,705,358
Escrow accounts	299,362	-	-	-	299,362
Deferred revenue - taxes	1,652,112	-	-	224,988	1,877,100
Deferred revenue - warrants	644,279	-	-	-	644,279
Deferred revenue	1,835,051	-	-	76,224	1,911,275
Total liabilities	14,496,196	5,363,432	429,912	647,799	20,937,339
Fund balances (deficits):					
Reserved for:					
Inventory	87,930	-	-	-	87,930
Noncurrent advances	9,488,989	2,289,846	-	-	11,778,835
Warrants	1,425,545	-	-	-	1,425,545
Debt service	-	-	-	1,225,846	1,225,846
Economic development	-	-	4,056,263	-	4,056,263
Unreserved for:					
General fund	(6,402,339)	-	-	-	(6,402,339)
Special revenue	-	-	-	2,425,522	2,425,522
Capital projects fund	-	(1,508,302)	-	-	(1,508,302)
Total fund balances	4,600,125	781,544	4,056,263	3,651,368	13,089,300
Total liabilities and fund balances	\$ 19,096,321	\$ 6,144,976	\$ 4,486,175	\$ 4,299,167	\$ 34,026,639

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Total fund balances - governmental funds balance sheet	\$13,089,300
(1) Capital assets used in governmental activities are not reported in the funds	70,135,604
(2) Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds	1,877,100
(3) The assets and liabilities of internal service funds are included in governmental activities in the SNA	613,166
(4) Payables for bond principal which are not due in the current period are not reported in the funds	(20,935,000)
(5) Payables for capital leases which are not due in the current period are not reported in the funds	(1,497,475)
(6) Payables for notes which are not due in the current period are not reported in the funds	(4,961,965)
(7) Payables for compensated absences which are not due in the current period are not reported in the funds	(3,337,129)
(8) Other long-term assets are not available to pay for current period expenditures and are deferred in the funds	907,460
(9) Other receivable unavailable to pay for current period expenditures are deferred in the funds	1,682,452
(10) Rounding difference	2
	<hr/>
Net assets of governmental activities - statement of net assets	<u>\$57,573,515</u>

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Economic Development Corporation</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
REVENUES					
Taxes:					
Property	\$ 10,268,661	\$ -	\$ -	\$ 1,630,940	\$ 11,899,601
Sales	8,369,934	-	2,789,978	-	11,159,912
Franchise	1,810,509	-	-	-	1,810,509
Other	241,864	-	-	860,974	1,102,838
Licenses and permits	885,627	-	-	-	885,627
Intergovernmental	468,783	-	-	1,282,707	1,751,490
Fees and charges:					
Sanitation	3,274,295	-	-	-	3,274,295
Brush	968,612	-	-	-	968,612
Other	678,891	-	-	151,175	830,066
Fines	799,907	-	-	-	799,907
Interest income	57,860	190,713	59,745	136,397	444,715
Contributions and donations	12,331	393,220	200,000	508,500	1,114,051
Other	234,795	7,785	515,634	96,615	854,829
Total revenues	<u>28,072,069</u>	<u>591,718</u>	<u>3,565,357</u>	<u>4,667,308</u>	<u>36,896,452</u>
EXPENDITURES					
Current:					
General government	7,195,023	4,289,129	-	1,458,608	12,942,760
Public safety	15,430,784	-	-	211,057	15,641,841
Highways and streets	2,121,083	-	-	-	2,121,083
Health and welfare	3,483,495	-	-	-	3,483,495
Culture and recreation	3,421,696	-	-	-	3,421,696
Economic development & assistance	-	-	5,756,594	-	5,756,594
Debt service	-	-	2,893,794	2,235,495	5,129,289
Total expenditures	<u>31,652,081</u>	<u>4,289,129</u>	<u>8,650,388</u>	<u>3,905,160</u>	<u>48,496,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,580,012)</u>	<u>(3,697,411)</u>	<u>(5,085,031)</u>	<u>762,148</u>	<u>(11,600,306)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,004,082	7,069,206	-	225,000	9,298,288
Transfers (out)	(502,159)	-	-	(166,477)	(668,636)
Proceeds from sale of land	-	-	3,478,514	-	3,478,514
Loan proceeds	-	-	1,960,000	-	1,960,000
Lease proceeds	519,912	-	-	-	519,912
Total other financing sources and uses	<u>2,021,835</u>	<u>7,069,206</u>	<u>5,438,514</u>	<u>58,523</u>	<u>14,588,078</u>
Net change in fund balance	(1,558,177)	3,371,795	353,483	820,671	2,987,772
Fund balance (deficit) - beginning	7,600,384	(2,590,251)	3,802,780	2,830,697	11,643,610
Prior period adjustment	(1,442,082)	-	(100,000)	-	(1,542,082)
Fund balance - ending	<u>\$ 4,600,125</u>	<u>\$ 781,544</u>	<u>\$ 4,056,263</u>	<u>\$ 3,651,368</u>	<u>\$ 13,089,300</u>

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

CITY OF PHARR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Net change in fund balances - total governmental funds	\$ 2,987,772
(1) Capital outlays are not reported as expenses in the SOA	9,466,699
(2) The depreciation of capital assets used in governmental activities not reported in the funds	(3,261,094)
(3) The gain or loss on the sale of capital assets is not reported in the funds	205,919
(4) All proceeds from the sale of capital assets are reported in the funds but not in the SOA	(3,478,514)
(5) Certain property tax revenues are deferred in the funds. This is the change in these amounts this year	(623,809)
(6) Sanitation/brush revenues deferred in funds	1,052,230
(7) Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA	4,450,584
(8) Bond issuance costs and similar items are amortized in the SOA but not in the funds	(105,680)
(9) The net revenue (expense) of internal service funds is reported with governmental activities	(6,578)
(10) Compensated absences are reported as amount earned in the SOA but as the amount paid in the funds	(90,685)
(11) Certain fund revenues are deferred in the funds. This is the change in these amounts this year	644,280
(12) Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds	(1,960,000)
(13) Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds	(519,912)
(14) Rounding differences	<u>(1)</u>
Change in net assets of governmental activities	<u>\$ 8,761,211</u>

**CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007**

	Business-type Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
ASSETS					
Current assets:					
Cash	\$ 3,691,176	\$ 2,379,945	\$ 22,792	\$ 6,093,913	\$ (1,240)
Investments	28,415,069	483,579	-	28,898,648	-
Receivables (net of allowance for uncollectible):					
Accounts	2,396,032	136,179	-	2,532,211	10,000
Other	88,953	15,155	2,143	106,251	-
Due from other funds	4,731,187	1,262,120	100,641	6,093,948	1,092,715
Inventories	77,063	-	27,941	105,004	19,311
Prepaid items	-	150,000	-	150,000	-
Restricted assets:					
Cash	5,226,961	932,237	-	6,159,198	27,121
Cash with Fiscal Agent	13,942,413	-	-	13,942,413	-
Total current assets	58,568,854	5,359,215	153,517	64,081,586	1,147,907
Noncurrent assets:					
Unamortized bond activity	1,443,414	1,618,792	-	3,062,206	-
Capital assets (net of accumulated depreciation):					
Land	582,623	819,645	999,342	2,401,610	-
Buildings	16,615,802	2,034,251	161,094	18,811,147	527,767
Improvements other than buildings	67,098	-	2,845,097	2,912,195	128,947
Machinery and equipment	3,674,401	596,740	299,556	4,570,697	123,415
Infrastructure	22,299,702	11,528,236	113,646	33,941,584	-
Construction in progress	3,298,084	1,165,329	-	4,463,413	-
Total capital assets, net of accumulated depreciation	46,537,710	16,144,201	4,418,735	67,100,646	780,129
Total noncurrent assets	47,981,124	17,762,993	4,418,735	70,162,852	780,129
Total assets	\$ 106,549,978	\$ 23,122,208	\$ 4,572,252	\$ 134,244,438	\$ 1,928,036

	Business-type Enterprise Funds			Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 76,997	\$ 75,030	\$ 546	\$ -
Accrued expense payable	12,719	3,284	-	537,319
Accrued interest payable	147,403	75,795	-	-
Due to other funds	1,278,464	548,332	5,907,165	692,529
Deferred revenue	-	28,330	-	-
Total current liabilities	<u>1,515,583</u>	<u>730,771</u>	<u>5,907,711</u>	<u>1,229,848</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	2,511,004	-	-	-
Escrow payable	10,623	-	-	-
Matured capital lease	284,944	-	1,559	-
Matured bonds/notes	1,895,000	1,900,000	35,914	20,777
Total current liabilities payable from restricted assets	<u>4,701,571</u>	<u>1,900,000</u>	<u>37,473</u>	<u>20,777</u>
Noncurrent liabilities:				
Accrued compensation	602,988	163,951	102,061	32,506
Capital lease payable	458,206	-	36,112	31,739
Bonds/notes principal payable	51,006,000	12,905,000	-	-
Total noncurrent liabilities	<u>52,067,194</u>	<u>13,068,951</u>	<u>138,173</u>	<u>64,245</u>
Total liabilities	<u>58,284,348</u>	<u>15,699,722</u>	<u>6,083,357</u>	<u>1,314,870</u>
NET ASSETS				
Net assets:				
Invested in capital assets, net of related debt	37,647,791	4,499,301	4,418,735	833,465
Restricted for:				
Debt service	1,695,361	932,238	-	-
Capital projects	390,846	-	-	-
Unrestricted	8,531,632	1,990,947	(5,929,840)	(220,299)
Total net assets	<u>\$ 48,265,630</u>	<u>\$ 7,422,486</u>	<u>\$ (1,511,105)</u>	<u>\$ 613,166</u>
				\$

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-type Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course		
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 5,484,537	\$ -	\$ -	\$ 5,484,537	-
Sewer service	4,562,656	-	-	4,562,656	-
Tap fees	716,885	-	-	716,885	-
Toll fees	-	7,967,918	-	7,967,918	-
Golf services	-	-	225,438	225,438	-
Other	87,315	90,185	404,756	582,256	-
Total operating revenues	10,851,393	8,058,103	630,194	19,539,690	1,167,883
Operating expenses:					
Personnel services	2,389,266	1,008,692	601,161	3,999,119	178,721
Supplies and Materials	1,085,531	72,581	103,697	1,261,809	16,454
Contractual Services	1,951,830	916,665	341,580	3,210,075	915,802
Depreciation	1,737,043	663,256	194,920	2,595,219	88,554
Total operating expenses	7,163,670	2,661,194	1,241,358	11,066,222	1,199,531
Operating income (loss)	3,687,723	5,396,909	(611,164)	8,473,468	(31,648)
Nonoperating revenues (expenses):					
Investment earnings	674,940	190,106	550	865,596	-
Interest expense	(702,102)	(777,301)	-	(1,479,403)	-
Amortization expense	(13,329)	(15,383)	-	(28,712)	-
Intergovernmental	397,506	-	-	397,506	-
Other	30,487	61,199	6,117	97,803	69
Total nonoperating revenues (expenses)	387,502	(541,379)	6,667	(147,210)	69
Income before contributions and transfers	4,075,225	4,855,530	(604,497)	8,326,258	(31,579)
Transfers in	15,885	627,754	-	643,639	25,000
Transfers out	(155,000)	(9,099,082)	(44,206)	(9,298,288)	-
Capital contributions	3,133,495	-	-	3,133,495	-
Changes in net assets	7,069,605	(3,615,798)	(648,703)	2,805,104	(6,579)
Total net assets - beginning	41,322,613	11,226,543	(862,402)	51,686,754	619,745
Prior period adjustment	(126,588)	(188,259)	-	(314,847)	-
Total net assets - ending	\$ 48,256,630	\$ 7,422,486	\$ (1,511,105)	\$ 54,177,011	\$ 613,166

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



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**CITY OF PHARR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Business-type Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course			
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 12,199,837	\$ 7,948,948	\$ 241,362	\$ 20,390,147	\$ 1,167,883	
Payments to suppliers	(1,112,326)	(72,580)	(100,373)	(1,285,279)	(31,885)	
Payments to employees	(2,378,061)	(1,011,895)	(588,239)	(3,978,195)	(176,855)	
Payments for contractual services	(1,989,294)	(841,635)	(341,058)	(3,171,987)	(916,855)	
Payments (to)/from others	(4,487)	90,185	404,754	490,452	-	
Net cash flow from operating activities	<u>6,715,669</u>	<u>6,113,023</u>	<u>(383,554)</u>	<u>12,445,138</u>	<u>42,288</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances (to)/from other funds	(2,998,512)	(747,161)	1,730,856	(2,014,817)	50,993	
Transfers in from other funds	15,885	627,754	-	643,639	25,000	
Transfers out to other funds	(155,000)	(9,099,082)	(44,206)	(9,298,288)	-	
Net cash provided (used) by noncapital and related financing activities	<u>(3,137,627)</u>	<u>(9,218,489)</u>	<u>1,686,650</u>	<u>(10,669,466)</u>	<u>75,993</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(5,446,118)	(1,055,718)	(978,760)	(7,480,596)	(17,379)	
Proceeds from bond sales, net of issuance costs	42,571,271	7,025,000	10,939	49,607,210	46,375	
Principal paid on long-term debt	(976,949)	(1,585,000)	(40,040)	(2,601,989)	(11,698)	
Interest paid on long-term debt	(595,129)	(557,648)	-	(1,152,777)	-	
Capital contributions	3,133,495	-	-	3,133,495	-	
Net cash provided (used) by capital and related financing activities	<u>38,686,570</u>	<u>3,826,634</u>	<u>(1,007,861)</u>	<u>41,505,343</u>	<u>17,298</u>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturity (purchases) of investments	(28,415,072)	(483,580)	-	(28,898,652)	-	
Interest income received	674,940	190,106	550	865,596	70	
Net cash provided (used) by investing activities	<u>(27,740,132)</u>	<u>(293,474)</u>	<u>550</u>	<u>(28,033,056)</u>	<u>70</u>	
Net increase in cash	14,524,480	427,694	295,785	15,247,959	135,649	
Cash beginning of fiscal year	8,336,070	2,884,488	(272,993)	10,947,565	(109,768)	
Cash end of fiscal year	<u>\$ 22,860,550</u>	<u>\$ 3,312,182</u>	<u>\$ 22,792</u>	<u>\$ 26,195,524</u>	<u>\$ 25,881</u>	

	Business-type Enterprise Funds			Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	
Operating income	\$ 3,687,723	\$ 5,396,909	\$ (611,164)	\$ 8,473,468
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,737,043	663,256	194,920	2,595,219
(Increase) Decrease in Grants, Accounts and Other Receivables, net	473,281	(15,185)	10,648	468,744
(Increase) Decrease in Inventories	(26,794)	-	3,325	(23,469)
(Increase) Decrease in Other Assets	23,217	-	2,400	25,617
Increase (Decrease) in Accounts Payable	(60,686)	75,030	(1,877)	12,467
Increase (Decrease) in Accrued Compensation	11,208	(3,202)	12,920	20,926
Increase (Decrease) in Deferred/Escrow Revenue	(91,905)	(3,785)	5,274	(90,416)
Increase (Decrease) in Customer Deposits	962,582	-	-	962,582
Total adjustments	3,027,946	716,114	227,610	3,971,670
Net cash provided by operating activities	\$ 6,715,669	\$ 6,113,023	\$ (383,554)	\$ 12,445,138

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



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NOTES TO THE FINANCIAL STATEMENTS

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Pharr

Discrete Component Units: Education Finance Authority

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

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same of substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City's blended component unit is the Pharr Economic Development Corporation (PEDC). As stated in the letter of transmittal, the City appoints all PEDC board members and can remove board members at will, therefore, City management has included PEDC in its financial reports as a blended component unit. PEDC is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales taxes are collected under Section 4A of the Development Corporation Act of 1979 for these purposes. A copy of PEDC's audit report can be obtained by contacting their offices at 1215 South Cage Blvd, Pharr, Texas 78577.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

The component unit that is discretely presented into the reporting activity type of the City's report is presented below:

Education Finance Authority – (EFA) is a nonprofit entity organized for the purpose of assisting the St. Phillip Neri School System issue bonds for the construction of a school. The EFA was organized under the laws of the State of Texas including particularly Chapter 53A, Texas Education Code, as amended, and an ordinance adopted by the City on October 9, 2006. The EFA board is fully appointed by the City Board of Commissioners and must approve all long-term debt issued by the EFA. There are no separate financial statements issued by the EFA.

C. Government-Wide and Fund Financial Statements

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

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

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

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

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

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

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

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

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Capital Projects Fund – accounts for projects planned as part of the City's capital improvement projects.

Pharr Economic Development Corporation – is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City

Proprietary Funds

The City reports the following major enterprise funds:

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

Bridge Fund – accounts for the operating function of the City's international bridge with Mexico.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Fund Types and Major Funds - (continued)

Other Fund Types

Additionally, the City reports internal service funds, which are used to account for the financing of goods or services, provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management and workman's compensation insurance. These are proprietary funds that are reported with governmental activities in the government-wide financial statements.

F. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The city does not operate a pooled cash system. Each fund has a bank account and earns interest based on the cash balance.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the City's fiscal year.

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

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 years, the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City does write off tax receivable greater than 20 years.

3. Inventories

The inventories and are recorded at the lower of cost or market and are accounted for by the consumption method.

4. Receivables and Payables

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

Lending/borrowing arraignments that are deemed noncurrent in the fund financial statements, are offset by a fund balance reserve account labeled "Noncurrent advances" in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

5. Transactions between Funds

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

6. Capital Assets

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

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

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and sick leave balances. The City's policy allows employees to accumulate unused sick leave and extra compensation time on an unlimited basis and vacation leave up to two annual allotments of vacation leave.

8. Long-Term Obligations

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

In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

9. Restricted Assets

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

10. Net Assets / Fund Equity

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

11. Estimates

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

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

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

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

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

At any time during the fiscal year, the City Manager can reallocate expenditures within a fund without the approval of the Board of Commissioners. However, the Board of Commissioners must approve any revisions to the budget that increase the total budgeted expenditures/expenses within any fund. The City currently does not use encumbrance accounting; all annual appropriations lapse at fiscal year end.

The Board of Commissioners made a budget amendment during the fiscal year related to a cost of living increase and one time pay supplement. The amount in the general fund was \$308,754.

B. Budget Basis of Accounting

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

C. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations of the general government function in the non-departmental department by \$1,001,759. The main reason for this excess was due to the purchase of a building for a price of just over \$1,001,000. The building is expected to be sold for at the very least the same price it was purchased.

Expenditures exceeded appropriations of the public safety function in the police department by \$28,895. The main reason for this excess was due to the increase in vehicle maintenance of just over \$113,000. New vehicles are budgeted for the next fiscal year, which should help in cutting down on vehicle maintenance expenses.

Expenditures exceeded appropriations in the highway and street department by \$192,204. The main reasons for this excess was due to the increase in street material and vehicle maintenance of just over \$91,000 and \$49,000 respectively (the increase in petroleum prices increased these costs); and, the purchase of four trucks at a cost of \$69,058.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

C. Excess of Expenditures over Appropriations - (continued)

Expenditures exceeded appropriations of the health and safety function in the sanitation and animal control appropriations by \$146,695. The main reason for this excess was due to the increase in charges by the sanitation collection company. The City outsources this activities to Waste Management, Inc. and bills the citizens through the monthly utility bills. The monthly charge to the citizens will be analyzed and adjusted based on actual cost versus the actual collection of utility bills.

Expenditures exceeded appropriations of the culture and recreation function in the parks department by \$234,219. The main reason for this excess was due to labor costs of just over \$224,000 and other operating supplies of just over \$89,000. Labor costs were not appropriately budgeted which led to this excess of expenditures over appropriations and should be corrected in the budget process for fiscal year beginning October 1, 2008.

Expenditures exceeded appropriations of transfers by \$502,159. The main reason for this excess was due to the transfer of fund to the bridge fund of \$461,276. The reason for this transfer was to allow the bridge to record an investment named Bridge Investment in its financial statements and not in the general fund.

D. Finance-Related Legal and Contractual Provisions

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

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

E. Deficit Fund Equity/Net Assets

The General Fund has a positive overall fund balance. The General Fund's unreserved fund balance is just over (\$6,300,000). The General Fund's negative fund balance is due to several factors. Some of the factors are prior period adjustments that resulted in a decrease of fund balance by (\$1,442,080). (See subsection G in this section), and this fiscal year's operating change in fund balance of over (\$1,558,179). Another factor in the general fund's negative unreserved fund balance is due to three receivables that are deemed noncurrent in the fund financial statements which are offset by a fund balance reserve account labeled "Noncurrent Advances". This account reduced unreserved fund balance to indicate that they are not available for appropriation and are not expendable available financial resources. The receivables are from the Garage, Golf, and Capital Projects funds of \$590,117, \$3,563,551, and \$5,335,321 respectively.

The Capital Projects fund has a positive overall fund balance. The Capital Projects' unreserved fund balance is just over (\$1,500,000). The Capital Projects' negative fund balance is due to due to a receivable that is deemed noncurrent in the fund financial statements which is offset by a fund balance reserve account labeled "Noncurrent Advances". This account reduced unreserved fund balance to indicate that they are not available for appropriation and are not expendable available financial resources. The receivable is from the Golf Fund of \$2,289,846.

The Tierra Del Sol Golf Fund has positive overall net assets. The Tierra Del Sol Golf Fund's unrestricted net assets are just over (\$5,900,000). The negative net assts are due to the payables that are owed to the General Fund and Capital Project's Fund of \$3,563,551 and \$2,289,846 respectively. No plans are currently in place to quickly repay the two funds.

The Garage Fund has positive overall net assets. The Garage Fund unrestricted net assets are just over (\$230,000). The negative net assts are due to the payable that are owed to the General Fund of \$590,117. No plans are currently in place to quickly repay the General Fund.

The Education Finance Authority component unit has negative net assets. The Education Finance Authority component unit unrestricted net assets are just over (\$4,778,000). The reason for the negative net assets is due to the issuance of debt before assets were accumulated. This is not unexpected. The negative net assets is expected to be reduced until the debt is paid in full, at which time the net assets will become zero or turn to a positive number.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

F. Prior Period Adjustment

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

Purpose of Prior Period Adjustment	Amount
<u>General Fund:</u>	
To correct utility accounts receivables	\$ (573,959)
Reclassify restricted revenue from general activity	(179,794)
Remove receivable that is not valid	(219,639)
Remove account balances with no valid backup	(7,222)
Reconcile payable accounts	14,626
Reconcile intergovernmental receivable account	(476,094)
Total General Fund Adjustment	\$ (1,442,082)
<u>Special Revenue Fund: PEDC</u>	
To remove balance of uncollectible receivable	\$ (100,000)
Total PEDC Adjustment	\$ (100,000)
<u>Utility Fund:</u>	
To correct utility accounts receivables	\$ (226,932)
Adjust the unamortized debt activity	96,055
Remove account balances with no valid backup	4,289
Total Utility Fund Adjustment	\$ (126,588)
<u>Bridge Fund:</u>	
Adjust the unamortized debt activity	\$ (188,259)
Total Bridge Fund Adjustment	\$ (188,259)
<u>Government-Wide Statement Adjustments:</u>	
To correct beginning balance of fixed assets	\$ 59,208
To correct beginning balance of notes payable	(180,398)
To correct beginning balance of capital leases	21,558
To correct prior year receivables	113,688
Total Government-Wide Statement Adjustment	\$ 14,056

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Deposits and Investments

1. Deposits

City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Deposits and Investments – (continued)

1. Deposits – (continued)

At September 30, 2007, the carrying amount of the City's deposits was \$22,197,350 (Including PEDC). The City has two depository accounts: First National Bank (FNB) and LoneStar National Bank (LSNB).

	September 30, 2007
<u>FNB Depository Account</u>	
Insured	Bank Balance
	\$ 100,000
Collateral held by pledging bank's trust department in the City's name	4,695,216
Over-insured and over-collateralized	(4,110,796)
Total Deposits	<u>\$ 684,420</u>
 <u>LSNB Depository Account</u>	
Insured	\$ 100,000
Letter of credit issued by pledging bank's trust department in the City's name	26,520,000
Over-insured and over-collateralized	(8,195,891)
Total Deposits	<u>\$ 18,424,109</u>

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of September 30, 2007, the City's bank balance of \$19,108,529 was not exposed to custodial credit risk and was over-insured and over-collateralized.

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

- a. Depository: FNB
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$29,270,118
- c. The highest combined balances of cash accounts amounted to \$27,538,535 and occurred during March 2007
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$100,000

At September 30, 2007, the carrying amount of the Education Finance Authority component unit's deposits was \$5,000 and the bank balance was \$5,000. Of the bank balance, \$5,000 was covered by federal depository insurance and had no custodial credit risk.

Cash with fiscal agents of \$14,159,092 on September 30, 2007, was covered by collateral held in the fiscal agents' trust departments, but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds. The fiscal agents are SunTrust Leasing with cash that is escrowed to the City of \$549,051, Texas Water Development Board with cash that is escrowed to the City of \$13,570,000, and Texas State Bank with cash that is escrowed to the Education Finance Authority of \$40,041.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

A. Deposits and Investments - (continued)

2. Investments

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

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

The City's pooled and temporary investments at September 30, 2007, are comprised of governmental investment pool (TexSTAR), certificates of deposit, and interest bearing depository accounts. Texas Short Term Asset Reserve Program ("TEXSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TEXSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. The regulatory oversight for TexSTAR is a separate board of directors. The fair value of investments in TexSTAR is materially the same as the value of the pooled shares held. In accordance with GASB Statement No. 31, since the remaining maturity at time of purchase of the U.S. Government Agency Notes and Treasury Notes was less than one year, these investments are carried at fair value.

The following is a summary of the City's pooled, temporary and other investments with accrued interest, as of September 30, 2007:

Investment Type	Fair Value	Investment Maturities (in Years)		
		1 or less	2	3
Depository accounts	\$ 19,108,529	\$ 19,108,529	\$ -	\$ -
Certificates of deposit	964,065	964,065	-	-
Investment pool (TexSTAR)	28,407,363	28,407,363	-	-
Total investments	<u>\$ 48,479,957</u>	<u>\$ 48,479,957</u>	<u>\$ -</u>	<u>\$ -</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

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

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year-end, the City was not significantly exposed to credit risk. As of September 30, 2007, the investments in the State's investment pool was rated AAAm by Standards and Poor's.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

A. Deposits and Investments - (continued)

c. Custodial Credit Risk

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

d. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City was not exposed to concentration of credit risk. With the City's investment policy, diversification is stressed. The City was in compliance with its diversification investment guidelines. Although TexSTAR makes up just over 58% of the investment portfolio, TexSTAR's own diversification guidelines minimize the risk.

e. Foreign Currency Risk

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

B. Receivables

Receivables for the City at September 30, 2007, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Non-Major & Other	Total	Utility	Bridge & Golf	Total
Property taxes	\$ 2,506,096	\$ 402,357	\$ 2,908,453	\$ -	\$ -	\$ -
Warrants	3,342,735	-	3,342,735	-	-	-
Sales tax	1,344,834	448,277	1,793,111	-	-	-
Franchise tax	281,905	-	281,905	-	-	-
Occupancy tax	-	171,085	171,085	-	-	-
Notes	33	295,801	295,834	-	-	-
Utility accounts	1,273,877	-	1,273,877	-	-	-
Accounts	-	-	-	2,578,459	-	2,578,459
Intergovernmental	98,092	30,000	128,092	-	136,179	136,179
Component unit	36,208	-	36,208	-	-	-
Other	159,038	41,751	200,789	-	-	-
	159,038	41,751	200,789	88,953	17,299	106,252
Gross receivables	9,042,818	1,389,271	10,432,089	2,667,412	153,478	2,820,890
Less: allowance for uncollectible	(2,052,993)	(79,295)	(2,132,288)	(182,429)	-	(182,429)
Net total receivable	\$ 6,989,825	\$ 1,309,976	\$ 8,299,801	\$ 2,484,983	\$ 153,478	\$ 2,638,461

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

C. Payables

Payables for the City at September 30, 2007, were as follows:

	Governmental Activities	Business-Type Activities				Business- Type Total	Total
	General	Utility	Bridge	Golf			
Vendors	\$ 1,801,110	\$ -	\$ -	\$ -	\$ -	\$ 1,801,110	
Salaries & benefits	531,050	-	-	-	-	531,050	
Workman's compensation	598,693	23,343	3,284	1,559	28,186	626,879	
General	106,998	-	-	-	-	106,998	
Due to the state	151,704	-	-	546	546	152,250	
Retainage fee	28,112	76,997	75,030	-	152,027	180,139	
Accrued interest	118,980	147,403	75,794	-	223,197	342,177	
Total payables	\$ 3,336,647	\$ 247,743	\$ 154,108	\$ 2,105	\$ 403,956	\$ 3,740,603	

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general & debt service funds)	\$ 1,877,100	\$ -
Change in outstanding municipal court warrants (general)	644,279	-
Utility charges receivable (general fund)	1,044,714	-
Special assessment (general fund) - paving	-	665,017
Restricted revenues (general fund) - other	-	124,340
Loans receivable (community development fund)	76,224	-
Intergovernmental (general fund)	-	980
Total deferred/unearned revenues for governmental funds	\$ 3,642,317	\$ 790,337

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

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

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheets for governmental and enterprise funds. Interfund balances at September 30, 2007 consisted of the following:

	DUE FROM										Total Governmental
	General	Capital Projects	PEDC	Asset Sharing	Community Development	Law Enforcement	Hotel/Motel	Parkland Dedication	Debt Service	Governmental	
General	\$ -	\$ 5,335,321	\$ 9,260	\$ 32,194	\$ 80,741	\$ 149	\$ 8,745	\$ 49,287	\$ 52,711	\$ 5,568,408	
Capital Projects	152,530	-	393,220	-	-	-	-	-	-	545,750	
PEDC	64,712	-	-	-	-	-	-	-	-	64,712	
Asset Sharing	-	-	-	-	-	-	-	-	-	-	
Community Development	-	-	-	-	-	-	-	-	-	-	
Law Enforcement	-	-	-	-	-	-	-	-	-	-	
Hotel/Motel	38,413	-	-	-	-	-	-	-	-	-	
Parkland Dedication	16,000	-	-	-	-	-	-	-	-	-	
Debt Service	663,888	-	-	-	1,500	-	-	-	-	38,413	
Total governmental	935,543	5,335,321	402,480	32,194	82,241	149	8,745	49,287	52,711	663,888	
Utility	4,629,018	-	-	-	-	-	-	-	-	4,629,018	
Bridge	1,202,468	-	-	-	-	-	-	-	-	1,202,468	
Golf	100,641	-	-	-	-	-	-	-	-	100,641	
Total enterprise	5,932,127	-	-	-	-	-	-	-	-	5,932,127	
Garage	363,331	-	-	-	-	-	-	-	-	363,331	
Workman's Compensation	500,190	-	10,000	-	1,039	-	-	-	-	510,190	
Total internal service	863,521	-	10,000	-	1,039	-	-	-	-	874,560	
Total	\$ 7,731,191	\$ 5,335,321	\$ 412,480	\$ 32,194	\$ 83,280	\$ 149	\$ 8,745	\$ 49,287	\$ 52,711	\$ 13,705,358	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

E. Interfund Balances - (continued)

The interfund balances are operational and short-term in general. Interfund balances from the Garage, Golf, and Capital Projects funds are the only exception and estimated to be long-term due to the lack of revenue sources to pay off the interfund balances.

	DUE FROM Enterprise Funds				DUE FROM Internal Service Funds				Grand Total
	Utility	Bridge	Golf	Total Enterprise	Garage	Workman's Compensation	Total Internal Service		
General	\$1,083,581	\$ 270,429	\$ 3,573,066	\$4,927,076	\$ 593,930	\$ -	\$ 593,930	\$11,089,414	
Capital Projects	658	-	2,289,847	2,290,505	-	-	-	2,836,255	
PEDC	-	-	-	-	-	-	-	64,712	
Asset Sharing	-	-	-	-	-	-	-	-	
Community Development	-	-	-	-	-	-	-	-	
Law Enforcement	-	-	-	-	-	-	-	-	
Hotel/Motel	-	-	-	-	-	-	-	-	
Parkland Dedication	-	-	-	-	-	-	-	38,413	
Debt Service	-	225,000	-	225,000	-	-	-	17,500	
Total governmental	1,084,239	495,429	5,862,913	7,442,581	593,930	-	593,930	888,888	
Utility	-	50,000	4,589	54,589	47,580	-	47,580	4,731,187	
Bridge	-	-	16,267	16,267	-	43,385	43,385	1,262,120	
Golf	-	-	-	-	-	-	-	100,641	
Total enterprise	-	50,000	20,856	70,856	47,580	43,385	90,965	6,093,948	
Garage	134,270	2,903	3,322	140,495	-	-	-	140,495	
Workman's Compensation	59,955	-	20,074	80,029	7,631	-	7,631	452,030	
Total internal service	194,225	2,903	23,396	220,524	7,631	-	7,631	592,525	
Total	\$1,278,464	\$ 548,332	\$ 5,907,165	\$7,733,961	\$ 649,141	\$ 43,385	\$ 692,526	\$21,621,655	

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,494,339	\$ 869,057	\$ -	\$ 3,363,396
Construction in Progress	2,484,960	4,001,163	4,521,845	1,964,278
Total capital assets, not being depreciated	4,979,299	4,870,220	4,521,845	5,327,674
<i>Capital assets, being depreciated:</i>				
Buildings	23,613,065	435,512	-	24,048,577
Machinery and equipment	5,879,021	666,404	-	6,545,425
Improvements other than buildings	3,390,280	265,918	-	3,656,198
Infrastructure	51,669,988	11,179,586	-	62,849,574
Total capital assets, being depreciated	84,552,354	12,547,420	-	97,099,774
<i>Less accumulated depreciation for:</i>				
Buildings	5,832,059	-	439,621	6,271,680
Machinery and equipment	2,281,702	-	489,203	2,770,905
Improvements other than buildings	1,228,676	-	59,675	1,288,351
Infrastructure	24,816,286	-	2,129,949	26,946,235
Total accumulated depreciation	34,158,723	-	3,118,448	37,277,171
Total capital assets, being depreciated, net	50,393,631	12,547,420	(3,118,448)	59,822,603
Governmental activities capital assets, net	\$ 55,372,930	\$ 17,417,640	\$ 1,403,397	\$ 65,150,277
Business-Type Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,250,107	\$ 151,503	\$ -	\$ 2,401,610
Construction in Progress	8,980,001	3,647,757	-	4,463,413
Total capital assets, not being depreciated	11,230,108	3,799,260	8,164,345	6,865,023
<i>Capital assets, being depreciated:</i>				
Buildings	27,928,300	-	-	27,928,300
Machinery and equipment	11,417,538	495,900	-	11,913,438
Improvements other than buildings	1,007,166	2,280,982	-	3,288,148
Infrastructure	37,371,537	9,068,796	-	46,440,333
Total capital assets, being depreciated	77,724,541	11,845,679	-	89,570,220
<i>Less accumulated depreciation for:</i>				
Buildings	8,487,588	-	629,565	9,117,153
Machinery and equipment	6,749,494	-	593,248	7,342,742
Improvements other than buildings	234,244	-	141,710	375,954
Infrastructure	11,268,054	-	1,230,695	12,498,749
Total accumulated depreciation	26,739,380	-	2,595,218	29,334,598
Total Capital assets, being depreciated, net	50,985,161	11,845,679	(2,595,218)	60,235,622
Business-Type activities capital assets, net	\$ 62,215,269	\$ 15,644,939	\$ 5,569,127	\$ 67,100,645
Total Primary Government	\$ 117,588,199	\$ 33,062,579	\$ 6,972,524	\$ 132,250,922

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

F. Capital Assets - (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Blended Component Unit				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,498,536	\$ 3,235,596	\$ 3,272,596	\$ 2,461,536
Total capital assets, not being depreciated	2,498,536	3,235,596	3,272,596	2,461,536
<i>Capital assets, being depreciated:</i>				
Buildings	1,742,697	-	-	1,742,697
Machinery and equipment	58,798	10,428	-	69,226
Improvements other than buildings	2,468,875	-	-	2,468,875
Total capital assets, being depreciated	4,270,370	10,428	-	4,280,798
<i>Less accumulated depreciation for:</i>				
Buildings	347,355	-	37,362	384,717
Machinery and equipment	58,798	-	2,086	60,884
Improvements other than buildings	428,079	-	103,198	531,277
Total accumulated depreciation	834,232	-	142,646	976,878
Total Capital assets, being depreciated, net	3,436,138	10,428	(142,646)	3,303,920
Blended Component Unit capital assets, net	\$ 5,934,674	\$ 3,246,024	\$ 3,129,950	\$ 5,765,456
City-Wide capital assets, net	\$ 123,522,873	\$ 36,308,603	\$ 10,102,474	\$ 138,016,378

Depreciation expense was charged to functions are as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 924,774	Utility	\$ 1,737,042
Public Safety	1,092,297	Bridge	663,256
Highways & Streets	755,057	Golf	194,920
Sanitation	263,228	Total Business-Type Activities	\$ 2,595,218
Culture and Recreation	83,092		
Economic Development	142,646		
Total Governmental Activities	\$ 3,261,094		

G. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City. In 2005, the City defeased certain outstanding general obligation, certificates of obligation, and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2007, the following outstanding bonds are considered defeased:

General Obligation Bonds		
Interest rates:	2.75% - 4.25%	
Series 2003		\$ 15,315,000
Bridge Revenue Bonds		
Interest rates:	5.00% - 5.53%	
Series 1998 through 2001		14,135,000
Bonds legally defeased		\$ 29,450,000

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

G. Long-Term Obligations - (continued)

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2007:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Refunding Bonds Payable	\$ 16,025,000	\$ --	\$ 90,000	\$ 15,935,000	\$ 95,000
Certificates of Obligation	6,070,000	--	1,070,000	5,000,000	1,115,000
Unamortized Issuance Cost	505,964	--	63,815	442,149	63,815
Unamortized (Premium)/Discount	(202,751)	--	(2,857)	(199,894)	(2,857)
Unamortized (Gain)/Loss on Refunding	684,190	--	45,613	638,577	(45,613)
Capital Leases Payable [a]	1,544,182	564,381	558,570	1,549,993	641,684
CDBG Section 108 Note Payable	1,205,000	--	215,000	990,000	225,000
Notes Payable - PEDC [b]	4,540,678	1,960,000	2,528,712	3,971,966	--
Accrued Compensated Absences	3,173,494	123,191	--	3,296,685	--
Total Governmental Activities	<u>\$33,545,757</u>	<u>\$ 2,647,572</u>	<u>\$ 4,568,853</u>	<u>\$ 31,624,476</u>	<u>\$ 2,092,029</u>
Business-Type Activities					
Revenue Bonds Payable	\$ 10,752,000	\$ 43,000,000	\$ 851,000	\$ 52,901,000	\$ 1,895,000
Refunding Revenue Bonds Payable	9,290,000	--	480,000	8,810,000	495,000
Tax Note Payable	--	7,100,000	1,105,000	5,995,000	1,405,000
Unamortized Issuance Cost	289,916	1,392,863	37,002	1,645,777	102,895
Unamortized (Premium)/Discount	(30,525)	--	(1,141)	(29,384)	(1,141)
Unamortized (Gain)/Loss on Refunding	(1,690,881)	--	(187,876)	(1,503,005)	(187,876)
Capital Leases Payable [c]	245,546	735,619	165,989	815,176	320,858
Arbitrage	--	--	--	--	--
Accrued Compensated Absences	795,207	73,794	--	869,001	--
Total Business-Type Activities	<u>\$19,651,263</u>	<u>\$ 52,302,276</u>	<u>\$ 2,449,974</u>	<u>\$ 69,503,565</u>	<u>\$ 4,029,736</u>
Total Primary Government	<u>\$53,197,020</u>	<u>\$ 54,949,848</u>	<u>\$ 7,018,827</u>	<u>\$ 101,128,041</u>	<u>\$ 6,121,765</u>
Component-Unit					
Revenue Bonds Payable	\$ --	\$ 5,000,000	\$ 149,419	\$ 4,850,581	\$ 234,046
Unamortized Issuance Cost	--	74,402	--	74,402	4,960
Total Business-Type Activities	<u>\$ --</u>	<u>\$ 5,074,402</u>	<u>\$ 149,419</u>	<u>\$ 4,924,983</u>	<u>\$ 239,006</u>
Total Component Unit	<u>\$ --</u>	<u>\$ 5,074,402</u>	<u>\$ 149,419</u>	<u>\$ 4,924,983</u>	<u>\$ 239,006</u>

[a] Beginning balance was restated by (\$21,412)

[b] Beginning balance was restated by \$180,398

[c] Beginning balance was restated by \$12,798

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

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

G. Long-Term Obligations - (continued)

Long-term bonded and revenue supported obligations outstanding at September 30, 2007 is comprised of the following:

Original Issuance	Series	Type	Name	Payment Installments		Installments		Interest Rates		Final Payment Through	Balance September 30, 2007
				Lowest	Highest	Lowest	Highest	Lowest	Highest		
\$ 11,780,000	1998	Certificate of Obligation	CT&LPR	Annual	\$ 585,000	\$ 585,000	4.90%	4.90%	8/15/2008	\$ 585,000	
2,165,000	1999	Certificate of Obligation	CT&LPR	Annual	100,000	105,000	5.53%	5.53%	8/15/2010	310,000	
12,035,000	2001	Certificate of Obligation	CT&LPR	Annual	430,000	605,000	4.50%	5.00%	8/15/2015	4,105,000	
							Subtotal - Certificates of Obligation			5,000,000	
16,110,000	2005B	Refunding Bonds	GO	Annual	95,000	1,535,000	3.00%	5.00%	8/15/2021	15,935,000	
							Subtotal - Refunding Bonds			15,935,000	
\$ 2,125,000	2001A	Note	HUD Section 108	Annual	\$ 225,000	\$ 270,000	2.85%	2.90%	8/1/2011	990,000	
							Subtotal - Notes			990,000	
\$ 6,297,996	N/A	Notes	Various	Annual	\$ 18,347	\$ 53,714	6.25%	9.02%	9/30/20013	3,971,966	
							Subtotal - PEDC Notes			3,971,966	
							Governmental Total			\$ 25,896,966	
\$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW&SS	Annual	\$ 185,000	\$ 190,000	0.00%	0.00%	9/1/2013	\$ 1,120,000	
2,570,000	1996	Revenue Bonds Jr. Lien	WW&SS	Annual	130,000	205,000	5.40%	5.75%	9/1/2016	1,480,000	
978,000	1996A	Revenue Bonds	WW&SS	Annual	45,000	78,000	6.44%	6.74%	9/1/2017	618,000	
630,000	1997B	Revenue Bonds	WW&SS	Annual	30,000	55,000	6.07%	6.52%	9/1/2017	410,000	
4,230,000	1997C	Revenue Bonds	WW&SS	Annual	275,000	400,000	3.90%	4.35%	9/1/2017	3,225,000	
1,651,000	1998	Revenue Bonds	WW&SS	Annual	75,000	133,000	5.34%	5.89%	9/1/2018	1,118,000	
2,160,000	1998A	Revenue Bonds	WW&SS	Annual	75,000	180,000	5.19%	5.79%	9/1/2023	1,930,000	
29,000,000	2007	Revenue Bonds - CWSRF	WW&SS	Annual	710,000	2,480,000	2.85%	3.50%	9/1/2027	29,000,000	
14,000,000	2007A	Revenue Bonds - DWSRF	WW&SS	Annual	370,000	1,075,000	2.30%	2.95%	9/1/2027	14,000,000	
							Subtotal - Revenue Bonds			52,901,000	
9,755,000	2005A	Refunding Bonds	CT&IBR	Annual	495,000	740,000	3.25%	4.50%	8/15/2022	8,810,000	
							Subtotal - Refunding Bonds			8,810,000	
\$ 7,100,000	2006	Note	Tax Note	Annual	\$1,105,000	\$1,595,000	4.22%	4.34%	8/15/2011	5,995,000	
							Subtotal - Notes			5,995,000	
							Business-Type Total			\$ 67,706,000	

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

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

G. Long-Term Obligations - (continued)

CT&LPR = Combination Tax & Limited Pledge Revenue
 CT&IBR = Combination Tax & International Bridge Revenue
 CWSRF = Clean Water State Revolving Fund
 DWSRF = Drinking Water State Revolving Fund
 GO = General Obligation
 RefB = Refunding Bonds
 RB = Revenue Bonds
 WW&SS = Waterworks & Sewer System

1. Bonds Payable

Debt service requirements of bonds payable at September 30, 2007 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 95,000	\$ 657,191	\$ 752,191	\$ 2,390,000	\$ 2,140,058	\$ 4,530,058
2009	710,000	654,341	1,364,341	2,465,000	2,053,372	4,518,372
2010	735,000	629,491	1,364,491	2,539,000	1,973,835	4,512,835
2011	865,000	603,766	1,468,766	2,619,000	1,889,703	4,508,703
2012	905,000	572,410	1,477,410	2,714,000	1,801,090	4,515,090
2013 - 2017	6,350,000	2,280,918	8,630,918	14,731,000	7,462,759	22,193,759
2018 - 2022	6,275,000	625,836	6,900,836	17,583,000	4,608,833	22,191,833
	<u>\$ 15,935,000</u>	<u>\$ 6,023,953</u>	<u>\$ 21,958,953</u>	<u>\$ 61,711,000</u>	<u>\$ 23,622,297</u>	<u>\$ 85,333,297</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2007 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,115,000	\$ 238,273	\$ 1,353,273
2009	555,000	184,728	739,728
2010	585,000	158,672	743,672
2011	500,000	131,265	631,265
2012	520,000	108,765	628,765
2013 - 2017	1,725,000	173,260	1,898,260
	<u>\$ 5,000,000</u>	<u>\$ 994,963</u>	<u>\$ 5,994,963</u>

3. Notes Payable

Debt service requirements of notes payable at September 30, 2007 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 2,106,305	\$ 226,982	\$ 2,333,287	\$ 1,405,000	\$ 255,141	\$ 1,660,141
2009	668,986	184,304	853,290	1,465,000	194,164	1,659,164
2010	712,562	138,141	850,703	1,530,000	132,194	1,662,194
2011	685,356	90,625	775,981	1,595,000	67,628	1,662,628
2012	428,792	68,267	497,059			
2013-2016	359,965	-	359,965			
	<u>\$ 4,961,966</u>	<u>\$ 708,319</u>	<u>\$ 5,670,285</u>	<u>\$ 5,995,000</u>	<u>\$ 649,127</u>	<u>\$ 6,644,127</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

G. Long-Term Obligations - (continued)

4. Capital Leases Payable

Capital leases payable at September 30, 2007 is comprised of the following issues:

Capital Leases	Governmental	Business-Type	Total
\$34,574 lease payable; due in monthly installments of \$1,028, including interest, through December 21, 2007; interest at 4.70%	\$ 3,059	\$ -	\$ 3,059
\$399,773 lease payable; due in monthly installments of \$9338, including interest, through October 24, 2008; interest at 3.07%	35,920	10,309	46,229
\$279,600 lease payable; due in monthly installments of \$3,832, including interest, through June 10, 2013; interest at 4.08%	235,334	-	235,334
\$1,667,000 lease payable; due in monthly installments between \$14,875 and \$40,439, including interest, through December 15, 2010; interest rate varies	775,545	141,987	917,532
\$1,300,000 lease payable; due in monthly installments of \$38,347, including interest, through May 18, 2010; interest at 3.94%	500,135	662,880	1,163,015
	<u>\$ 1,549,993</u>	<u>\$ 815,176</u>	<u>\$ 2,365,169</u>

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

Debt service requirements of capital lease obligations at September 30, 2007 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 641,689	\$ 49,763	\$ 691,452	\$ 320,853	\$ 26,363	\$ 347,216
2009	434,900	27,203	462,103	288,384	14,113	302,497
2010	316,499	12,289	328,788	199,077	3,396	202,473
2011	79,365	4,340	83,705	6,862	45	6,907
2012	43,630	2,354	45,984	--	--	--
2013 - 2017	33,910	579	34,489	--	--	--
	<u>\$ 1,549,993</u>	<u>\$ 96,528</u>	<u>\$ 1,646,521</u>	<u>\$ 815,176</u>	<u>\$ 43,917</u>	<u>\$ 859,093</u>

5. Arbitrage

The City has issued long-term debt for capital construction projects. These bonds are subject to the arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At September 30, 2007, there was no liability of arbitrage that would have been owed to the federal government.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

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

G. Long-Term Debt - (continued)

6. Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. As of September 30, 2007, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 3,246,064
Community Development	18,115
Garage	32,506
Utility	602,989
Bridge	163,951
Golf	102,061
	<u>\$ 4,165,686</u>

I. INTERFUND TRANSFERS

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2007, consisted of the following:

	TRANSFER FROM Governmental Funds			TRANSFER FROM Enterprise Funds				TRANSFER FROM
	General	Hotel/Motel	Total Governmental	Utility	Bridge	Golf	Total Enterprise	Grand Total
General	\$ -	\$ -	\$ -					
Capital Projects	-	-	-	\$ 155,000	\$ 1,849,082	\$ -	\$ 2,004,082	\$ 2,004,082
PEDC	-	-	-	-	7,025,000	44,206	7,069,206	7,069,206
Asset Sharing	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	-	-	-
Hotel/Motel	-	-	-	-	-	-	-	-
Parkland Dedication	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Total governmental	-	-	-	155,000	9,099,082	44,206	9,298,288	9,298,288
Utility	15,885	-	15,885	-	-	-	-	-
Bridge	461,274	166,477	627,751	-	-	-	-	15,885
Golf	-	-	-	-	-	-	-	627,751
Total enterprise	477,159	166,477	643,636	-	-	-	-	643,636
Garage	-	-	-	-	-	-	-	-
Workman's Compensation	25,000	-	25,000	-	-	-	-	-
Total internal service	25,000	-	25,000	-	-	-	-	25,000
	-	-	-	-	-	-	-	25,000
Total	\$ 502,159	\$ 166,477	\$ 668,636	\$ 155,000	\$ 9,099,082	\$ 44,206	\$ 9,298,288	\$ 9,966,924

The transfers into the General fund from the Utility and Bridge funds were for operational purposes. Transfers from the General fund were for a repayment of funds to the Utility fund, an operating transfer to the Workman's Compensation fund, and a transfer of an investment to the Bridge fund. The Bridge fund also received a transfer from the Hotel/Motel fund for its portion of a debt service payment. The Capital Projects fund received the proceeds from a debt issuance as a transfer from the Bridge fund for capital projects. The Capital Projects fund also received funds from the Golf fund due to revenue collected by the Golf fund for the direct purpose of reimbursing the Capital Projects fund.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

J. Restricted Assets

The balances of restricted asset accounts are as follows:

<u>Governmental Funds</u>	
Grant restrictions - General	\$ 267,127
Grant restrictions - Community Development	30,000
Capital financing - General	149,515
Capital financing - Capital Projects	<u>3,308,721</u>
Total restricted assets - governmental funds	\$ <u>3,755,363</u>
<u>Business-Type Funds</u>	
Grant restrictions - Utility	\$ 606,029
Capital financing - Utility	14,333,260
Capital financing - Garage	27,121
Customer deposits - Utility	2,534,530
Debt reserves - Utility	1,695,557
Debt reserves - Bridge	<u>932,238</u>
Total restricted assets - business-type funds	\$ <u>20,128,735</u>
Total restricted assets	<u>\$ 23,884,098</u>

IV. OTHER INFORMATION

A. Risk Management

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

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

1. Health Care Coverage

During the fiscal year, employees of the City were covered by a health insurance plan (the Plan) with Blue Cross Blue Shield of Texas (BCBST). BCBST is A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association. The City pays for 100% of the employees insurance cost and 50% of the employee's dependent's insurance cost. The City paid premiums of \$271 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

IV. OTHER INFORMATION - (continued)

A. Risk Management - (continued)

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

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

2. Post-Retirement Health Care Benefits

The City provides certain health care and life insurance benefits, under City ordinance, for employees who have retired. A full-time employee covered under the City's Health Insurance shall be eligible for continued coverage including dependents, if applicable, upon retirement from the City. The cost will be at a premium determined annually by the City Commission for the employees, and their dependents, of the City of Pharr. The City of Pharr will pay 100 % of the employee and 50% of the dependent, if applicable, coverage premium throughout the eligible retired employee's life. Retired employee is responsible for the remaining 50 % of the dependent coverage only, if applicable, payable within 10 days from the beginning of each respective month.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis as retirees report claims. Post-retirement benefit expense incurred by the City cannot be reasonably estimated since that amount cannot be readily separated from similar benefits provided to active employees and their dependents. Also, the estimated liability for the future payment of these claims is not presently determinable.

B. Deferred Compensation Plan

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

C. Commitments

1. Grant Programs

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

2. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2007.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2007, they are as identified on the following page.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

IV. OTHER INFORMATION - (continued)

C. Commitments - (continued)

3. Construction Commitments - (continued)

	<u>Project Amount</u>	<u>Expended To Date</u>	<u>Committed</u>
Street Inventory	\$ 156,100	\$ 96,290	\$ 59,810
Master Comprehensive Plan	461,000	63,263	397,737
Police Bldg Improvements	20,825	7,350	13,475
Library Bldg Improvements	1,250,000	245,920	1,004,080
Library Bldg Improvements - Misc	Unknown	209,507	Unknown
Owassa road - east	471,500	135,750	335,750
Owassa road - west	471,500	135,750	335,750
Owassa road - Misc	Unknown	29,015	Unknown
Warren Road	9,500	8,551	949
Sugar road improvements PH 1	390,700	378,200	12,500
	Unknown	200,820	Unknown
Palm Drive Paving	406,610	139,829	266,781
Hall acres East	626,702	186,553	440,149
Hall acres West	551,100	88,859	462,241
Sing S/D paving	47,454	37,963	9,491
Sing S/D paving - Misc	Unknown	658	Unknown
Total Governmental	\$ 4,862,991	\$ 1,964,278	\$ 3,338,713
Sewer collection CIP	\$ 12,641,235	\$ 2,411,150	\$ 10,230,085
Raw water pump CIP	84,000	81,499	2,501
Wastewater project CIP	46,356,973	805,435	45,551,538
Northbound Lanes - construction	1,075,601	750,301	325,300
Northbound Lanes - engineering	370,217	219,928	150,289
Fast Lanes - engineering	456,375	195,100	261,275
Total Business-Type	\$ 60,984,401	\$ 4,463,413	\$ 56,520,988
Total	<u>\$ 65,847,392</u>	<u>\$ 6,427,691</u>	<u>\$ 59,859,701</u>

The items in the table above whose values are labeled "Unknown" are miscellaneous expenditures that are not under contract but still are included in the construction cost of the project. Some of the expenses are for right of way purchases and legal fees.

F. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by request at the following address:

TMRS
P.O. Box 149153
Austin, TX 78714-9153

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

IV. OTHER INFORMATION - (continued)

F. Pension Plan - (continued)

2. Benefits

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 at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate: 7%

Matching Ratio (City to Employee): 2 to 1

A member is vested after 5 Years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are:

5 yrs/age 60, 20 yrs/any age

3. 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, 2006 valuation is effective for rates beginning January 2008)

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

IV. OTHER INFORMATION - (continued)

F. Pension Plan - (continued)

4. Schedule of Trend Information, and Actuarial Assumptions

Trend Information

Net Pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	1,925,165	-	1,783,620
Contributions Made	<u>1,925,165</u>	<u>-</u>	<u>1,783,620</u>
Net Pension Obligation at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

General System-wide 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 No. 25, paragraphs 36e and 138)
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Legislation currently under consideration in the Texas Legislature will provide the City with increased flexibility in paying for TMRS benefits beginning in 2009. Beginning in 2009, this note will contain figures that project the liability for future years, so that the City can identify the added liability to the plan.

G. PEDC Project Agreements with the City

The PEDC has entered into agreements with the City to financially participate in several projects. The following table identifies the extent of participation, the purpose, and the amount:

Project Name	Amount	Estimated Payable: September 30,		
		2007	2008	2009
FSSI	\$ 258,000	\$ 129,000	\$ 129,000	\$ -
Nolana Project	365,000	182,500	182,500	-
FSSI (Palm Drive)	42,000	-	42,000	-
Ridge Rd/Jackson Rd	210,000	81,720	128,280	-
Hall Acres	250,000	-	125,000	125,000
Wright Foods	<u>56,264</u>	<u>-</u>	<u>56,264</u>	<u>-</u>
	<u>\$ 1,181,264</u>	<u>\$ 393,220</u>	<u>\$ 663,044</u>	<u>\$ 125,000</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

IV. OTHER INFORMATION - (continued)

H. Subsequent Events

On December 4, 2007, the City closed on a \$10,000,000 taxable bond issuance with the North American Development Bank to assist with the Utility fund's wastewater collection system, and to pay costs of issuance in accordance with Sections 1502.051 through 1502.074 of the Texas Government Code, and an ordinance adopted by the City Commission on November 1, 2007.



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REQUIRED SUPPLEMENTARY INFORMATION

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over/ (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as Percentage of Covered Payroll ((b-a)/c)
12/31/04	19,137,445	28,761,758	(9,624,313)	66.54%	12,982,218	74.13%
12/31/05	20,670,698	31,628,107	(10,957,409)	65.36%	14,161,702	77.37%
12/31/06	22,795,822	35,037,111	(12,241,289)	65.06%	14,717,268	83.18%

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Property	\$ 10,039,154	\$ 10,039,154	\$ 10,268,661	\$ 229,507	\$ -	\$ 10,268,661
Sales	9,085,000	9,085,000	8,369,934	(715,066)	-	8,369,934
Franchise	1,825,000	1,825,000	1,810,509	(14,491)	-	1,810,509
Other	155,000	155,000	241,864	86,864	-	241,864
Licenses and permits	717,500	717,500	885,627	168,127	-	885,627
Intergovernmental	389,961	389,961	468,783	78,822	-	468,783
Fees and charges:						
Sanitation	3,375,000	3,375,000	3,274,295	(100,705)	-	3,274,295
Brush	845,000	845,000	968,612	123,612	-	968,612
Other	668,500	668,500	678,891	10,391	-	678,891
Fines	875,000	875,000	799,907	(75,093)	-	799,907
Special assessments	575,000	575,000	-	(575,000)	-	-
Interest income	95,000	95,000	57,860	(37,140)	-	57,860
Contributions and donations	-	-	12,331	12,331	-	12,331
Other	247,000	247,000	234,795	(12,205)	-	234,795
Total revenues	<u>28,892,115</u>	<u>28,892,115</u>	<u>28,072,069</u>	<u>(820,046)</u>	<u>-</u>	<u>28,072,069</u>
EXPENDITURES						
Current:						
General government	6,146,246	6,193,264	7,195,023	(1,001,759)	(172,330)	7,022,693
Public safety	15,241,947	15,401,889	15,430,784	(28,895)	(292,508)	15,138,276
Highways and streets	1,895,643	1,928,879	2,121,083	(192,204)	(169,762)	1,951,321
Health and welfare	3,336,800	3,336,800	3,483,495	(146,695)	(23,670)	3,459,825
Culture and recreation	3,118,919	3,187,477	3,421,696	(234,219)	(55,179)	3,366,517
Total expenditures	<u>29,739,555</u>	<u>30,048,309</u>	<u>31,652,081</u>	<u>(1,603,772)</u>	<u>(713,449)</u>	<u>30,938,632</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(847,440)</u>	<u>(1,156,194)</u>	<u>(3,580,012)</u>	<u>(2,423,818)</u>	<u>713,449</u>	<u>(2,866,563)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,432,000	1,432,000	2,004,082	572,082	-	2,004,082
Transfers (out)	-	-	(502,159)	(502,159)	-	(502,159)
Bond/loan proceeds	-	-	519,912	519,912	(519,912)	-
Total other financing sources and uses	<u>1,432,000</u>	<u>1,432,000</u>	<u>2,021,835</u>	<u>589,835</u>	<u>(519,912)</u>	<u>1,501,923</u>
Net change in fund balance	<u>584,560</u>	<u>275,806</u>	<u>(1,558,177)</u>	<u>(1,833,983)</u>	<u>193,537</u>	<u>(1,364,640)</u>
Fund balance - beginning	7,600,384	7,600,384	7,600,384	-	-	7,600,384
Prior period adjustment	-	-	(1,442,082)	(1,442,082)	-	(1,442,082)
Fund balance - ending	<u>\$ 8,184,944</u>	<u>\$ 7,876,190</u>	<u>\$ 4,600,125</u>	<u>\$ (3,276,065)</u>	<u>\$ 193,537</u>	<u>\$ 4,793,662</u>

The major differences between the budget basis and GAAP basis are 1) capital purchases and lease principal payments are outflows for budgetary purposes but are not expenditures for financial reporting purposes; 2) recognize insurance expenditures from this fiscal year but will be paid during next fiscal year. The adjustments necessary to convert from the GAAP basis to the budget basis are as follows:

	Revenues	Expenditures	Net Major Adjustment Needed for GAAP
Lease proceeds	(519,912)		
Principal lease payments		546,872	
Insurance expenditures incurred		119,237	
		<u>666,109</u>	<u>146,197</u>

**CITY OF PHARR, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

REVENUES	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
Taxes:						
Sales	\$ 2,750,000	\$ 2,750,000	\$ 2,789,978	\$ 39,978	\$ -	\$ 2,789,978
Fees and charges:						
Other	400,000	400,000	-	(400,000)	-	-
Interest income	6,000	60,000	59,745	(255)	-	59,745
Contributions and donations	-	-	200,000	200,000	-	200,000
Other	20,000	20,000	515,634	495,634	-	515,634
Total revenues	<u>3,176,000</u>	<u>3,230,000</u>	<u>3,565,357</u>	<u>335,357</u>	<u>-</u>	<u>3,565,357</u>
EXPENDITURES						
Current:						
Economic development & ass	5,495,005	5,500,006	5,756,594	(256,588)	-	5,756,594
Debt service:						
Total expenditures	<u>5,495,005</u>	<u>5,500,006</u>	<u>2,893,794</u>	<u>(2,893,794)</u>	<u>(2,528,712)</u>	<u>365,082</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(2,319,005)</u>	<u>(2,270,006)</u>	<u>(5,085,031)</u>	<u>(2,815,025)</u>	<u>2,528,712</u>	<u>(2,556,319)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of land	223,119	223,119	3,478,514	3,255,395	-	3,478,514
Loan proceeds	-	-	1,960,000	1,960,000	(1,960,000)	-
Total other financing sources and uses	<u>223,119</u>	<u>223,119</u>	<u>5,438,514</u>	<u>5,215,395</u>	<u>(1,960,000)</u>	<u>3,478,514</u>
Net change in fund balance	<u>(2,095,886)</u>	<u>(2,046,887)</u>	<u>353,483</u>	<u>2,400,370</u>	<u>568,712</u>	<u>922,195</u>
Fund balance - beginning	3,802,780	3,802,780	3,802,780	-	-	3,802,780
Prior period adjustment	-	-	(100,000)	(100,000)	-	(100,000)
Fund balance - ending	<u>\$ 1,706,894</u>	<u>\$ 1,755,893</u>	<u>\$ 4,056,263</u>	<u>\$ 2,300,370</u>	<u>\$ 568,712</u>	<u>\$ 4,624,975</u>

The major differences between the budget basis and GAAP basis are capital purchases and lease principal payments are outflows for budgetary purposes but are not expenditures for financial reporting purposes. The adjustments necessary to convert from the GAAP basis to the budget basis are as follows:

	Revenues		Expenditures	Net Major Adjustment Needed for GAAP
Loan proceeds	(1,960,000)	Principal lease payments	2,528,712	
			<u>2,528,712</u>	
				<u>568,712</u>



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

Non-Major Governmental Funds Combining Financial Statements

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

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

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

Law Enforcement – This fund accounts for revenue received from the Local Law Enforcement Block Grant and the expenditures allowed by grant terms.

Motel-Hotel Fund – This fund accounts for revenue from a seven percent tax levied upon the cost of City hotel and motel rooms with a daily rate over \$2. According to state civil statutes, this tax revenue can be used to promote tourism, maintain and repair convention facilities, promote the arts and humanities, or any other purpose directly related to these activities. Additionally, in accordance with bond covenants, two percent of the seven percent is to be used to pay debt service on bonds issued for auditorium improvements. These funds are accounted for in a separate Debt Service Fund.

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

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

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



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CITY OF PHARR, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	Special Revenue Funds			
	Asset Sharing	Community Development	Law Enforcement	Hotel/Motel
ASSETS				
Cash and investments	\$ 220,412	\$ 196,696	\$ 119,752	\$ 1,440,524
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	76,224	-	-
Other	-	464	-	171,085
Due from other funds	-	-	-	38,413
Restricted assets:				
Intergovernmental receivable	-	30,000	-	-
Total assets	<u>\$ 220,412</u>	<u>\$ 303,384</u>	<u>\$ 119,752</u>	<u>\$ 1,650,022</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 1,241	\$ -	\$ -
Accrued interest payable	-	-	-	-
Due to other funds	32,194	83,280	149	8,745
Deferred property tax	-	-	-	-
Deferred revenue	-	76,224	-	-
Total liabilities	<u>32,194</u>	<u>160,745</u>	<u>149</u>	<u>8,745</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved for:				
General fund	-	-	-	-
Special revenue	<u>188,218</u>	<u>142,639</u>	<u>119,603</u>	<u>1,641,277</u>
Unreserved, designated for:				
Capital projects fund	-	-	-	-
Total fund balances	<u>188,218</u>	<u>142,639</u>	<u>119,603</u>	<u>1,641,277</u>
Total liabilities and fund balances	<u>\$ 220,412</u>	<u>\$ 303,384</u>	<u>\$ 119,752</u>	<u>\$ 1,650,022</u>

<u>Parkland Dedication</u>		<u>Total</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 365,072	\$	2,342,456	\$ 399,377	\$ 2,741,833
-		-	323,062	323,062
-		76,224	-	76,224
500		172,049	11,198	183,247
17,500		55,913	888,888	944,801
-		30,000	-	30,000
<u>\$ 383,072</u>	<u>\$</u>	<u>2,676,642</u>	<u>\$ 1,622,525</u>	<u>\$ 4,299,167</u>
\$ -	\$	1,241	\$ -	\$ 1,241
-		-	118,980	118,980
49,287		173,655	52,711	226,366
-		-	224,988	224,988
-		76,224	-	76,224
<u>49,287</u>		<u>251,120</u>	<u>396,679</u>	<u>647,799</u>
-		-	1,225,846	1,225,846
-		-	-	-
<u>333,785</u>		<u>2,425,522</u>	<u>-</u>	<u>2,425,522</u>
-		-	-	-
<u>333,785</u>		<u>2,425,522</u>	<u>1,225,846</u>	<u>3,651,368</u>
<u>\$ 383,072</u>	<u>\$</u>	<u>2,676,642</u>	<u>\$ 1,622,525</u>	<u>\$ 4,299,167</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUES	Special Revenue Funds			
	Asset Sharing	Community Development	Law Enforcement	Hotel/Motel
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	860,974
Intergovernmental	116,654	1,150,053	-	-
Fees and charges:				
Other	-	-	-	-
Interest income	9,870	6,958	4,873	51,074
Contributions and donations	-	-	-	-
Other	12,752	82,516	-	-
Total revenues	<u>139,276</u>	<u>1,239,527</u>	<u>4,873</u>	<u>912,048</u>
EXPENDITURES				
Current:				
General government	-	1,103,645	-	269,298
Public safety	189,971	-	21,086	-
Debt service	-	-	-	-
Total expenditures	<u>189,971</u>	<u>1,103,645</u>	<u>21,086</u>	<u>269,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,695)</u>	<u>135,882</u>	<u>(16,213)</u>	<u>642,750</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(166,477)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,477)</u>
Net change in fund balances	(50,695)	135,882	(16,213)	476,273
Fund balance - beginning	<u>238,913</u>	<u>6,757</u>	<u>135,816</u>	<u>1,165,004</u>
Fund balance - ending	<u>\$ 188,218</u>	<u>\$ 142,639</u>	<u>\$ 119,603</u>	<u>\$ 1,641,277</u>

<u>Parkland Dedication</u>	<u>Total</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 1,630,940	\$ 1,630,940
-	860,974	-	860,974
16,000	1,282,707	-	1,282,707
151,175	151,175	-	151,175
11,972	84,747	51,650	136,397
-	-	508,500	508,500
-	95,268	1,347	96,615
<u>179,147</u>	<u>2,474,871</u>	<u>2,192,437</u>	<u>4,667,308</u>
85,665	1,458,608	-	1,458,608
-	211,057	-	211,057
-	-	2,235,495	2,235,495
<u>85,665</u>	<u>1,669,665</u>	<u>2,235,495</u>	<u>3,905,160</u>
93,482	805,206	(43,058)	762,148
-	-	225,000	225,000
-	(166,477)	-	(166,477)
-	(166,477)	225,000	58,523
93,482	638,729	181,942	820,671
240,303	1,786,793	1,043,904	2,830,697
<u>\$ 333,785</u>	<u>\$ 2,425,522</u>	<u>\$ 1,225,846</u>	<u>\$ 3,651,368</u>



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

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

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

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

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

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



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CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Property						
Current	\$ 8,784,154	\$ 8,784,154	\$ 8,824,172	\$ 40,018	\$ -	\$ 8,824,172
Delinquent	715,000	715,000	884,820	169,820	-	884,820
Penalty & interest	515,000	515,000	470,525	(44,475)	-	470,525
Other	25,000	25,000	89,144	64,144	-	89,144
Total property taxes	10,039,154	10,039,154	10,268,661	229,507	-	10,268,661
Sales	9,085,000	9,085,000	8,369,934	(715,066)	-	8,369,934
Franchise						
Telephone	285,000	285,000	291,063	6,063	-	291,063
Electric	1,325,000	1,325,000	1,241,735	(83,265)	-	1,241,735
Cable	110,000	110,000	175,632	65,632	-	175,632
Gas	105,000	105,000	102,079	(2,921)	-	102,079
Total franchise taxes	1,825,000	1,825,000	1,810,509	(14,491)	-	1,810,509
Other	155,000	155,000	241,864	86,864	-	241,864
Total taxes	21,104,154	21,104,154	20,690,968	(413,186)	-	20,690,968
Licenses and permits						
Building	380,000	380,000	485,486	105,486	-	485,486
Vocational	265,000	265,000	294,497	29,497	-	294,497
Other	72,500	72,500	105,644	33,144	-	105,644
Total licenses & permits	717,500	717,500	885,627	168,127	-	885,627
Intergovernmental						
PSJA school district	126,351	126,351	136,852	10,501	-	136,852
County	6,000	6,000	5,058	(942)	-	5,058
Other	257,610	257,610	326,873	69,263	-	326,873
Total intergovernmental	389,961	389,961	468,783	78,822	-	468,783
Fees and charges:						
Sanitation	3,375,000	3,375,000	3,274,295	(100,705)	-	3,274,295
Brush	845,000	845,000	968,612	123,612	-	968,612
Other	668,500	668,500	678,891	10,391	-	678,891
Total fees & charges	4,888,500	4,888,500	4,921,798	33,298	-	4,921,798
Fines						
Court	855,000	855,000	767,466	(87,534)	-	767,466
Other	20,000	20,000	32,441	12,441	-	32,441
Total fines	875,000	875,000	799,907	(75,093)	-	799,907
Special assessments	575,000	575,000	-	(575,000)	-	-
Interest income	95,000	95,000	57,860	(37,140)	-	57,860
Contributions and donations	-	-	12,331	12,331	-	12,331
Other	247,000	247,000	234,795	(12,205)	-	234,795
Total revenues	\$ 28,892,115	\$ 28,892,115	\$ 28,072,069	\$ (820,046)	\$ -	\$ 28,072,069

CITY OF PHARR, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXPENDITURES						
Current:						
General government						
City manager	1,032,150	1,041,502	1,020,244	21,258	-	1,020,244
Finance	790,445	806,477	801,616	4,861	(5,753)	795,863
Planning	1,085,450	1,107,084	1,048,129	58,955	(23,670)	1,024,459
Brush	500,000	500,000	554,398	(54,398)	(23,670)	530,728
Non-departmental	2,738,201	2,738,201	3,770,636	(1,032,435)	(119,237)	3,651,399
Total general government	6,146,246	6,193,264	7,195,023	(1,001,759)	(172,330)	7,022,693
Public safety						
Police	9,327,951	9,447,227	9,534,293	(87,066)	(5,479)	9,528,814
Traffic safety	899,350	917,304	899,482	17,822	(27,549)	871,933
Court	430,250	438,266	396,580	41,686	-	396,580
Fire	4,584,396	4,599,092	4,600,429	(1,337)	(259,479)	4,340,950
Total public safety	15,241,947	15,401,889	15,430,784	(28,895)	(292,507)	15,138,277
Highways and streets						
	1,895,643	1,928,879	2,121,083	(192,204)	(169,762)	1,951,321
Health and welfare						
Garbage	3,100,000	3,100,000	3,254,271	(154,271)	-	3,254,271
Animal control	236,800	236,800	229,224	7,576	(23,670)	205,554
Total health and welfare	3,336,800	3,336,800	3,483,495	(146,695)	(23,670)	3,459,825
Culture and recreation						
Library	1,064,174	1,087,472	1,000,694	86,778	-	1,000,694
Parks	2,054,745	2,100,005	2,421,002	(320,997)	(55,180)	2,365,822
Total culture and recreation	3,118,919	3,187,477	3,421,696	(234,219)	(55,180)	3,366,516
Total expenditures	29,739,555	30,048,309	31,652,081	(1,603,772)	(713,449)	30,938,632
Excess (deficiency) of revenues over (under) expenditures	(847,440)	(1,156,194)	(3,580,012)	(2,423,818)	713,449	(2,866,563)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Bridge	1,277,000	1,277,000	1,849,082	572,082	-	1,849,082
Utility	155,000	155,000	155,000	-	-	155,000
Total transfers in	1,432,000	1,432,000	2,004,082	572,082	-	2,004,082
Transfers (out)						
Bridge	-	-	(461,274)	(461,274)	-	(461,274)
Utility	-	-	(15,885)	(15,885)	-	(15,885)
Worker's compensation	-	-	(25,000)	(25,000)	-	(25,000)
Total transfers (out)	-	-	(502,159)	(502,159)	-	(502,159)
Bond/loan proceeds						
	-	-	519,912	519,912	(519,912)	-
Total other financing sources and uses	1,432,000	1,432,000	2,021,835	589,835	(519,912)	1,501,923
Net change in fund balance	584,560	275,806	(1,558,177)	(1,833,983)	193,537	(1,364,640)
Fund balance - beginning	7,600,384	7,600,384	7,600,384	-	-	7,600,384
Prior period adjustment	-	-	(1,442,082)	(1,442,082)	-	(1,442,082)
Fund balance - ending	\$ 8,184,944	\$ 7,876,190	\$ 4,600,125	\$ (3,276,065)	\$ 193,537	\$ 4,793,662

CITY OF PHARR, TEXAS
CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Interest income	\$ -	\$ -	\$ 190,713	\$ 190,713	\$ -	\$ 190,713
Contributions and donations	-	-	393,220	393,220	-	393,220
Other	-	-	7,785	7,785	-	7,785
Total revenues	<u>-</u>	<u>-</u>	<u>591,718</u>	<u>591,718</u>	<u>-</u>	<u>591,718</u>
EXPENDITURES						
Current:						
General government	-	-	4,289,129	(4,289,129)	-	4,289,129
Total expenditures	<u>-</u>	<u>-</u>	<u>4,289,129</u>	<u>(4,289,129)</u>	<u>-</u>	<u>4,289,129</u>
Excess (deficiency) of revenues over (under) expenditure	<u>-</u>	<u>-</u>	<u>(3,697,411)</u>	<u>(3,697,411)</u>	<u>-</u>	<u>(3,697,411)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	7,069,206	7,069,206	-	7,069,206
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>7,069,206</u>	<u>7,069,206</u>	<u>-</u>	<u>7,069,206</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>3,371,795</u>	<u>3,371,795</u>	<u>-</u>	<u>3,371,795</u>
Fund balance - beginning	<u>(2,590,251)</u>	<u>(2,590,251)</u>	<u>(2,590,251)</u>	-	-	<u>(2,590,251)</u>
Fund balance - ending	<u>\$ (2,590,251)</u>	<u>\$ (2,590,251)</u>	<u>\$ 781,544</u>	<u>\$ 3,371,795</u>	<u>\$ -</u>	<u>\$ 781,544</u>

There are no major differences between the budget basis and GAAP basis

CITY OF PHARR, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Intergovernmental	\$ 220,000	\$ 220,000	\$ 1,150,053	\$ 930,053	\$ -	\$ 1,150,053
Interest income	-	-	6,958	6,958	-	6,958
Other	-	-	82,516	82,516	-	82,516
Total revenues	<u>220,000</u>	<u>220,000</u>	<u>1,239,527</u>	<u>1,019,527</u>	<u>-</u>	<u>1,239,527</u>
EXPENDITURES						
Current:						
General government	151,300	151,300	1,103,645	(952,345)	-	1,103,645
Total expenditures	<u>151,300</u>	<u>151,300</u>	<u>1,103,645</u>	<u>(952,345)</u>	<u>-</u>	<u>1,103,645</u>
Excess (deficiency) of revenues over (under) expenditure:	68,700	68,700	135,882	67,182	-	135,882
OTHER FINANCING SOURCES (USES)						
Transfers in	90,550	90,550	-	(90,550)	-	-
Total other financing sources and uses	<u>90,550</u>	<u>90,550</u>	<u>-</u>	<u>(90,550)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	159,250	159,250	135,882	(23,368)	-	135,882
Fund balance - beginning	6,757	6,757	6,757	-	-	6,757
Fund balance - ending	<u>\$ 166,007</u>	<u>\$ 166,007</u>	<u>\$ 142,639</u>	<u>\$ (23,368)</u>	<u>\$ -</u>	<u>\$ 142,639</u>

There are no major differences between the budget basis and GAAP basis

CITY OF PHARR, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Other	\$ 600,000	\$ 600,000	\$ 860,974	\$ 260,974	\$ -	\$ 860,974
Interest income	30,000	30,000	51,074	21,074	-	51,074
Total revenues	<u>630,000</u>	<u>630,000</u>	<u>912,048</u>	<u>282,048</u>	<u>-</u>	<u>912,048</u>
EXPENDITURES						
Current:						
General government	350,000	350,000	269,298	80,702	-	269,298
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>269,298</u>	<u>80,702</u>	<u>-</u>	<u>269,298</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>280,000</u>	<u>280,000</u>	<u>642,750</u>	<u>362,750</u>	<u>-</u>	<u>642,750</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(79,481)	(79,481)	(166,477)	(86,996)	-	(166,477)
Total other financing sources and uses	<u>(79,481)</u>	<u>(79,481)</u>	<u>(166,477)</u>	<u>(86,996)</u>	<u>-</u>	<u>(166,477)</u>
Net change in fund balance	200,519	200,519	476,273	275,754	-	476,273
Fund balance - beginning	<u>1,165,004</u>	<u>1,165,004</u>	<u>1,165,004</u>	<u>-</u>	<u>-</u>	<u>1,165,004</u>
Fund balance - ending	<u>\$ 1,365,523</u>	<u>\$ 1,365,523</u>	<u>\$ 1,641,277</u>	<u>\$ 275,754</u>	<u>\$ -</u>	<u>\$ 1,641,277</u>

There are no major differences between the budget basis and GAAP basis

CITY OF PHARR, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Property	\$ 1,522,737	\$ 1,522,737	\$ 1,630,940	\$ 108,203	\$ -	\$ 1,630,940
Interest income	21,000	21,000	51,650	30,650	-	51,650
Contributions and donations	-	-	508,500	508,500	-	508,500
Other	-	-	1,347	1,347	-	1,347
Total revenues	<u>1,543,737</u>	<u>1,543,737</u>	<u>2,192,437</u>	<u>648,700</u>	<u>-</u>	<u>2,192,437</u>
EXPENDITURES						
Debt service	<u>2,112,325</u>	<u>3,272,325</u>	<u>2,235,495</u>	<u>1,036,830</u>	<u>(1,160,000)</u>	<u>1,075,495</u>
Total expenditures	<u>2,112,325</u>	<u>3,272,325</u>	<u>2,235,495</u>	<u>1,036,830</u>	<u>(1,160,000)</u>	<u>1,075,495</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(568,588)</u>	<u>(1,728,588)</u>	<u>(43,058)</u>	<u>1,685,530</u>	<u>1,160,000</u>	<u>1,116,942</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>734,800</u>	<u>734,800</u>	<u>225,000</u>	<u>(509,800)</u>	<u>-</u>	<u>225,000</u>
Total other financing sources and uses	<u>734,800</u>	<u>734,800</u>	<u>225,000</u>	<u>(509,800)</u>	<u>-</u>	<u>225,000</u>
Net change in fund balance	<u>166,212</u>	<u>(993,788)</u>	<u>181,942</u>	<u>1,175,730</u>	<u>1,160,000</u>	<u>1,341,942</u>
Fund balance - beginning	<u>1,043,904</u>	<u>1,043,904</u>	<u>1,043,904</u>	<u>-</u>	<u>-</u>	<u>1,043,904</u>
Fund balance - ending	<u>\$ 1,210,116</u>	<u>\$ 50,116</u>	<u>\$ 1,225,846</u>	<u>\$ 1,175,730</u>	<u>\$ 1,160,000</u>	<u>\$ 2,385,846</u>

The major differences between the budget basis and GAAP basis is 1) debt principal payments are outflows for budgetary purposes but are not expenditures for financial reporting purposes. The adjustments necessary to convert from the GAAP basis to the budget basis are as follows:

	Needed for GAAP
Principal lease payments	<u>Expenditures</u>
	<u>1,160,000</u>
	<u>\$1,160,000</u>



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Combining Financial Statements

INTERNAL SERVICE FUNDS

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

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

Workers' Compensation Insurance Fund – This fund accounts for employee workers' compensation insurance.

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

<u>ASSETS</u>	<u>City Garage</u>	<u>Worker's Compensation</u>	<u>Total</u>
Current assets:			
Cash	\$ -	\$ (1,240)	\$ (1,240)
Receivables (net of allowance for uncollectible):			
Accounts	-	10,000	10,000
Inventories	19,311	-	19,311
Due from other funds	504,865	587,850	1,092,715
Restricted assets:			
Cash	27,121	-	27,121
Total current assets	551,297	596,610	1,147,907
Capital assets (net of accumulated depreciation):			
Buildings	527,767	-	527,767
Improvements other than buildings	128,947	-	128,947
Machinery and equipment	123,415	-	123,415
Total capital assets, net of accumulated depreciation	780,129	-	780,129
Total noncurrent assets	780,129	-	780,129
Total assets	\$ 1,331,426	\$ 596,610	\$ 1,928,036
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ -	\$ 537,319	\$ 537,319
Due to other funds	649,145	43,384	692,529
Total current liabilities	649,145	580,703	1,229,848
Current liabilities payable from restricted assets:			
Matured capital lease	20,777	-	20,777
Total current liabilities payable from restricted assets	20,777	-	20,777
Noncurrent liabilities:			
Accrued compensation	32,506	-	32,506
Capital lease payable	31,739	-	31,739
Total noncurrent liabilities	64,245	-	64,245
Total liabilities	734,167	580,703	1,314,870
 <u>NET ASSETS</u>			
Net assets:			
Invested in capital assets, net of related debt	833,465	-	833,465
Restricted for:			
Unrestricted	(236,206)	15,907	(220,299)
Total net assets	\$ 597,259	\$ 15,907	\$ 613,166

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	City Garage	Worker's Compensation	Total
Operating revenues:			
Charges for sales and services:			
Other	\$ 1,167,883	\$ -	\$ 1,167,883
Total operating revenues	1,167,883	-	1,167,883
Operating expenses:			
Personnel services	178,721	-	178,721
Supplies and Materials	16,454	-	16,454
Contractual Services	884,155	31,647	915,802
Depreciation	88,554	-	88,554
Total operating expenses	1,167,884	31,647	1,199,531
Operating income (loss)	(1)	(31,647)	(31,648)
Nonoperating revenues (expenses):			
Investment earnings	-	69	69
Total nonoperating revenues (expenses)	-	69	69
Income before contributions and transfers	(1)	(31,578)	(31,579)
Transfers in	-	25,000	25,000
Changes in net assets	(1)	(6,578)	(6,579)
Total net assets - beginning	597,260	22,485	619,745
Total net assets - ending	\$ 597,259	\$ 15,907	\$ 613,166

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>City Garage</u>	<u>Worker's Compensation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,167,883	\$ -	\$ 1,167,883
Payments to suppliers	(31,885)	-	(31,885)
Payments to employees	(176,855)	-	(176,855)
Payments for contractual services	(885,208)	(31,647)	(916,855)
Net cash flow from operating activities	73,935	(31,647)	42,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances (to)/from other funds	39,674	11,319	50,993
Transfers in from other funds	-	25,000	25,000
Net cash provided (used) by noncapital and related financing activities	39,674	36,319	75,993
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(17,379)	-	(17,379)
Proceeds from bond sales, net of issuance costs	46,375	-	46,375
Principal paid on long-term debt	(11,698)	-	(11,698)
Net cash provided (used) by capital and related financing activities	17,298	-	17,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	2	68	70
Net cash provided (used) by investing activities	2	68	70
Net increase in cash	130,909	4,740	135,649
Cash beginning of fiscal year	(103,788)	(5,980)	(109,768)
Cash end of fiscal year	\$ 27,121	\$ (1,240)	\$ 25,881
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (1)	\$ (31,647)	\$ (31,648)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	88,554	-	88,554
(Increase) Decrease in Inventories	(15,432)	-	(15,432)
Increase (Decrease) in Accounts Payable	(1,053)	-	(1,053)
Increase (Decrease) in Accrued Compensation	1,867	-	1,867
Total adjustments	73,936	-	73,936
Net cash provided by operating activities	\$ 73,935	\$ (31,647)	\$ 42,288



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STATISTICAL SECTION

City of Pharr, Texas
 Net Assets by Component
 Last Five Fiscal Years
 (Accrual Basis of Accounting)
 (amount expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 17,432	\$ 26,339	\$ 28,230	\$ 28,849	\$ 40,172
Restricted	5,054	1,998	6,490	6,763	14,781
Unrestricted	5,268	3,983	5,147	8,067	2,620
Total governmental activities net assets	<u>\$ 27,754</u>	<u>\$ 32,320</u>	<u>\$ 39,867</u>	<u>\$ 43,679</u>	<u>\$ 57,573</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 21,320	\$ 28,366	\$ 38,635	\$ 38,336	\$ 46,566
Restricted	4,349	9,278	2,943	1,950	3,018
Unrestricted	15,221	8,165	3,390	11,401	4,593
Total business-type activities net assets	<u>\$ 40,890</u>	<u>\$ 45,809</u>	<u>\$ 44,968</u>	<u>\$ 51,687</u>	<u>\$ 54,177</u>
Primary government					
Invested in capital assets, net of related debt	\$ 38,752	\$ 54,705	\$ 66,865	\$ 67,185	\$ 86,738
Restricted	9,403	11,276	9,433	8,713	17,800
Unrestricted	20,489	12,148	8,537	19,468	7,213
Total primary government net assets	<u>\$ 68,644</u>	<u>\$ 78,129</u>	<u>\$ 84,835</u>	<u>\$ 95,366</u>	<u>\$ 111,751</u>

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

City of Pharr, Texas
Changes in Net Asset
Last Five Fiscal Years
(Accrual Basis of Accounting)
(amount expressed in thousands)

Expenses	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
General government	\$ 6,484	\$ 4,386	\$ 5,463	\$ 7,181	\$ 8,178
Public safety	10,331	13,179	14,069	15,000	16,504
Streets		2,140	2,276	2,361	2,442
Sanitation	2,453	3,411	3,519	3,227	3,518
Culture and recreation	826	3,156	3,248	3,253	3,340
Economic development	105	2,503	2,198	1,754	2,653
Debt service	1,880	1,537	1,478	1,365	1,433
Total governmental activities expenses	<u>22,079</u>	<u>30,312</u>	<u>32,251</u>	<u>34,141</u>	<u>38,068</u>
Business-type activities:					
Utility	5,085	6,298	6,885	7,576	7,879
Toll Bridge	2,070	3,244	3,830	3,156	3,454
Tierra Del Sol Golf Course	965	1,239	988	1,054	1,241
Total business-type activities expenses	<u>8,120</u>	<u>10,781</u>	<u>11,703</u>	<u>11,786</u>	<u>12,574</u>
Total primary government expenses	<u>\$ 30,199</u>	<u>\$ 41,093</u>	<u>\$ 43,954</u>	<u>\$ 45,927</u>	<u>\$ 50,642</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 125	\$ 705	\$ 2,051	\$ 208	\$ 1,790
Public safety	11	1,038	63	571	1,908
Streets	-	-	-	85	472
Sanitation	3,055	3,069	3,464	3,006	3,274
Culture and recreation	71	488	489	131	911
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Operating grants and contributions	79	1,944	1,753	1,648	1,867
Capital grants and contributions	3,349	1,067	-	1,094	-
Total governmental activities program revenues	<u>6,690</u>	<u>8,311</u>	<u>7,820</u>	<u>6,743</u>	<u>10,222</u>
Business-type activities:					
Charges for services:					
Utility	6,079	6,475	7,645	11,200	10,851
Toll Bridge	5,811	6,669	7,611	7,714	8,058
Tierra Del Sol Golf Course	696	737	809	350	631
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	2,936	250	-	-
Total business-type activities program revenues	<u>12,586</u>	<u>16,817</u>	<u>16,315</u>	<u>19,264</u>	<u>19,540</u>
Total primary government program revenues	<u>\$ 19,276</u>	<u>\$ 25,128</u>	<u>\$ 24,135</u>	<u>\$ 26,007</u>	<u>\$ 29,762</u>
Net (expense)/revenue					
Governmental activities	\$(15,389)	\$(22,001)	\$(24,431)	\$(27,398)	\$(27,846)
Business-type activities	4,466	6,036	4,612	7,478	6,966
Total primary government net expense	<u>\$(10,923)</u>	<u>\$(15,965)</u>	<u>\$(19,819)</u>	<u>\$(19,920)</u>	<u>\$(20,880)</u>

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 6,328	\$ 8,595	\$ 9,713	\$ 10,475	\$ 11,276
Sales taxes	8,272	9,297	10,043	11,346	11,160
Other taxes	289	2,163	2,283	2,543	2,912
Investment earnings	440	162	306	419	445
Grants, Donations, and Miscellaneous Transfers	2,004	1,459	2,657	3,854	2,159
	<u>-</u>	<u>1,640</u>	<u>6,362</u>	<u>2,288</u>	<u>8,655</u>
Total governmental activities	<u>17,333</u>	<u>23,316</u>	<u>31,364</u>	<u>30,925</u>	<u>36,607</u>
Business-type activities:					
Investment earnings	-	35	610	1,011	866
Grants, Donations, and Miscellaneous Transfers	699	403	10	-	495
	<u>-</u>	<u>(1,640)</u>	<u>(6,362)</u>	<u>(2,288)</u>	<u>(8,655)</u>
Total business-type activities	<u>699</u>	<u>(1,202)</u>	<u>(5,742)</u>	<u>(1,277)</u>	<u>(7,294)</u>
Total primary government	<u>\$ 18,032</u>	<u>\$ 22,114</u>	<u>\$ 25,622</u>	<u>\$ 29,648</u>	<u>\$ 29,313</u>
Change in Net Assets					
Governmental activities	\$ 1,944	\$ 1,315	\$ 6,933	\$ 3,527	\$ 8,761
Business-type activities	5,165	4,834	(1,130)	6,201	(328)
Total primary government	<u>\$ 7,109</u>	<u>\$ 6,149</u>	<u>\$ 5,803</u>	<u>\$ 9,728</u>	<u>\$ 8,433</u>

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

City of Pharr, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(amount expressed in thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 31	\$ 55	\$ 51	\$ 60	\$ 54	\$ 54	\$ 3,037	\$ 3,903	\$ 7,405	\$ 11,002
Unreserved, undesignated	1,388	2,250	3,156	4,091	3,825	3,489	1,433	602	195	(6,402)
Designated	-	-	-	-	-	-	-	1,327	-	-
Total general fund	<u>\$ 1,419</u>	<u>\$ 2,305</u>	<u>\$ 3,207</u>	<u>\$ 4,151</u>	<u>\$ 3,879</u>	<u>\$ 3,543</u>	<u>\$ 4,470</u>	<u>\$ 5,832</u>	<u>\$ 7,600</u>	<u>\$ 4,600</u>
All other governmental funds										
Reserved	\$ 117	\$ 285	\$ 82	\$ 74	\$ 1,025	\$ (13)	\$ 1,048	\$ 2,894	\$ 5,447	\$ 7,572
Unreserved, undesignated	639	946	422	439	514	356	824	1,813	1,186	2,425
Designated for capital projects	8,705	5,022	3,344	12,422	10,536	4,534	321	1,760	(2,590)	(1,508)
Total all other governmental funds	<u>\$ 9,461</u>	<u>\$ 6,253</u>	<u>\$ 3,848</u>	<u>\$ 12,935</u>	<u>\$ 12,075</u>	<u>\$ 4,877</u>	<u>\$ 2,193</u>	<u>\$ 6,467</u>	<u>\$ 4,043</u>	<u>\$ 8,489</u>
Total governmental fund balances	<u>\$ 10,880</u>	<u>\$ 8,558</u>	<u>\$ 7,055</u>	<u>\$ 17,086</u>	<u>\$ 15,954</u>	<u>\$ 8,420</u>	<u>\$ 6,663</u>	<u>\$ 12,299</u>	<u>\$ 11,643</u>	<u>\$ 13,089</u>

City of Pharr, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)
(amount expressed in thousands)

Revenues	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Taxes	\$ 8,953	\$ 11,758	\$ 12,734	\$ 14,205	\$ 15,051	\$ 20,022	\$ 21,929	\$ 24,350	\$ 25,972	
Licenses and permits	242	360	533	712	688	555	681	1,468	886	
Intergovernmental	1,788	2,705	1,674	3,210	3,606	3,431	2,296	1,178	1,751	
Charges for services	2,482	2,619	2,785	3,042	3,558	3,647	3,971	4,287	5,073	
Fines	269	251	411	518	761	1,056	1,415	968	800	
Investment earnings	338	441	354	644	440	162	306	419	445	
Miscellaneous	751	622	1,059	982	1,318	1,079	1,481	2,127	1,970	
Total Revenues	14,823	16,068	19,181	23,313	25,422	29,952	32,079	34,797	36,897	
Expenditures										
General government	7,835	8,814	9,141	13,231	16,536	8,287	6,985	14,218	12,943	
Public safety	4,943	5,581	7,044	8,708	9,767	11,558	13,452	15,391	15,642	
Highways and streets	567	563	740	942	1,287	2,076	5,351	2,542	2,121	
Sanitation	1,744	1,817	2,108	2,226	2,235	3,059	-	3,021	3,483	
Culture and recreation	313	359	477	601	752	3,168	3,323	977	3,422	
Economic development	165	269	470	117	933	2,149	2,109	3,120	5,757	
Debt service	558	1,334	1,412	1,558	3,169	3,227	3,211	2,803	5,129	
Other charges	-	-	-	-	-	-	-	-	-	
Total expenditures	16,125	18,737	21,775	28,440	34,679	33,524	34,431	42,072	48,497	
Excess of revenues over (under) expenditures	(1,302)	(2,669)	(3,097)	(5,127)	(9,257)	(3,572)	(2,352)	(7,275)	(11,600)	
Other financing sources (uses)										
Transfers in	216	502	886	705	1,986	2,302	10,721	4,044	9,298	
Transfers out	-	(27)	(169)	(9)	-	(662)	(4,359)	(1,756)	(669)	
Proceeds of Long Term Debt	11,780	86	329	12,204	-	312	16,567	3,120	2,480	
Other	-	-	-	-	-	-	(15,149)	979	3,479	
Total other financing sources (uses)	11,996	561	1,046	12,889	1,986	1,952	7,780	6,387	14,588	
Net change in fund balances	\$ 10,694	\$ (2,108)	\$ (1,548)	\$ (3,612)	\$ (7,271)	\$ (1,620)	\$ 5,428	\$ (888)	\$ 2,988	
Debt service as a percentage of noncapital expenditures	3.6%	7.7%	6.9%	7.5%	10.1%	10.7%	10.3%	7.1%	11.8%	

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

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Total Assessed</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value¹ as a Percentage of Actual Value</u>
1998	1997	\$ 706,669	\$ 37,184	\$ 669,485	\$0.630	\$ 669,485	94.74%
1999	1998	750,745	26,351	724,394	0.642	724,394	96.49%
2000	1999	792,599	26,192	766,407	0.642	766,407	96.70%
2001	2000	917,247	34,266	882,981	0.662	882,981	96.26%
2002	2001	1,003,668	33,547	970,122	0.690	970,122	96.66%
2003	2002	1,059,189	31,435	1,027,754	0.683	1,027,754	97.03%
2004	2003	1,239,070	35,865	1,203,205	0.683	1,203,205	97.11%
2005	2004	1,396,726	45,216	1,351,511	0.683	1,351,511	96.76%
2006	2005	1,489,878	47,732	1,442,146	0.683	1,442,146	96.80%
2007	2006	\$ 1,661,456	\$ 44,162	\$ 1,617,294	\$0.683	\$ 1,617,294	97.34%

Source: Hidalgo County Central Appraisal District

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

¹Includes tax-exempt property.

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

Fiscal Year	City of Pharr Tax Rate			Overlapping Tax Rates								
				Drainage District #1			Hidalgo County			P.S.J.A ISD		
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total
1998	\$ 0.506	\$ 0.124	\$ 0.630	\$ 0.041	\$ -	\$ 0.041	\$ 0.429	\$ 0.017	\$ 0.447	\$ 1.313	\$ 0.261	\$ 1.574
1999	0.529	0.113	0.642	0.038	-	0.038	0.394	0.052	0.447	1.380	0.200	1.580
2000	0.534	0.108	0.642	0.038	-	0.038	0.445	0.055	0.501	1.500	0.090	1.590
2001	0.565	0.098	0.662	0.046	-	0.046	0.459	0.060	0.520	1.500	0.135	1.635
2002	0.590	0.100	0.690	0.046	-	0.046	0.522	0.069	0.590	1.500	0.122	1.622
2003	0.596	0.087	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.122	1.622
2004	0.602	0.081	0.683	0.044	-	0.044	0.526	0.064	0.590	1.500	0.112	1.612
2005	0.593	0.090	0.683	0.044	-	0.044	0.527	0.063	0.590	1.500	0.114	1.614
2006	0.593	0.090	0.683	0.041	-	0.041	0.520	0.070	0.590	1.500	0.114	1.614
2007	\$ 0.593	\$ 0.090	\$ 0.683	\$ 0.040	\$ 0.009	\$ 0.049	\$ 0.516	\$ 0.075	\$ 0.591	\$ 1.040	\$ 0.171	\$ 1.211

Overlapping Tax Rates						Total Direct & Overlapping Rates
South Texas ISD			South Texas College			
Operating	Debt Service	Total	Operating	Debt Service	Total	
\$ 0.037	\$ -	\$ 0.037	\$ 0.080	\$ 0.012	\$ 0.092	\$ 2.821
0.037	-	0.037	0.080	0.012	0.092	2.837
0.037	-	0.037	0.080	0.012	0.092	2.900
0.039	-	0.039	0.079	0.011	0.090	2.991
0.039	-	0.039	0.110	0.068	0.178	3.164
0.039	-	0.039	0.110	0.064	0.174	3.152
0.039	-	0.039	0.110	0.055	0.165	3.132
0.039	-	0.039	0.110	0.049	0.159	3.128
0.039	-	0.039	0.110	0.045	0.155	3.122
\$ 0.049	\$ -	\$ 0.049	\$ 0.110	\$ 0.044	\$ 0.154	\$ 2.737

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

¹Tax rate is per \$100 of taxable assessed value

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

City of Pharr, Texas
Principal Property Taxpayers
Fiscal Year End 2007 and 1998
(amount expressed in thousands)

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
McAllen Levcal LLC	\$ 13,679	1	0.85%			
Shell Western E&P (Total E&P)	13,030	2	0.81%			
Fina Oil & Chemical Co.				10,453	2	1.56%
Spigel, Stanley				8,564	3	1.28%
Wilder Corp	12,515	3	0.77%	8,047	4	1.20%
AEP Texas Central Co.	11,226	4	0.69%			
Southwestern Bell Tele	9,674	5	0.60%	14,262	1	2.13%
Central Power & Light	9,594	6	0.59%	5,822	5	0.87%
Home Depot, The	6,734	7	0.42%			
Royal Freight LP	6,559	8	0.41%			
Capote Farms LTD	6,191	9	0.38%			
Westbrae Enterprises, Inc.				5,813	6	0.87%
Gold Star Warehousing LTD	5,634	10	0.35%			
H E Butt Grocery Company				5,015	7	0.75%
Stewart Entertainment				4,463	8	0.67%
Matt's Cash & Carry				4,099	9	0.61%
Financial Mngmnt Intl Corp				4,001	10	0.60%
Totals	\$ 94,836		5.9%	\$ 70,539		10.5%
Assessed Taxable Value	\$ 1,617,294			\$ 669,485		

Source: Hidalgo County Appraisal District

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

Fiscal Year Ended	Tax Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Delinquent Collections	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	\$ 4,218	\$ 4,054	96.1%	\$ 277	\$ 4,331	102.7%
1999	1998	4,653	4,331	93.1%	308	4,639	99.7%
2000	1999	4,923	4,979	101.1%	328	5,307	107.8%
2001	2000	5,848	5,200	88.9%	428	5,628	96.2%
2002	2001	6,694	5,685	84.9%	549	6,234	93.1%
2003	2002	7,021	6,328	90.1%	521	6,849	97.6%
2004	2003	8,219	7,481	91.0%	613	8,094	98.5%
2005	2004	9,232	8,356	90.5%	670	9,026	97.8%
2006	2005	9,852	9,072	92.1%	789	9,861	100.1%
2007	2006	\$ 11,048	\$ 10,156	91.9%	804	\$ 10,960	99.2%

Source: City of Pharr Tax Assessor/Collector

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Household Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Notes	Capital Leases	Utility & Toll Bridge Bonds/Notes	Capital Leases	Notes	Government			
1998	\$ 183	\$ 13,975	\$ -	-	\$ 42,569	\$ -	\$ -	\$ 56,727	0.23%	\$ 1,347	
1999	86	13,195	-	100	42,979	-	-	56,360	0.23%	1,271	
2000	-	14,560	-	305	38,821	113	-	53,799	0.14%	1,153	
2001	-	26,060	-	594	36,766	320	-	63,740	0.16%	1,295	
2002	-	25,500	1,960	242	32,327	389	-	60,418	0.16%	1,176	
2003	-	24,170	1,785	632	36,882	289	-	63,758	0.16%	1,171	
2004	-	23,330	5,278	471	31,707	305	2	61,093	0.16%	1,076	
2005	16,110	7,085	4,683	698	21,444	86	-	50,106	0.13%	849	
2006	16,025	6,070	5,746	1,544	20,042	246	-	49,673	0.13%	810	
2007	\$ 15,935	\$ 5,000	\$ 4,962	\$ 1,550	\$ 61,711	\$ 815	\$ 5,995	\$ 95,968	0.25%	\$ 1,492	

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

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

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

<u>Fiscal Year</u>	<u>General/Certificate Obligations Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
1998	\$ 14,158	2.11%	\$ 336
1999	13,281	1.83%	300
2000	14,560	1.90%	312
2001	26,060	2.95%	529
2002	25,500	2.63%	496
2003	24,170	2.35%	444
2004	23,330	1.94%	411
2005	23,195	1.72%	393
2006	22,095	1.53%	360
2007	\$ 20,935	1.29%	\$ 325

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

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

² Population data can be found in the Schedule of Demographic and Economic Statistics

City of Pharr, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007
(amounts expressed in thousands)

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 165,708	8.2%	\$ 13,578
Hidalgo Irrigation District #1	27,678	8.2%	2,268
South Texas College	90,872	37.0%	33,623
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	173,268	53.2%	<u>92,240</u>
		Subtotal, overlapping debt	141,708
City of Pharr direct debt	20,935	100%	20,935
Total direct and overlapping debt			<u>\$ 162,643</u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment.
Debt outstanding data provided by the county and South Texas College.

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

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 70,667	\$ 75,074	\$ 79,260	\$ 91,725	\$ 100,367	\$ 105,919	\$ 123,907	\$ 139,673	\$ 148,988	\$ 166,146
Total net debt applicable to limit	14,158	13,281	14,560	26,060	25,500	24,170	23,330	23,195	22,095	20,935
Legal debt margin	\$ 56,509	\$ 61,793	\$ 64,700	\$ 65,665	\$ 74,867	\$ 81,749	\$ 100,577	\$ 139,673	\$ 126,893	\$ 145,211
Total net debt applicable to the limit as a percentage of debt limit	20.0%	17.7%	18.4%	28.4%	25.4%	22.8%	18.8%	0.0%	14.8%	12.6%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	\$ 1,617,294
Add Back: exempt property	44,162
Total Assessed Value	<u>\$ 1,661,456</u>
Debt limit (10% of total assessed value)	166,146
Debt applicable to limit:	
General obligation bonds	20,935
Legal debt margin	<u>\$ 145,211</u>

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

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

Water & Sewer Revenue Bonds								
Fiscal Year	Utility Charges and Other Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Paid		Coverage		
				Principal	Interest			
1998	\$ 5,104	\$ 2,497	\$ 2,607	\$ 5,845	\$ 833	0.39		
1999	5,361	3,058	2,303	1,755	1,013	0.83		
2000	6,020	3,378	2,642	4,158	962	0.52		
2001	6,083	3,235	2,848	2,055	841	0.98		
2002	6,038	3,612	2,426	2,168	780	0.82		
2003	6,193	3,762	2,431	1,106	725	1.33		
2004	6,605	4,311	2,294	1,231	646	1.22		
2005	7,829	4,881	2,948	1,290	604	1.56		
2006	11,594	5,695	5,899	937	542	3.99		
2007	\$ 10,722	\$ 5,427	\$ 5,295	\$ 851	\$ 702	3.41		

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

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

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling²</u>	<u>School Enrollment</u>	<u>Unemployment Rate³</u>
1998	42,111	\$ 24,333	\$ 5,288	Unknown	Unknown	20,636	21.6%
1999	44,327	24,333	9,462	Unknown	Unknown	21,050	16.1%
2000	46,660	38,967	9,462	27.4	47.3%	21,724	7.4%
2001	49,224	38,967	9,462	27.4	47.3%	22,537	8.1%
2002	51,362	38,967	9,462	27.4	47.3%	23,826	8.6%
2003	54,452	38,967	9,462	27.4	47.3%	25,210	8.6%
2004	56,752	38,967	9,462	27.4	47.3%	26,493	7.2%
2005	59,029	38,967	9,462	27.4	47.3%	27,338	5.8%
2006	61,360	38,967	9,462	27.8	47.3%	28,088	5.7%
2007	64,318	38,967	9,462	27.8	47.3%	28,868	5.5%

Data Sources: U.S. Census, Region One Education Service Center (PIEMS), U.S. Bureau of Labor Statistics

¹Population data from 2001 to 2006 taken from Planning and Zoning department. 2007 population is estimated based on average growth over prior 8 years.

²Reflects percentage of population age 25 or greater that are high school graduates. (Source: U.S. Census Bureau)

³Unemployment rate as of September of each year. (Source: U.S. Department of Labor - Bureau of Labor Statistics)

**City of Pharr, Texas
Principal Employers
Fiscal Year Ending 2007 and 1998**

<u>2007</u>			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	4,538	1	20.81%
Convergy's	900	2	4.13%
City of Pharr	533	3	2.44%
Ticketmaster	410	4	1.88%
Texas Department of Transportation	390	5	1.79%
Home Depot	200	6	0.92%
Lowe's	175	7	0.80%
HEB Food Stores	150	8	0.69%
D&F Industries	107	9	0.49%
Cris Equipment	104	10	0.48%
Total	<u>7,507</u>		<u>34.43%</u>

<u>1998*</u>			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pharr-San Juan-Alamo ISD	Unknown	-	0.00%
Convergy's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
D&F Industries	Unknown	-	0.00%
Cris Equipment	Unknown	-	0.00%
Total	<u>-</u>		<u>0.00%</u>

Source: Pharr Economic Development Corporation

* Information was not tracked to provide stated information.

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

	Budgeted Full-time Equivalent Employees as of September 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GENERAL FUND										
Administration	5.0	6.0	12.0	12.0	16.0	16.7	9.0	9.0	9.0	9.0
Finance	7.0	7.0	7.0	7.0	7.0	8.0	10.0	12.0	12.5	13.5
Police Department	82.0	90.0	101.5	105.5	121.5	124.5	130.0	134.0	146.0	155.0
Traffic Safety	7.0	7.0	9.0	13.0	13.0	13.0	13.0	16.0	13.0	16.0
Municipal Court	3.0	3.0	3.0	3.0	4.0	4.0	6.0	6.0	6.0	6.0
Fire Protection	46.0	48.0	49.0	51.0	52.0	53.0	54.0	57.0	57.0	65.0
Street Maintenance	21.0	19.0	23.0	23.0	24.0	24.0	24.0	25.0	28.0	30.0
Municipal Library	11.0	12.0	13.0	14.0	16.0	18.0	23.0	23.0	25.0	26.0
Building Maintenance	31.5	38.5	45.0	46.0	47.0	51.0	53.0	70.0	71.0	73.0
Planning & Community Dev	14.3	14.0	15.7	16.0	17.0	17.3	19.0	22.0	20.0	23.0
Total General Fund	227.8	244.5	278.2	290.5	317.5	329.5	341.0	374.0	387.5	416.5
UTILITY FUND										
Administrative	5.0	5.0	6.0	7.0	8.0	8.0	8.0	9.0	9.5	10.5
Water Plant	12.0	10.0	10.0	9.0	11.0	9.0	9.0	9.0	9.0	10.0
Water Distribution	18.0	18.0	18.0	19.0	19.5	21.5	21.0	23.0	25.0	26.0
Wastewater Plant	10.0	10.0	10.0	11.0	12.0	11.0	11.0	11.0	11.0	13.0
Lift Station	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total Utility Fund	49.0	47.0	48.0	50.0	54.5	53.5	53.0	56.0	58.5	63.5
INTERNAL SERVICE FUND										
Chief Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laborers	-	-	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0
Total Internal Svc Fund	1.0	1.0	3.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0
INTERNATIONAL BRIDGE FUND										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Others	15.0	16.0	17.0	21.0	22.0	19.0	25.0	25.0	26.0	26.0
Total Int'l Bridge	16.0	17.0	18.0	22.0	23.0	20.0	26.0	26.0	27.0	27.0
OTHER										
CDBG	5.3	4.3	4.0	4.3	5.3	5.7	6.0	6.0	6.0	6.0
Golf Course	-	-	31.0	25.0	21.0	8.0	18.0	18.0	15.0	15.0
Total Other	5.3	4.3	35.0	29.3	26.3	13.7	24.0	24.0	21.0	21.0
GRAND TOTAL	299.2	313.8	382.2	394.8	425.3	420.7	448.0	484.0	499.0	533.0

Source: City of Pharr Budget Reports

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests	2,434	2,787	4,066	4,117	3,841	4,848	2,897	3,857	2,858	2808
Parking & Traffic Violations	unknown	4,037	7,897	6,008	6,587	10,101	10,897	15,983	13,742	12,742
Fire										
Number of calls answered	1,261	1,540	2,089	1,935	2,216	2,189	1,737	1,624	1,701	1794
Inspections	633	359	511	401	573	725	1,235	877	809	1,108
Highways and streets										
Street resurfacing (miles)	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	2
Potholes repaired	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Culture and recreation										
Int'l Convention Center Events	67	68	82	92	unknown	75	72	95	86	95
Other Community Center Events	68	176	189	259	unknown	306	269	231	206	268
Water										
New connections	370	448	627	290	717	614	867	832	1,204	638
Water mains breaks	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	3,948	4,156
Average daily consumption (millions of gallons)	4.9 MGD	4.6 MGD	4.4 MGD	5.1 MGD	5.1 MGD	5.0 MGD	4.7 MGD	6.1 MGD	6.6 MGD	5.6 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	3.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD	5.0 MGD

Sources: Various City Departments.

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	unknown	unknown	unknown	unknown	unknown	64	69	76	82	84
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	unknown	unknown	unknown	unknown	unknown	unknown	180	213	316
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	unknown	unknown	unknown	unknown	unknown	unknown	unknown	47	51	51
Culture and recreation										
Parks Acreage (Developed)	41	41	41	41	41	41	41	41	60	60
Swimming pools	1	2	2	2	2	2	2	2	2	2
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community and Convention Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water mains (miles)	unknown	unknown	unknown	unknown	unknown	unknown	~170	~182	~190	~191.6
Fire hydrants	1,258	1,330	1,440	1,596	1,712	1,730	1,750	1,820	1,918	2,010
Maximum daily capacity (thousands of gallons)	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD
Sewer										
Sanitary sewers (miles)	unknown	unknown	unknown	unknown	~169	~186	~204	~224	~246	262
Storm sewers (miles)	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Maximum daily treatment capacity (thousands of gallons)	3.12 MGD	3.22 MGD	3.31 MGD	3.45 MGD	3.63 MGD	3.82 MGD	4.15 MGD	4.19 MGD	4.25 MGD	4.45 MGD

Sources: Various city departments.



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