



CITY OF PHARR, TX

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



Fiscal Year Ended September 30, 2008

City of Pharr, TX

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2008

ELECTED OFFICIALS

Leo "Polo" Palacios, Jr. - Mayor

Adan Farias
Arturo J. Cortez
Francis Quintanilla

Bobby Carrillo
Eduardo Cantu
Oscar Elizondo, Jr.

CITY MANAGER

Fred Sandoval

FINANCE DIRECTOR

Juan G. Guerra, CPA

INDEPENDENT AUDITORS

Oscar R. Gonzalez, CPA

CITY OF PHARR, TX

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

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INTRODUCTORY SECTION



February 5, 2008

MAYOR
Leo "Polo" Palacios, Jr.

COMMISSIONERS
Arturo J. Cortez
Roberto "Bobby" Carrillo
Oscar Elizondo, Jr.
Eduardo "Eddie" Cantu
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, 2008, 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, 2008, 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 an 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 2008, 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 \$2 million more than this fiscal year. This is the result of the appraisal district's computer glitch that did not account for improvements of land for several years. 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 expected to slightly 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, 2010.

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. Last fiscal year, 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 now has 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 increased this 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>2007 - 08</u>	<u>2006 - 07</u>	<u>2005 - 06</u>
Unreserved, Undesignated General Fund, Fund Balance (in millions)	\$ 2.1	\$ (6.4)	\$ 0.2
Days Expenditure	23	(74)	2

The entire General Fund fund balance is \$3.9 million; the unreserved, undesignated fund balance is \$2.1 million and is equal to 23 days 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 decrease in available assets in fiscal year 2007 – 08 was due to debt service requirements. This decrease was anticipated.

	Fiscal Year		
	<u>2007 - 08</u>	<u>2006 - 07</u>	<u>2005 - 06</u>
Unrestricted, Available Assets (in millions)	\$ 1.5	\$ 8.5	\$ 1.9
Days Expense	91	574	125

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

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

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, 2008, 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

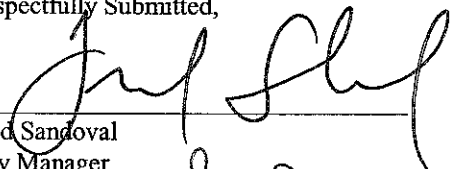
INDEPENDENT AUDIT: The City's financial statements have been audited by Oscar R. Gonzalez, CPA, a firm of a licensed certified public accountant and his degreed accounting staff. As a result of the audit, the City's financial statements have received an unqualified opinion. This indicates that there 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, 2008.

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 the certificate.

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

Respectfully Submitted,



Fred Sandoval
City Manager



Juan G Guerra
Director of Finance

CURRENT CITY OFFICIALS

Elected Officials

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

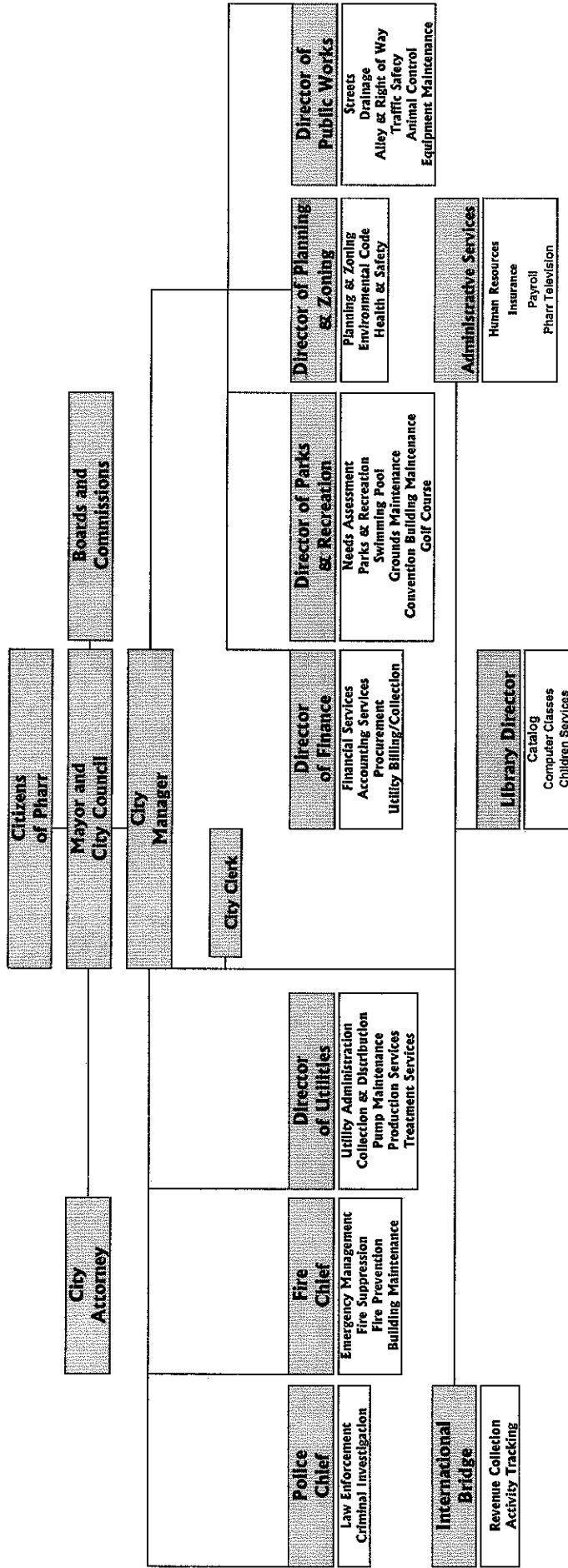
Appointed Officials

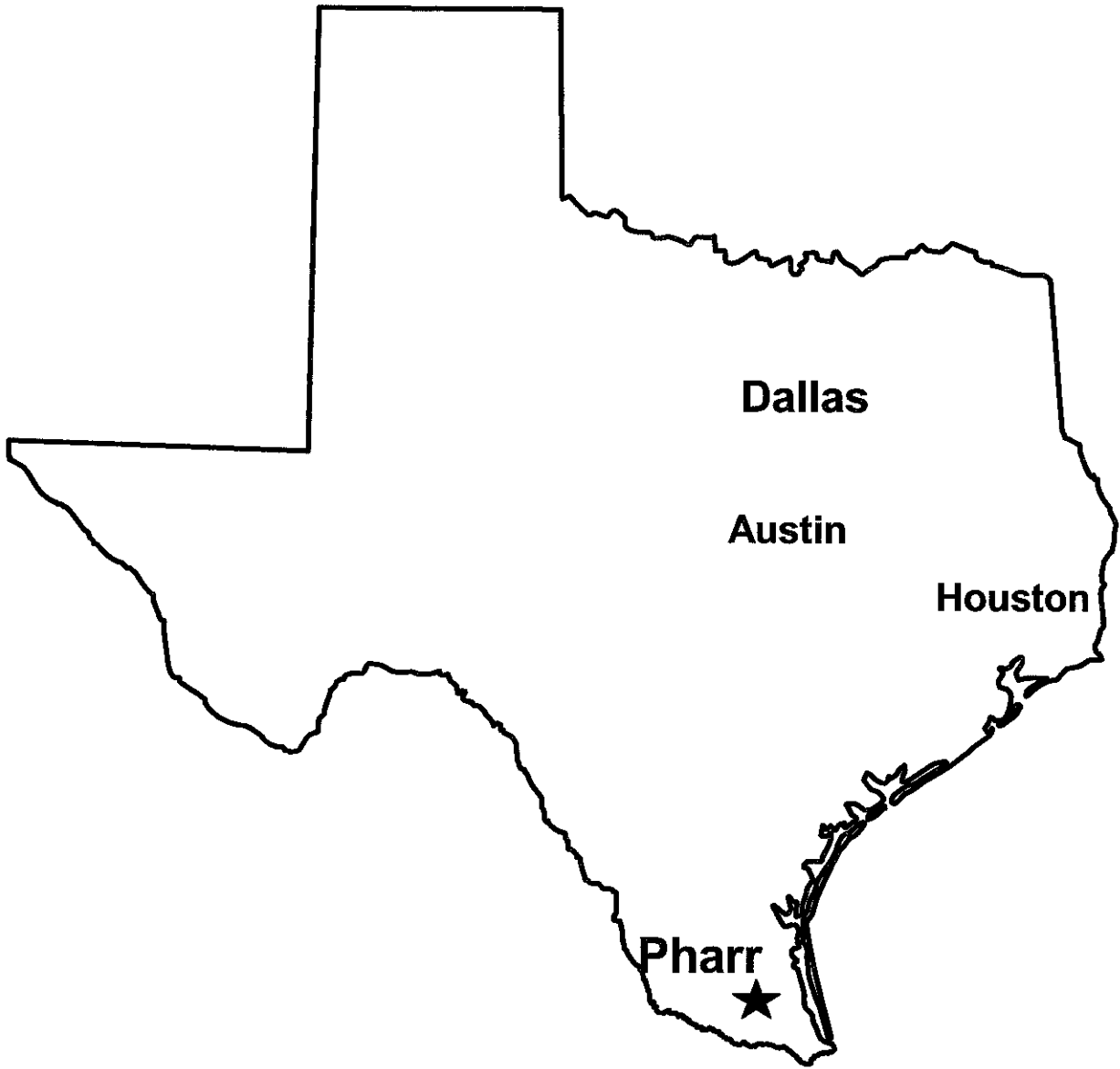
City Manager	Fred Sandoval
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Department Directors

City Clerk	Hilda Pedraza
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 City Council
City Of Pharr, Texas
118 South Cage Blvd.
Pharr, Texas 78577

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, 2008, 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 opinion.

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, 2008, 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 as part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oscar R. Gonzalez CPA

January 17, 2009

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, 2008. 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 \$19.6 million, or a change of 17.6% from last fiscal year's net assets. This increase was mainly due to an increase of over \$10.4 million of Capital Assets net of depreciation and over \$9.5 million in investments purchased with bond money issued for future capital projects.
- The assets of the City's governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$63.8 million (net assets). Of this amount, over \$4.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of more than \$2.2 million in unrestricted net assets, or 84.0%. The increase is due to a reduction in the need to restrict net assets.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$13.5 million (net assets). Of this amount, over \$2.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This is a reduction of nearly \$2.0 million, or 44.0%. The decrease is due to the cash payment of \$2 million that was combined with a revenue bond refunding issuance.
- The General Fund assets exceeded its liabilities by over \$3.8 million (fund balance). Of this amount, over \$2.0 million (unreserved fund balance) may be used to meet the General Fund's ongoing obligations. This is an increase of over \$8.4 million, or 132.5%. The increase is due to the entire City's efforts to correctly state the interfund payables and receivables. With City Commission approval, they were corrected via transfers in and out to arrive at a more realistic amount.
- At the end of the current fiscal year, unreserved, undesignated fund balance for all governmental funds increased by more than \$10.8 million, or 196.9%. This increase is mainly due to the General Fund's \$8.4 million change and the Capital Projects \$1.5 million increase. See the previous bullet for an explanation for the increase.
- The City's Enterprise fund's change in net assets increase this current year from prior year by over \$11.3 million, or 405.7%. The increase is due to the Bridge's increase of over \$5.7 million and the Golf Course's increase of over \$6.3 million. The Bridge transferred over \$3.7 million less and the Golf Course received over \$6.1 million in transfer funds this year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

The government-wide financial statements begin on page 13 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 three 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 the General, Community Development, Debt Service, and Hotel/Motel governmental funds. 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 15 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. The workman's compensation insurance fund is closed out this fiscal year.

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 has one fiduciary fund. The Retired Volunteer Firefighter's Pension Fund is an agency fund which accumulates resources for pension benefit payments to retired volunteer firefighter's or their resulting widow.

The fiduciary funds financial statements begin on page 28 of this report.

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 31 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.

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

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

The 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 \$131.4 million at the close of the fiscal year.

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

City of Pharr's Net Assets

Table 1 – Dollars in Millions	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$23.0	\$21.6	\$69.8	\$59.4	\$92.8	\$81.0
Capital assets	74.6	70.9	73.9	67.1	148.5	138.0
Total assets	\$97.6	\$92.5	\$143.7	\$126.5	\$241.3	\$219.0
Liabilities						
Long-term liabilities	\$24.8	\$30.7	\$68.0	\$69.4	\$92.8	\$100.1
Other liabilities	8.9	4.2	8.1	2.9	17.0	7.1
Total liabilities	\$33.7	\$34.9	\$76.1	\$72.3	\$109.8	\$107.2
Net Assets						
Invested in capital assets, net of related debt	\$50.9	\$40.2	\$59.2	\$46.6	\$110.1	\$86.8
Restricted	8.2	14.8	5.8	3.0	14.0	17.8
Unrestricted	4.8	2.6	2.6	4.6	7.4	7.2
Total net assets	\$63.9	\$57.6	\$67.6	\$54.2	\$131.5	\$111.8

By far the largest portion of the City's net assets (83.7%) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$14.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

City of Pharr's Changes in Net Assets

Table 2 – Dollars in Millions

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for services	\$ 9.4	\$ 8.3	\$ 21.5	\$ 19.5	\$ 30.9	\$ 27.8
Operating grants and contributions	2.5	1.9	-	-	2.5	1.9
Capital grants and contributions	1.5	6.7	6.9	3.1	8.4	9.8
General Revenues:						
Property tax	13.1	11.3	-	-	13.1	11.3
Sales tax	11.3	11.2	-	-	11.3	11.2
Other taxes	3.1	2.9	-	-	3.1	2.9
Other	0.8	2.6	1.6	1.5	2.4	4.1
Total Revenues	41.7	44.9	30.0	24.1	71.7	69.0
Expenses:						
General governmental	8.3	11.0	-	-	8.3	11.0
Public safety	18.5	16.5	-	-	18.5	16.5
Streets	2.1	2.5	-	-	2.1	2.5
Health and welfare	4.5	3.5	-	-	4.5	3.5
Culture and recreation	3.8	3.3	-	-	3.8	3.3
Interest of debt service	1.1	1.4	-	-	1.1	1.4
Utility	-	-	9.3	7.9	9.3	7.9
Toll bridge	-	-	3.3	3.5	3.3	3.5
Tierra Del Sol Golf Course	-	-	1.2	1.2	1.2	1.2
Total Expenses	38.3	38.2	13.8	12.6	52.1	50.8
Increase in net assets before special items and transfers	3.4	6.7	16.2	11.5	19.6	18.2
Transfers	2.1	8.7	(2.1)	(8.7)	-	-
Increase in net assets	5.5	15.4	14.1	2.8	19.6	18.2
Net assets - beginning	57.6	43.7	54.2	51.7	111.8	95.4
Prior period adjustment	0.8	(1.5)	(0.7)	(0.3)	0.1	(1.8)
Net assets - ending	\$ 63.9	\$ 57.6	\$ 67.6	\$ 54.2	\$ 131.5	\$ 111.8

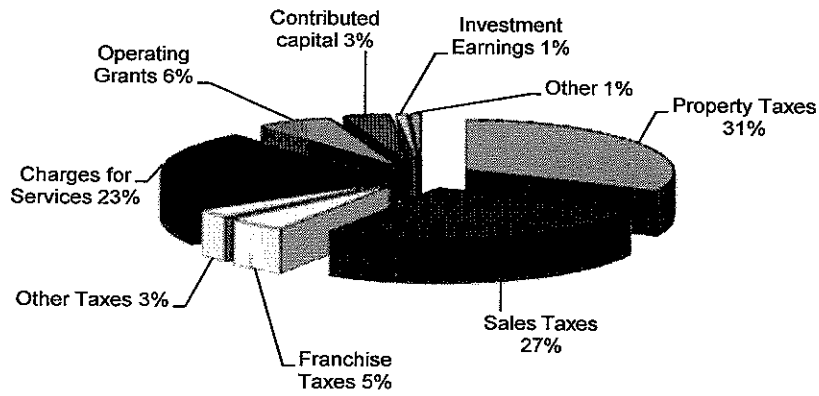
Governmental Activities

Governmental activities increased the City's net assets by \$5.5 million. Key elements of this increase are described as follows:

- Contributed capital from real estate developers was more than \$1.4 million
- Transfers from the business-type funds for operations were \$2.1 million
- Increase of \$1.8 million in City taxes

The City's governmental activities' revenues source distribution is presented on the following page.

Revenues by Source – Governmental Activities



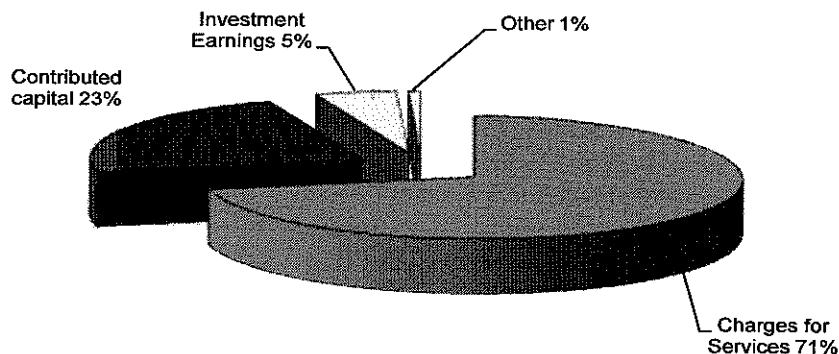
Business-Type Activities

Business-type activities increased the City's net assets by \$14.1 million. Key elements of this increase are described as follows:

- Contributed capital by real estate developers was more than \$6.9 million
- Charges for services increased by \$2 million
- Transfers out to Governmental Activities decreased by more than \$6.6 million

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

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, 2008 and 2007.

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

Table 3 - Dollars in thousands

	<u>2008</u>	<u>Percent of Total</u>	<u>2007</u>	<u>Percent of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Property taxes	\$12,977.6	21.5%	\$ 11,899.6	22.8%	\$ 1,078.0	9.1%
Sales taxes	11,304.9	18.7%	11,159.9	21.4%	145.0	1.3%
Franchise taxes	1,897.4	3.1%	1,810.5	3.5%	86.9	4.8%
Other taxes	1,189.7	2.0%	1,102.8	2.1%	86.9	7.9%
License and permits	684.5	1.1%	885.6	1.7%	(201.1)	-22.7%
Intergovernmental	2,455.0	4.1%	1,751.5	3.4%	703.5	40.2%
Fees and charges	6,382.3	10.6%	5,073.0	9.7%	1,309.3	25.8%
Fines	815.1	1.3%	799.9	1.5%	15.2	1.9%
Interest	349.5	0.6%	444.7	0.9%	(95.2)	-21.4%
Other	709.0	1.2%	1,969.0	3.8%	(1,260.0)	-64.0%
Transfers	16,941.3	28.0%	9,298.3	17.8%	7,643.0	82.2%
Debt proceeds	2,877.0	4.8%	2,479.9	4.8%	397.1	16.0%
Proceeds from sale of asset	1,818.7	3.0%	3,478.5	6.7%	(1,659.8)	-47.7%
	<u>\$60,402.0</u>	<u>100.0%</u>	<u>\$ 52,153.2</u>	<u>100.0%</u>	<u>\$ 8,248.8</u>	<u>15.8%</u>

Governmental funds reported an increase of \$8.2 million of revenues, or approximately 15.8.0%. Key elements of this increase are as follows:

- Increase in property tax appraisals that provided more than \$1 million in revenues
- Increase in sanitation revenues and PEDC rental income of \$600 thousand each
- Decrease of roughly \$1.1 million in contributions for capital projects and long-term debt
- Transfer of \$7.6 million that was needed to clear uncollectible payables from the respective funds
- Decrease of roughly \$1.6 million in proceeds from sale of assets due to a reduction in sale of PEDC assets

The following schedule presents a summary of general fund, special revenue funds, and capital projects fund expenditures for the years ended September 30, 2008 & 2007.

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

Table 4 - Dollars in thousands

	<u>2008</u>	<u>Percent of Total</u>	<u>2007</u>	<u>Percent of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General	\$ 6,033.8	9.94%	\$ 12,942.8	26.33%	\$ (6,909.0)	-53.4%
Public safety	19,392.5	31.95%	15,641.8	31.81%	3,750.7	24.0%
Highways and streets	4,443.5	7.32%	2,121.1	4.31%	2,322.4	109.5%
Health and welfare	4,305.9	7.09%	3,483.5	7.09%	822.4	23.6%
Culture and recreation	5,661.0	9.33%	3,421.7	6.96%	2,239.3	65.4%
Economic development	2,066.8	3.41%	5,756.6	11.71%	(3,689.8)	-64.1%
Debt service	4,379.8	7.22%	5,129.3	10.43%	(749.5)	-14.6%
Transfer out	14,415.4	23.75%	668.6	1.36%	13,746.8	2056.1%
	<u>\$ 60,698.7</u>	<u>100.00%</u>	<u>\$ 49,165.4</u>	<u>100.00%</u>	<u>\$ 11,533.3</u>	<u>23.5%</u>

Governmental funds reported an increase of \$11.5 million of expenditures, thereby accounting for an increase of approximately 23.5%. Key elements of this increase are as follows:

- A decrease of capital project general expenditures of roughly \$4.3 million
- General capital asset purchase decrease of roughly \$1 million
- Public safety increased due to police expenditures increasing by \$1.5 million (\$300,000 in capital leases, \$1 million in capital asset purchases) and fire expenditures increasing by \$1.2 million (capital lease increase of \$300,000 and capital asset purchases of \$900,000)
- Street capital projects increased by roughly \$1.9 million
- Library capital projects increased by roughly \$1.8 million
- PEDC decreased capital outlay expenditures by \$3.2 million
- Transfer of \$13 million that was needed to clear uncollectible payables from the respective funds

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 positive \$2.1 million, a stark contrast to last year's negative \$6.4 million. Total fund balance reached \$3.9 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 6.25% of total general fund expenditures, while total fund balance represents 11.7% of that same amount.

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

Table 5

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General fund	\$ 3,886,237	\$ 4,600,125	\$ (713,888)	-15.5%
Capital projects	-	781,544	(781,544)	100.0%
Special revenue	7,672,127	6,481,785	1,190,342	18.4%
Debt service	<u>283,561</u>	<u>1,225,846</u>	<u>(942,285)</u>	-76.9%
	<u>\$ 11,841,925</u>	<u>\$ 13,089,300</u>	<u>\$ (1,247,375)</u>	-9.5%

The fund balance in the governmental funds decreased by approximately \$1.2 million, or (9.5%). The fund balance of the City's general fund decreased by \$714,000, or (15.5%), during the fiscal year. The key factors to this decrease was the prior period adjustments totaling \$936,000, see Note II-F for details.

The fund balance of the City's Capital Projects Fund decreased by \$781,000, or 100.0%, during the fiscal year, reflecting the payment of outstanding project commitments.

The fund balance of the City's Special Revenue Fund increased by \$1,190,000, or 18.4%, during the fiscal year, reflecting the increases in fund balance of the Hotel/Motel fund by \$700,000, Asset Sharing fund by \$200,000, and the PEDC by \$365,000.

The fund balance of the City's Debt Service Fund decreased by \$942,000, or 76.9%, during the fiscal year, reflecting the payment of outstanding debt that was anticipated.

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

	<u>2008</u>	<u>Percent of Total</u>	<u>2007</u>	<u>Percent of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Water sales	\$ 6,599.4	22.9%	\$ 5,484.5	26.2%	\$ 1,114.9	20.3%
Sewer sales	5,208.2	18.0%	4,562.7	21.8%	645.5	14.1%
Toll fees	8,185.8	28.4%	7,967.9	38.1%	217.9	2.7%
Golf course fees	620.3	2.1%	225.4	1.1%	394.9	175.2%
Other revenues	1,133.2	3.9%	1,397.0	6.7%	(263.8)	-18.9%
Intergovernmental	5,668.4	19.6%	397.5	1.9%	5,270.9	1326.0%
Interest	1,451.4	5.0%	865.6	4.1%	585.8	67.7%
	<u>\$ 28,866.7</u>	<u>100.0%</u>	<u>\$20,900.6</u>	<u>100.0%</u>	<u>\$ 7,966.1</u>	<u>38.1%</u>

Water and sewer consumption revenues increased by roughly \$1.8 million, which was an increase of 34.4%. This increase was expected due to the consumption rates being increased.

Intergovernmental revenues increase revenues by \$5.3 million, or 1,326.0%. This increase is mainly due to grants received for capital outlay projects.

Interest revenues increased revenues by \$585,000, or 67.7%. This increase was due to debt service funds on hand for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variations in overall budgeted expenditure amounts from the original General Fund budget is due only to a one time debt payment transfer to the Bridge fund and annual pay supplement that was approved by the City Commission. (see the Notes to Basic Financial Statement for additional information on budgetary policy)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Pharr's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2008, amounts to \$148.5 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 \$10.5 million.

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

Table 7 - Dollars in millions

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 4.4	\$ 5.8	\$ 2.6	\$ 2.4	\$ 7.0	\$ 8.2
Building and system improvements	18.7	19.1	18.2	18.8	36.9	37.9
Other improvements	4.5	4.3	2.8	2.9	7.3	7.2
Machinery and equipment	5.6	3.8	4.1	4.6	9.7	8.4
Infrastructure	38.5	35.9	34.9	33.9	73.4	69.8
Construction in progress	2.9	2.0	11.3	4.5	14.2	6.5
	<u>\$ 74.6</u>	<u>\$ 70.9</u>	<u>\$ 73.9</u>	<u>\$ 67.1</u>	<u>\$ 148.5</u>	<u>\$ 138.0</u>

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report

Long-Term Debt

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$98.0 million. The details of the change in debt from 2007 through 2008 as indicated:

Table 8 - Dollars in millions

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percent Change</u>
Governmental				
Bonds	\$ 15.8	\$ 15.9	\$ (0.1)	-0.63%
Certificates of obligation	3.9	5.0	(1.1)	-22.00%
Capital leases	5.6	5.5	0.1	1.82%
Notes	0.8	1.0	(0.2)	-20.00%
	<u>26.1</u>	<u>27.4</u>	<u>(1.3)</u>	<u>-4.74%</u>
Business-Type				
Bonds	67.0	61.7	5.3	8.59%
Notes	4.6	6.0	(1.4)	-23.33%
Capital leases	0.3	0.8	(0.5)	-62.50%
	<u>71.9</u>	<u>68.5</u>	<u>3.4</u>	<u>4.96%</u>
Total	<u>\$ 98.0</u>	<u>\$ 95.9</u>	<u>\$ 2.1</u>	<u>2.19%</u>

Long-term debt for the Governmental activities decreased by \$1.3 million. This decrease was due to the standard retirement in debt.

Long-term debt for the Business-Type activities increased by a net \$3.4 million. This increase was due to the standard retirement in debt plus the issuance of refund bonds by the Utility fund.

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in 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 wholesale business is looking at Pharr to expand its business.
- Industrial area located close to the international bridge continues to expand annually.

All of these factors were considered in preparing the City's budget for the 2008-09 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Education Finance Authority</u>
<u>ASSETS</u>				
Cash	\$ 11,191,930	\$ 2,247,826	\$ 13,439,756	\$ 5,000
Investments	506,546	37,569,269	38,075,815	-
Receivables (net of allowance for uncollectibles)	9,291,478	2,399,549	11,691,027	4,616,535
Internal balances	(872,685)	872,685	-	-
Inventories	90,186	93,238	183,424	-
Restricted assets:				
Cash	96,596	8,387,268	8,483,864	-
Cash with Fiscal Agent	1,729,724	13,570,000	15,299,724	40,117
Intergovernmental receivable	229,870	1,398,353	1,628,223	-
Unamortized Bond issuance costs	774,260	3,272,945	4,047,205	69,442
Capital assets not being depreciated:				
Land	4,378,377	2,604,856	6,983,233	-
Construction in progress	2,847,966	11,251,563	14,099,529	-
Capital assets net of accumulated depreciation:				
Buildings and system	18,653,202	18,181,582	36,834,784	-
Improvements other than buildings	4,523,996	2,809,095	7,333,091	-
Machinery and equipment	5,637,780	4,095,484	9,733,264	-
Infrastructure	38,526,575	34,940,678	73,467,253	-
Total assets	<u>\$ 97,605,801</u>	<u>\$ 143,694,391</u>	<u>\$ 241,300,192</u>	<u>\$ 4,731,094</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 3,056,297	\$ 1,136,752	\$ 4,193,049	\$ 3,334
Deferred revenue	356,025	49,874	405,899	4,656,575
Matured bonds and notes payable	4,273,639	4,786,768	9,060,407	246,511
Liabilities payable from restricted assets	1,252,520	2,194,626	3,447,146	-
Long-term debt, net	24,788,975	67,972,055	92,761,030	4,370,024
Total liabilities	<u>33,727,456</u>	<u>76,140,075</u>	<u>109,867,531</u>	<u>9,276,444</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	50,941,141	59,224,261	110,165,402	-
Restricted for:				
Debt service	443,208	4,915,828	5,359,036	-
Capital projects	-	846,331	846,331	-
Other purposes	7,672,128	-	7,672,128	-
Unrestricted (deficit)	4,821,868	2,567,896	7,389,764	(4,545,350)
Total net assets	<u>63,878,345</u>	<u>67,554,316</u>	<u>131,432,661</u>	<u>(4,545,350)</u>
Total liabilities and net assets	<u>\$ 97,605,801</u>	<u>\$ 143,694,391</u>	<u>\$ 241,300,192</u>	<u>\$ 4,731,094</u>

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, 2008**

Functions/Programs Primary government:	Net (Expense) Revenue and Changes in Net Assets							Component Unit
	Program Revenues			Primary Government			Total	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Education Finance Authority		
Expenses								
Governmental activities:								
General government	\$ 8,265,494	\$ 1,104,514	\$ -	(4,785,560)	\$ -	(4,785,560)	\$ -	-
Public safety	18,495,093	1,344,296	-	(15,488,578)	-	(15,488,578)	-	-
Highways and streets	2,113,809	-	1,481,223	(565,463)	-	(565,463)	-	-
Health and welfare	4,537,380	-	-	431,253	-	431,253	-	-
Culture and recreation	3,830,697	15,744	-	(3,442,662)	-	(3,442,662)	-	-
Interest on long-term debt	1,122,304	-	-	(1,122,304)	-	(1,122,304)	-	-
Total governmental activities	<u>38,364,777</u>	<u>2,464,554</u>	<u>1,481,223</u>	<u>(24,973,314)</u>		<u>(24,973,314)</u>		-
Business-type activities:								
Utility	9,291,394	-	5,940,013		9,131,492	9,131,492		
Toll Bridge	3,299,803	-	1,000,000		5,980,823	5,980,823		
Tierra Del Sol Golf Course	1,171,483	-	-		(405,597)	(405,597)		
Total business-type activities	<u>13,762,680</u>	<u>-</u>	<u>6,940,013</u>		<u>14,706,718</u>	<u>14,706,718</u>		
Total primary government	\$ <u>52,127,457</u>	\$ <u>2,464,554</u>	\$ <u>8,421,236</u>	\$ <u>(24,973,314)</u>	\$ <u>14,706,718</u>	\$ <u>(10,266,596)</u>		
Component unit:								
Education Finance Authority	\$ 247,952	\$ -	\$ -				\$ (247,952)	
Total component unit	\$ <u>247,952</u>	\$ <u>-</u>	\$ <u>-</u>				\$ <u>(247,952)</u>	
General revenues:								
Property taxes				13,082,069	-	13,082,069		
Sales taxes				11,304,928	-	11,304,928		
Franchise taxes				1,897,438	-	1,897,438		
Other taxes				1,189,686	-	1,189,686		
Investment earnings				357,052	1,451,360	1,808,412	246,781	
Gain on sale of assets				364,808	9,200	374,008	-	
Other				-	208,354	208,354	234,045	
Transfers				2,189,595	(2,189,595)	-	-	
Total general revenues and transfers				<u>30,385,576</u>	<u>(520,681)</u>	<u>29,864,895</u>	<u>480,826</u>	
Change in net assets				5,412,262	14,186,037	19,598,299	232,874	
Net assets - beginning				57,573,515	54,177,012	111,750,527	(4,778,224)	
Prior period adjustment				892,568	(808,733)	83,835	-	
Net assets - ending				<u>\$ 63,878,345</u>	<u>\$ 67,554,316</u>	<u>\$ 131,432,661</u>	<u>(4,545,350)</u>	

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

**CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>General</u>	<u>Capital Projects</u>	<u>Economic Development Corporation</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<u>ASSETS</u>					
Cash	\$ 3,870,847	\$ 10,746	\$ 3,821,296	\$ 3,357,119	\$ 11,060,008
Investments	282,229	-	-	224,317	506,546
Receivables (net of allowance for uncollectible):					
Property taxes	1,972,514	-	-	289,145	2,261,659
Warrants	2,881,516	-	-	-	2,881,516
Sales tax	1,895,814	-	-	-	1,895,814
Notes	-	-	105,494	71,439	176,933
Accounts	1,171,536	-	-	-	1,171,536
Other	513,570	81,534	27,167	281,749	904,020
Inventories	75,902	-	-	-	75,902
Due from other funds	614,628	-	473,953	-	1,088,581
Restricted assets:					
Cash	79,019	-	17,577	-	96,596
Cash with Fiscal Agent	1,729,724	-	-	-	1,729,724
Intergovernmental receivable	-	-	-	229,870	229,870
Total assets	<u>\$ 15,087,299</u>	<u>\$ 92,280</u>	<u>\$ 4,445,487</u>	<u>\$ 4,453,639</u>	<u>\$ 24,078,705</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 2,309,595	\$ 92,280	\$ 6,907	\$ 92,777	\$ 2,501,559
Accrued payroll	336,458	-	3,728	-	340,186
Accrued liabilities	-	-	-	-	-
Due to other funds	1,487,413	-	-	469,289	1,956,702
Escrow accounts	312,535	-	-	-	312,535
Deferred property tax	1,856,388	-	-	271,852	2,128,240
Deferred accounts	1,760,018	-	-	-	1,760,018
Deferred revenue	3,138,655	-	-	98,885	3,237,540
Total liabilities	<u>11,201,062</u>	<u>92,280</u>	<u>10,635</u>	<u>932,803</u>	<u>12,236,780</u>
Fund balances (deficits):					
Reserved for:					
Encumbrances	973,250	-	-	-	973,250
Inventory	75,902	-	-	-	75,902
Debt service	-	-	-	283,561	283,561
Economic development	-	-	4,434,852	-	4,434,852
Unreserved for:					
General fund	2,080,612	-	-	-	2,080,612
Special revenue	-	-	-	3,237,275	3,237,275
Unreserved, designated for:					
Capital assets	756,473	-	-	-	756,473
Total fund balances	<u>3,886,237</u>	<u>-</u>	<u>4,434,852</u>	<u>3,520,836</u>	<u>11,841,925</u>
Total liabilities and fund balances	<u>\$ 15,087,299</u>	<u>\$ 92,280</u>	<u>\$ 4,445,487</u>	<u>\$ 4,453,639</u>	<u>\$ 24,078,705</u>

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, 2008

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

Total fund balances - governmental funds balance sheet		\$ 11,841,925
(1) When capital assets that are to be used in governmental activities are purchased, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the city as a whole	Cost of capital assets	115,287,109
	Accumulated depreciation	<u>(41,410,789)</u>
		73,876,320
(2) Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% of the assets is allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets	Garage	691,575
	Workman's Compensation	<u>-</u>
		691,575
(3) Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets	Bonds/Certificates/Notes	(20,490,000)
	Capital leases	(5,576,019)
	Unamortized debt activity	<u>774,260</u>
		(25,291,759)
(4) Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Tax receivable	3,013,010
	Allowance	(751,353)
	Accrual	<u>(133,418)</u>
		2,128,239
(5) Because some sanitation, brush, and paving fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Sanitation	633,023
	Brush & Debris	131,590
	Paving	<u>55,422</u>
		820,035
(6) Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Bonds	(81,793)
	Certificates	(23,091)
	Notes	<u>(7,322)</u>
		(112,206)
(7) Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. The difference in compensated absences from last year to this year is recorded in the statement of activities	Current	(1,225,652)
	Long-term	<u>(1,731,650)</u>
		(2,957,302)

CITY OF PHARR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008 - Continued

(8)	Because some warrants will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in governmental funds	Warrants receivable	5,187,826		
		Allowance	<u>(2,306,308)</u>	<u>2,881,518</u>	

Net assets of governmental activities - statement of net assets	<u><u>\$ 63,878,345</u></u>
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The notes to the financial statements are an integral part of this statement

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

REVENUES	<u>General</u>	<u>Capital Projects</u>	<u>Economic Development Corporation</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Taxes:					
Property	\$ 11,450,404	\$ -	\$ -	\$ 1,527,174	\$ 12,977,578
Sales	8,478,696	-	2,826,232	-	11,304,928
Franchise	1,897,438	-	-	-	1,897,438
Other	183,154	-	-	1,006,532	1,189,686
Licenses and permits	684,506	-	-	-	684,506
Intergovernmental	216,542	-	-	2,238,483	2,455,025
Fees and charges:					
Sanitation	3,868,368	-	-	-	3,868,368
Brush	1,011,182	-	-	-	1,011,182
Other	774,290	-	611,705	116,689	1,502,684
Fines	815,060	-	-	-	815,060
Special assessments	65,323	-	-	-	65,323
Interest income	155,937	17,772	92,707	83,034	349,450
Contributions and donations	9,529	-	-	-	9,529
Other	563,254	-	17,774	53,260	634,288
Total revenues	<u>30,173,683</u>	<u>17,772</u>	<u>3,548,418</u>	<u>5,025,172</u>	<u>38,765,045</u>
EXPENDITURES					
Current:					
General government	4,935,928	582,418	-	515,458	6,033,804
Public safety	18,273,923	-	-	1,118,552	19,392,475
Highways and streets	2,270,708	1,980,961	-	191,822	4,443,491
Health and welfare	4,305,918	-	-	-	4,305,918
Culture and recreation	3,528,231	1,765,896	-	366,883	5,661,010
Economic development	-	-	2,066,824	-	2,066,824
Debt service:					
Principal	-	-	1,935,804	1,435,000	3,370,804
Interest	-	-	176,101	832,857	1,008,958
Total expenditures	<u>33,314,708</u>	<u>4,329,275</u>	<u>4,178,729</u>	<u>4,460,572</u>	<u>46,283,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,141,025)</u>	<u>(4,311,503)</u>	<u>(630,311)</u>	<u>564,600</u>	<u>(7,518,239)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,355,818	5,880,579	10,000	694,908	16,941,305
Transfers (out)	(9,869,569)	(2,322,400)	(820,000)	(1,403,467)	(14,415,436)
Proceeds from sale of land	-	-	1,805,311	13,425	1,818,736
Bond/loan proceeds	2,877,000	-	-	-	2,877,000
Total other financing sources and uses	<u>3,363,249</u>	<u>3,558,179</u>	<u>995,311</u>	<u>(695,134)</u>	<u>7,221,605</u>
Net change in fund balance	222,224	(753,324)	365,000	(130,534)	(296,634)
Fund balance (deficit) - beginning	4,600,125	781,544	4,056,263	3,651,370	13,089,302
Prior period adjustment	(936,112)	(28,220)	13,589	-	(950,743)
Fund balance - ending	<u>\$ 3,886,237</u>	<u>\$ -</u>	<u>\$ 4,434,852</u>	<u>\$ 3,520,836</u>	<u>\$ 11,841,925</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, 2008

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

	Net change in fund balances - total governmental funds		\$(296,634)
(1)	Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	Capital assets purchases Depreciation expense	6,768,887 <u>(3,156,740)</u> 3,612,147
(2)	Governmental funds do not recognize developer contribution of land, roads, paving and draining as donation/contribution revenue nor as an increase in governmental expenditures. This is the net amount by which contributed capital increased the capital assets net or related debt of the city	Contributed capital - drainage Contributed capital - streets Depreciation - sanitation Depreciation - highways	570,102 928,342 (7,758) <u>(9,463)</u> 1,481,223
(3)	Internal service funds are used by management to charge the costs of fleet management and workman's compensation to individual funds. 100% is allocated to governmental activities. This is the net revenue of certain activities of internal service funds	Garage Workman's Compensation	94,311 <u>(553,227)</u> (458,916)
(4)	Repayment of bond principal is reported as an expenditure in governmental funds. For the city as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The city's bonded debt was reduced in due to principal payments made to bondholder's and the amortization of the debt issuance cost, premium/discount, and gain or loss on refunding, which results in an increase to interest expenses. Also, any new debt issuances are recorded as other financial sources but not counted as revenue in governmental activities. This is the result of debt activity	New lease proceeds Bonds/Certificates/Notes Unamortized debt activity	(2,877,000) 4,247,565 <u>(106,571)</u> 1,263,994
(5)	Because some property tax will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Current tax Delinquent tax	934,928 <u>(830,438)</u> 104,490
(6)	Because some sanitation and brush fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Garbage Brush	48,958 <u>3,634</u> 52,592

CITY OF PHARR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2008

(7)	Interest expense in the statement of activities differs from the amount reported in governmental funds due to accrued interest calculated for bonds and notes payable	Current year accrual	112,205	
		Prior year accrual	<u>(118,980)</u>	(6,775)
(8)	Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period. Compensated absences is recorded in the statement of assets	Current year	(2,957,301)	
		Prior year	<u>3,264,179</u>	306,878
(9)	Because some warrant fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds	Prior Year Warrant A/R	(2,069,825)	
		Current Year Warrant A/R	<u>2,881,516</u>	811,691
(10)	The proceeds from the sale of land are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital asset account in the statement of net assets and offset against the sale proceeds resulting in a "gain on sale of asset" in the statement of activities. Thus, more revenue is reported in governmental funds than the gain in the statement of activities	PEDC sale proceeds	(1,805,311)	
		Gain on sale	<u>346,883</u>	<u>(1,458,428)</u>
	Change in net assets of governmental activities			<u>\$ 5,412,262</u>

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



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**CITY OF PHARR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	<u>Business-type Enterprise Funds</u>				<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Utility</u>	<u>Toll Bridge</u>	<u>Tierra Del Sol Golf Course</u>			
<u>ASSETS</u>						
Current assets:						
Cash	\$ 1,191,545	\$ 890,168	\$ 166,114	\$ -	2,247,827	\$ 131,922
Investments	37,063,557	505,712	-	-	37,569,269	-
Receivables (net of allowance for uncollectible):						
Accounts	2,134,014	184,130	-	-	2,318,144	-
Other	69,556	4,000	7,846	-	81,402	-
Inventories	63,242	-	29,998	-	93,240	14,284
Due from other funds	1,013,460	-	-	-	1,013,460	-
Restricted assets:						
Cash	6,391,283	1,995,985	-	-	8,387,268	-
Cash with Fiscal Agent	13,570,000	-	-	-	13,570,000	-
Intergovernmental receivable	1,203,521	194,832	-	-	1,398,353	-
Total current assets	<u>62,700,178</u>	<u>3,774,827</u>	<u>203,958</u>	<u>-</u>	<u>66,678,963</u>	<u>146,206</u>
Noncurrent assets:						
Unamortized bond activity	1,728,195	1,544,750	-	-	3,272,945	-
Capital assets (net of accumulated depreciation):						
Land	785,869	819,645	999,342	-	2,604,856	-
Buildings	16,065,586	1,960,286	155,710	-	18,181,582	513,300
Improvements other than buildings	86,978	12,526	2,709,591	-	2,809,095	117,264
Machinery and equipment	3,312,259	533,780	249,446	-	4,095,485	61,011
Infrastructure	22,881,404	11,949,547	109,727	-	34,940,678	-
Construction in progress	8,638,057	2,613,505	-	-	11,251,562	-
Total capital assets, net of accumulated depreciation	<u>51,770,153</u>	<u>17,889,289</u>	<u>4,223,816</u>	<u>-</u>	<u>73,883,258</u>	<u>691,575</u>
Total noncurrent assets	<u>53,498,348</u>	<u>19,434,039</u>	<u>4,223,816</u>	<u>-</u>	<u>77,156,203</u>	<u>691,575</u>
Total assets	<u>\$ 116,198,526</u>	<u>\$ 23,208,866</u>	<u>\$ 4,427,774</u>	<u>\$ -</u>	<u>\$ 143,835,166</u>	<u>\$ 837,781</u>

	Business-type Enterprise Funds			Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 455,961	\$ 434,429	\$ 24,152	\$ 914,542
Accrued liabilities	156,048	66,162	-	222,210
Due to other funds	104,645	23,465	12,665	140,775
Deferred revenue	-	19,476	30,398	49,874
Customer deposits payable	2,184,003	-	-	2,184,003
Escrow payable	10,623	-	-	10,623
Matured accrued compensation	238,532	72,201	41,014	351,747
Matured capital lease	175,605	-	19,417	195,022
Matured bonds/notes	2,265,000	1,975,000	-	4,240,000
Total current liabilities payable from restricted assets	5,590,417	2,590,733	127,646	8,308,796
Noncurrent liabilities:				
Accrued compensation	342,636	103,713	58,913	505,262
Capital lease payable	124,394	-	17,399	141,793
Bonds/notes principal payable	56,395,000	10,930,000	-	67,325,000
Total noncurrent liabilities	56,862,030	11,033,713	76,312	67,972,055
	62,452,447	13,624,446	203,958	76,280,851
NET ASSETS				
Net assets:				
Invested in capital assets, net of related debt	47,582,756	7,454,504	4,187,001	59,224,261
Restricted for:				
Debt service	3,845,309	1,070,519	-	4,915,828
Capital projects	846,331	-	-	846,331
Unrestricted	1,471,683	1,059,397	36,815	2,567,895
Total net assets	\$ 53,746,079	\$ 9,584,420	\$ 4,223,816	\$ 67,554,315
				\$ 681,199
				17,049
				4,232
				-
				21,281
				146,205
				102,347
				-
				4,564
				-
				-
				-
				11,869
				6,144
				-
				124,924

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	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	\$ 6,599,447	\$ -	\$ -	\$ 6,599,447	-
Sewer service	5,208,213	-	-	5,208,213	-
Tap fees	496,814	-	-	496,814	-
Toll fees	-	8,185,755	-	8,185,755	-
Golf services	-	-	620,255	620,255	-
Other	178,399	94,871	145,631	418,901	-
Total operating revenues	<u>12,482,873</u>	<u>8,280,626</u>	<u>765,886</u>	<u>21,529,385</u>	<u>1,238,942</u>
Operating expenses:					
Personnel services	2,487,002	1,021,916	610,471	4,119,389	174,740
Supplies and Materials	1,029,877	81,463	76,007	1,187,347	9,793
Contractual Services	2,393,071	849,845	287,863	3,530,779	1,100,056
Depreciation	1,756,663	675,813	194,920	2,627,396	88,551
Total operating expenses	<u>7,666,613</u>	<u>2,629,037</u>	<u>1,169,261</u>	<u>11,464,911</u>	<u>1,373,140</u>
Operating income (loss)	<u>4,816,260</u>	<u>5,651,589</u>	<u>(403,375)</u>	<u>10,064,474</u>	<u>(134,198)</u>
Nonoperating revenues (expenses):					
Investment earnings	1,336,921	111,760	2,679	1,451,360	7,600
Interest expense	(1,611,452)	(596,724)	(2,221)	(2,210,397)	(536)
Amortization expense	(13,329)	(74,042)	-	(87,371)	-
Intergovernmental	4,668,426	1,000,000	-	5,668,426	-
Gain on sale of assets	8,900	-	300	9,200	4,500
Other	42,499	157,310	8,543	208,352	-
Total nonoperating revenues (expenses)	<u>4,431,965</u>	<u>598,304</u>	<u>9,301</u>	<u>5,039,570</u>	<u>11,564</u>
Income before contributions and transfers	<u>9,248,225</u>	<u>6,249,893</u>	<u>(394,074)</u>	<u>15,104,044</u>	<u>(122,634)</u>
Transfers in	453,485	1,281,938	6,133,228	7,868,651	470,609
Transfers out	(4,684,115)	(5,369,897)	(4,233)	(10,058,245)	(806,884)
Capital contributions	1,271,587	-	-	1,271,587	-
Changes in net assets	6,289,182	2,161,934	5,734,921	14,186,037	(458,909)
Total net assets - beginning	48,265,630	7,422,486	(1,511,105)	54,177,011	613,166
Prior period adjustment	(808,733)	-	-	(808,733)	537,319
Total net assets - ending	<u>\$ 53,746,079</u>	<u>\$ 9,584,420</u>	<u>\$ 4,223,816</u>	<u>\$ 67,554,315</u>	<u>\$ 691,576</u>

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



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CITY OF PHARR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 11,998,835	\$ 8,140,105	\$ 644,950	\$ 20,783,890	\$ 1,786,261	
Receipts from grants	2,903,574	805,168	-	3,708,742	-	
Payments to suppliers	(1,016,058)	(81,463)	(78,064)	(1,175,585)	(4,766)	
Payments to employees	(2,508,821)	(1,009,952)	(612,605)	(4,131,378)	(178,328)	
Payments for contractual services	(2,014,104)	(340,448)	(264,256)	(2,618,808)	(1,535,024)	
Payments (to)/from others	178,398	94,871	144,072	417,341	-	
Net cash flow from operating activities	<u>9,541,824</u>	<u>7,608,281</u>	<u>(165,903)</u>	<u>16,984,202</u>	<u>68,143</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances (to)/from other funds	2,586,407	894,563	(5,785,315)	(2,304,345)	404,750	
Transfers in from other funds	453,485	1,281,938	6,133,227	7,868,650	470,609	
Transfers out to other funds	(4,684,115)	(5,369,897)	(4,233)	(10,058,245)	(806,884)	
Net cash provided (used) by noncapital and related financing activities	<u>(1,644,223)</u>	<u>(3,193,396)</u>	<u>343,679</u>	<u>(4,493,940)</u>	<u>68,475</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(6,989,107)	(2,420,900)	-	(9,410,007)	-	
Proceeds from sale of capital assets	8,900	-	-	8,900	4,500	
Proceeds from bond sales, net of issuance costs	16,258,951	-	-	16,258,951	-	
Principal paid on long-term debt	(11,114,152)	(1,900,000)	(35,211)	(13,049,363)	(536)	
Interest paid on long-term debt	(1,729,935)	(609,641)	(1,922)	(2,341,498)	(42,140)	
Capital contributions	1,271,587	-	-	1,271,587	-	
Net cash provided (used) by capital and related financing activities	<u>(2,293,756)</u>	<u>(4,930,541)</u>	<u>(37,133)</u>	<u>(7,261,430)</u>	<u>(38,176)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturity (purchases) of investments	(8,648,488)	(22,133)	-	(8,670,621)	-	
Interest income received	1,336,921	111,760	2,679	1,451,360	7,600	
Net cash provided (used) by investing activities	<u>(7,311,567)</u>	<u>89,627</u>	<u>2,679</u>	<u>(7,219,261)</u>	<u>7,600</u>	
Net increase in cash	(1,707,722)	(426,029)	143,322	(1,990,429)	106,042	
Cash beginning of fiscal year	22,860,550	3,312,182	22,792	26,195,524	25,880	
Cash end of fiscal year	<u>\$ 21,152,828</u>	<u>\$ 2,886,153</u>	<u>\$ 166,114</u>	<u>\$ 24,205,095</u>	<u>\$ 131,922</u>	

	Business-type Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	Toll Bridge	Tierra Del Sol Golf Course	Total	
Operating income	\$ 4,816,260	\$ 5,651,589	\$ (403,375)	\$ 10,064,474	\$ (134,198)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,756,663	675,813	194,920	2,627,396	88,554
(Increase) Decrease in Grants, Accounts and Other Rec	2,924,936	768,372	(5,703)	3,687,605	547,319
(Increase) Decrease in Inventories	13,820	-	(2,057)	11,763	5,027
(Increase) Decrease in Other Assets	-	150,000	-	150,000	-
Increase (Decrease) in Accounts Payable	378,966	359,398	23,607	761,971	(434,971)
Increase (Decrease) in Accrued Compensation	(21,820)	11,963	(2,134)	(11,991)	(3,588)
Increase (Decrease) in Deferred/Escrow Revenue	-	(8,854)	28,839	19,985	-
Increase (Decrease) in Customer Deposits	(327,001)	-	-	(327,001)	-
Increase (Decrease) in Other Liabilities	-	-	-	-	-
Cash Provided by Nonoperating Revenues	-	-	-	-	-
Total adjustments	4,725,564	1,956,692	237,472	6,919,728	202,341
Net cash provided by operating activities	\$ 9,541,824	\$ 7,608,281	\$ (165,903)	\$ 16,984,202	\$ 68,143

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

**CITY OF PHARR, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008**

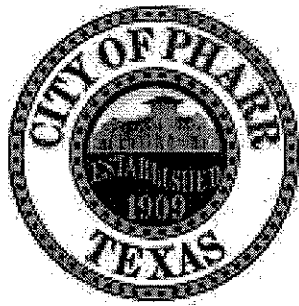
		Retired Volunteer Firefighter's Pension Agency Fund
<u>ASSETS</u>		
Cash	\$	101,675
Investments		254,130
Total assets		355,805
 <u>LIABILITIES</u>		
Accounts payable		-
Total liabilities		-
 <u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$	355,805

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

**CITY OF PHARR, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

		Retired Volunteer Firefighter's Pension Agency Fund
ADDITIONS		
Contributions:		
City of Pharr	\$	353,318
Employee		-
Other		-
Total contributions		353,318
Investment earnings		
Interest		9,266
Total additions		362,584
DEDUCTIONS		
Benefits		6,525
Administrative expenses		254
Total deductions		6,779
Change in net assets		355,805
Net assets - beginning		-
Net assets - ending	\$	355,805

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, 2008

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 Unit:	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 Unit

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 Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

The City has one blended component unit, the Pharr Economic Development Corporation (PEDC). PEDC info is stated below:

Pharr Economic Development Corporation – (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. PEDC was incorporated on June 12, 1990. The PEDC board is fully

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Financial Reporting Entity - (continued)

appointed by the City Board of Commissioners. The reason it is a blended component unit is because the City appoints all PEDC board members and can removed them at will, therefore, the PEDC board is substantially the same as the City governing body. Separate financial statements issued by the PEDC can be obtained by request at the following address:

PEDC
1215 S. Cage Blvd.
Pharr, TX 78577

Discretely Presented Component Unit

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

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 non-fiduciary financial information for the City and its component units. The primary government and component unit 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, 2008

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, 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, 2008

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. The workman's compensation insurance fund is closed out this fiscal year. These are proprietary funds that are reported with governmental activities in the government-wide financial statements.

The Retired Volunteer Firefighter's Pension Fund is an agency fund which accumulates resources for pension benefit payments to retired volunteer firefighter's or their resulting widow.

F. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

2. Property Taxes

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

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

5. Transactions between Funds

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

6. Capital Assets

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

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

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and sick leave balances. The City's policy allows employees to accumulate unused sick leave and extra compensation time on an unlimited basis and vacation leave 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, 2008

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 the General, PEDC, Community Development, Debt Service, and Hotel/Motel funds. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

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

The appropriated budget is prepared by fund, function, and department. The City's department head's may make transfers of appropriations 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, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved by the Board of Commissioners.

The Board of Commissioners made several budget amendments during the fiscal year. The main reasons for the amendment was to reduce sales tax and sanitation revenues by \$462,000, increase transfer in from the Bridge fund by \$1.2 million, and increase expenditures for a cost of living one time stipend. In the General fund, net budget amendments totaled roughly \$1,219,900 in revenues over expenditures.

B. Budget Basis of Accounting

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

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations of the health and safety function in the sanitation, brush, and animal control appropriations by \$312,142, \$53,746 and \$31,030 respectively. The main reason for these excesses was due to the increase in charges by the sanitation and brush collection company. The City outsources these activities to Waste Management, Inc. and any increase in service fees are transferred to the citizens utilizing the services. The City bills the citizens through the monthly utility bills along with water and service fees. In an offset to this, sanitation and brush revenues were over budget by \$668,368 and \$111,182 respectively.

Expenditures exceeded appropriations of the culture and recreation function in the parks department by \$449,518. The main reason for this excess was due to labor costs of just over \$387,000 and other operating supplies of just over \$81,000. Labor costs were not appropriately budgeted which led to this excess of expenditures over appropriations and were corrected in the budget process for fiscal year beginning October 1, 2008.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

C. Excess of Expenditures over Appropriations - (continued)

Expenditures exceeded appropriations of transfers by \$9,833,969. The main reason for this excess was due to the transfer of funds to the capital projects, golf, and garage funds in the amounts of \$5,555,579, \$3,843,381 \$456,159 respectively. The reason for these transfers was to write off the advanced funding the funds carried in their books. In prior years, the balance of "due to the general fund" did not represent realistic liabilities. Repayment was never expected and with City Commission approval, these balances were identified and corrected.

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 Education Finance Authority component unit has negative net assets. The Education Finance Authority component unit unrestricted net assets are just over (\$4,545,000). 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.

F. Prior Period Adjustment

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

<u>Purpose of Prior Period Adjustment</u>	<u>Amount</u>
<u>General Fund:</u>	
Remove warrants equity into deferred revenue	\$ (1,425,544)
Remove receivable that is not valid	(109,589)
Clear stale outstanding balance in bank reconciliations	599,021
Total General Fund Adjustment	\$ (936,112)
<u>Special Revenue Fund: Capital Projects</u>	
Remove receivable that is not valid	\$ (28,220)
Total Capital Projects Adjustment	\$ (28,220)
<u>Special Revenue Fund: PEDC</u>	
Adjust payable and receivable that is not valid	\$ 13,589
Total PEDC Adjustment	\$ 13,589
<u>Enterprise Fund: Utility Fund:</u>	
To correct utility accounts receivables	\$ 12,650
Clear stale outstanding balance in bank reconciliations	(260,052)
Remove grant revenue recognized but was returned	(561,331)
Total Utility Fund Adjustment	\$ (808,733)

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (continued)

F. Prior Period Adjustment - (continued)

Government-Wide Statement Adjustments:

Governmental

To correct beginning balance of equity	\$ (119,552)
Remove workman comp fund payable that is not valid	537,319
Remove warrants equity into deferred revenue	<u>1,425,544</u>
Total Governmental Adjustment	<u>\$ 1,843,311</u>

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Deposits and Investments

1. Deposits

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

At September 30, 2008, the carrying amount of the City's deposits was \$21,923,621. The City has two depository accounts: First National Bank (FNB) and LoneStar National Bank (LSNB).

	September 30, 2008
	Bank Balance
<u>FNB Depository Account</u>	
Insured	\$ 100,000
Collateral held by pledging bank's trust department in the City's name (Over-insured)/over-collateralized	365,118 (442,568)
Total Deposits	<u>\$ 22,550</u>
 <u>LSNB Depository Account</u>	
Insured	\$ 100,000
Letter of credit issued by pledging bank's trust department in the City's name (Over-insured)/over-collateralized	30,000,000 (7,783,228)
Total Deposits	<u>\$ 22,316,772</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, 2008, the City's bank balance of \$22,339,322 was not exposed to custodial credit risk and was over-insured and over-collateralized.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

A. Deposits and Investments – (continued)

1. Deposits – (continued)

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

- a. Depository: LSNB
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$30,000,000
- c. The highest combined balances of cash accounts amounted to \$25,714,724 and occurred during June 2008
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$100,000

At September 30, 2008, 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 \$15,299,724 on September 30, 2008, 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 \$1,729,724 and Texas Water Development Board with cash that is escrowed to the City of \$13,570,000.

2. Investments

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

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

The City's pooled and temporary investments at September 30, 2008, 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

A. Deposits and Investments - (continued)

1. Deposits – (continued)

The following is a summary of the City's pooled, temporary and other investments with accrued interest, as of September 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>1 or less</u>	<u>2</u>	<u>3</u>
Depository accounts	\$ 22,339,322	\$ 22,339,322	\$ -	\$ -
Certificates of deposit	506,546	506,546	-	-
Investment pool (TexSTAR)	37,569,269	37,569,269	-	-
Total investments	<u>\$ 60,415,137</u>	<u>\$ 60,415,137</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, 2008, the investments in the State's investment pool was rated AAAM by Standards and Poor's.
- 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 62% 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

B. Receivables

Receivables for the City at September 30, 2008, were as follows:

	Governmental Activities			Business-Type Activities		
	General	Non-Major & Other	Total	Utility	Bridge & Golf	Total
Property taxes	\$ 2,639,345	\$ 373,665	\$ 3,013,010	\$ -	\$ -	\$ -
Warrants	5,187,824	-	5,187,824	-	-	-
Sales tax	1,895,814	-	1,895,814	-	-	-
Notes	-	176,933	176,933	-	-	-
Accounts	1,359,525	-	1,359,525	2,581,307	184,130	2,765,437
Intergovernmental	-	229,870	229,870	1,203,521	194,832	1,398,353
Other	543,499	390,450	933,949	69,556	11,846	81,402
Gross receivables	11,626,007	1,170,918	12,796,925	3,854,384	390,808	4,245,192
Less: allowance for uncollectible	<u>(3,191,057)</u>	<u>(84,520)</u>	<u>(3,275,577)</u>	<u>(447,290)</u>	<u>-</u>	<u>(447,290)</u>
Net total receivable	<u>\$ 8,434,950</u>	<u>\$ 1,086,398</u>	<u>\$ 9,521,348</u>	<u>\$ 3,407,094</u>	<u>\$ 390,808</u>	<u>\$ 3,797,902</u>

Receivables for the City's discretely presented component unit at September 30, 2008, is as follows:

	Component Unit Activities	
	Education Finance Authority	Total
Notes	\$ 4,616,535	\$ 4,616,535
Accounts	-	-
Intergovernmental	-	-
City of Pharr	-	-
Other	-	-
Gross receivables	4,616,535	4,616,535
Less: allowance for uncollectible	<u>-</u>	<u>-</u>
Net total receivable	<u>\$ 4,616,535</u>	<u>\$ 4,616,535</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

C. Payables

Payables for the City at September 30, 2008, were as follows:

	Governmental Activities	Business-Type Activities				Business- Type Total	Total
	Governmental	Utility	Bridge	Golf			
Vendors	\$ 2,119,283	\$ 378,981	\$ 305,403	\$ 22,744	\$ 707,128	\$ 2,826,411	
Salaries & benefits	639,575	-	-	-	-	639,575	
Workman's compensation	1,225,652	581,168	175,914	99,927	857,009	2,082,661	
Retainage fee	8,904	76,982	129,025	-	206,007	214,911	
Accrued interest	112,204	156,048	66,162	-	222,210	334,414	
Due to the state	155,861	-	-	1,409	1,409	157,270	
Total payables	\$ 4,261,479	\$ 1,193,179	\$ 676,504	\$ 124,080	\$1,993,763	\$ 6,255,242	

D. Deferred Revenue

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

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general & debt service funds)	\$ 2,128,240	\$ -
Outstanding municipal court warrants (general)	2,881,516	-
Utility charges receivable (general fund)	820,032	-
Special assessment (general fund) - paving	-	939,987
Restricted revenues (general fund) - other	-	257,138
Loans receivable (community development fund)	-	71,439
Intergovernmental grants fund)	27,394	52
Total deferred/unearned revenues for governmental funds	\$ 5,857,182	\$ 1,268,616

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

E. Interfund Balances

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature except for . Interfund balances at September 30, 2008 consisted of the following:

	DUE FROM Governmental Funds					DUE FROM Enterprise Funds			DUE FROM Internal Service Funds			
	General	Community Development	Grant	Total Governmental		Utility	Bridge	Golf	Total Enterprise	Garage		Internal Service
General	\$ -	\$ 270,943	\$ 198,346	\$ 469,289		\$ 104,645	\$ 23,465	\$ 12,665	\$ 140,775	\$ 4,564	\$ 4,564	\$ 614,628
PEDC	473,953	-	-	473,953		-	-	-	-	-	-	473,953
Total governmental	473,953	270,943	198,346	943,242		104,645	23,465	12,665	140,775	4,564	4,564	1,088,581
Utility	1,013,460	-	-	1,013,460		-	-	-	-	-	-	1,013,460
Total enterprise	1,013,460	-	-	1,013,460		-	-	-	-	-	-	1,013,460
Total	\$ 1,487,413	\$ 270,943	\$ 198,346	\$ 1,956,702		\$ 104,645	\$ 23,465	\$ 12,665	\$ 140,775	\$ 4,564	\$ 4,564	\$ 2,102,041

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2008 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	\$ 3,363,396	\$ 11,873	\$ --	\$ 3,375,269
Construction in Progress	1,964,278	1,995,735	1,112,047	2,847,966
Total capital assets, not being depreciated	<u>5,327,674</u>	<u>2,007,608</u>	<u>1,112,047</u>	<u>6,223,235</u>
<i>Capital assets, being depreciated:</i>				
Buildings	24,048,577	--	--	24,048,577
Machinery and equipment	6,545,425	2,618,489	418,857	8,745,057
Improvements other than buildings	3,656,198	384,536	--	4,040,734
Infrastructure	62,849,574	4,797,371	--	67,646,945
Total capital assets, being depreciated	<u>97,099,774</u>	<u>7,800,396</u>	<u>418,857</u>	<u>104,481,313</u>
<i>Less accumulated depreciation for:</i>				
Buildings	6,271,680	--	444,309	6,715,989
Machinery and equipment	2,770,905	272,654	615,282	3,113,533
Improvements other than buildings	1,288,351	--	64,955	1,353,306
Infrastructure	26,946,235	--	2,174,135	29,120,370
Total accumulated depreciation	<u>37,277,171</u>	<u>272,654</u>	<u>3,298,681</u>	<u>40,303,198</u>
Total capital assets, being depreciated, net	<u>59,822,603</u>	<u>7,527,742</u>	<u>(2,879,824)</u>	<u>64,178,115</u>
Governmental activities capital assets, net	<u>\$ 65,150,277</u>	<u>\$ 9,535,350</u>	<u>\$ (1,767,777)</u>	<u>\$ 70,401,350</u>
Business-Type Activities:				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,401,610	\$ 203,246	\$ --	\$ 2,604,856
Construction in Progress	4,463,413	6,983,250	195,100	11,251,563
Total capital assets, not being depreciated	<u>6,865,023</u>	<u>7,186,496</u>	<u>195,100</u>	<u>13,856,419</u>
<i>Capital assets, being depreciated:</i>				
Buildings	27,928,300	--	--	27,928,300
Machinery and equipment	11,913,438	124,778	56,769	11,981,447
Improvements other than buildings	3,288,148	39,709	--	3,327,857
Infrastructure	46,440,333	2,254,125	--	48,694,458
Total capital assets, being depreciated	<u>89,570,219</u>	<u>2,418,612</u>	<u>56,769</u>	<u>91,932,062</u>
<i>Less accumulated depreciation for:</i>				
Buildings	9,117,153	--	629,565	9,746,718
Machinery and equipment	7,342,742	56,769	599,990	7,885,963
Improvements other than buildings	375,954	--	142,808	518,762
Infrastructure	12,498,749	--	1,255,031	13,753,780
Total accumulated depreciation	<u>29,334,598</u>	<u>56,769</u>	<u>2,627,394</u>	<u>31,905,223</u>
Total Capital assets, being depreciated, net	<u>60,235,621</u>	<u>2,361,843</u>	<u>(2,570,625)</u>	<u>60,026,839</u>
Business-Type activities capital assets, net	<u>\$ 67,100,644</u>	<u>\$ 9,548,339</u>	<u>\$ (2,375,525)</u>	<u>\$ 73,883,258</u>
Total Primary Government	<u>\$ 132,250,921</u>	<u>\$ 19,083,689</u>	<u>\$ (4,143,302)</u>	<u>\$ 144,284,608</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

F. Capital Assets - (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - PEDC				
<i>Capital assets, not being depreciated:</i>				
Land and right of way	\$ 2,461,536	\$ --	\$ 1,458,428	\$ 1,003,108
Total capital assets, not being depreciated	2,461,536	--	1,458,428	1,003,108
<i>Capital assets, being depreciated:</i>				
Buildings	1,742,697	--	--	1,742,697
Machinery and equipment	69,226	--	--	69,226
Improvements other than buildings	2,468,875	--	--	2,468,875
Total capital assets, being depreciated	4,280,798	--	--	4,280,798
<i>Less accumulated depreciation for:</i>				
Buildings	384,717	--	37,366	422,083
Machinery and equipment	60,884	--	2,086	62,970
Improvements other than buildings	531,277	--	101,030	632,307
Total accumulated depreciation	976,878	--	140,482	1,117,360
Total Capital assets, being depreciated, net	3,303,920	--	(140,482)	3,163,438
Component Unit capital assets, net	\$ 5,765,456	\$ --	\$ 1,317,946	\$ 4,166,546
 City-Wide capital assets, net	 \$ 138,016,377	 \$ 19,083,689	 \$ (2,825,356)	 \$ 148,451,154

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

Governmental Activities General Government \$ 1,020,024 Public Safety 1,275,216 Highways & Streets 685,717 Sanitation 221,592 Culture and Recreation 96,132 Economic Development 140,482 Total Governmental Activities <u>\$ 3,439,163</u>	Business-Type Activities Utility \$ 1,756,662 Bridge 675,812 Golf 194,920 Total Business-Type Activities <u>\$ 2,627,394</u>
--	--

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

G. Long-Term Obligations

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2008:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Refunding Bonds Payable	\$ 15,935,000	\$ --	\$ 95,000	\$ --	\$ 15,840,000	\$ 710,000
Certificates of Obligation	5,000,000	--	1,115,000	--	3,885,000	555,000
Unamortized Issuance Cost	(442,149)	--	63,816	--	(378,333)	(41,381)
Unamortized (Premium)/Discount	199,894	--	(2,857)	--	197,037	15,219
Unamortized (Gain)/Loss on Refunding	(638,577)	--	45,613	--	(592,964)	(45,613)
Capital Leases Payable	1,549,993	2,877,000	1,123,632	246,871	3,550,232	1,028,054
CDBG Section 108 Note Payable	990,000	--	225,000	--	765,000	240,000
Notes Payable - PEDC	3,971,966	--	1,935,804	--	2,036,162	514,933
Accrued Compensated Absences	3,296,685	1,048,113	1,358,578	--	2,986,220	1,225,652
Total Governmental Activities	<u>\$ 29,862,812</u>	<u>\$ 3,925,113</u>	<u>\$ 5,959,586</u>	<u>\$ 246,871</u>	<u>\$ 28,288,354</u>	<u>\$ 4,201,864</u>
Business-Type Activities						
Revenue Bonds Payable	\$ 52,901,000	\$ 10,000,000	\$ 10,481,000	\$ --	\$ 52,420,000	\$ 1,640,000
Refunding Revenue Bonds Payable	8,810,000	6,430,000	685,000	--	14,555,000	1,135,000
Tax Note Payable	5,995,000	--	1,405,000	--	4,590,000	1,465,000
Unamortized Issuance Cost	(1,645,778)	79,149	111,444	--	(1,613,483)	(104,121)
Unamortized (Premium)/Discount [a]	47,798	--	(3,186)	--	44,612	3,186
Unamortized (Gain)/Loss on Refunding [1]	(1,593,488)	309,772	199,186	--	(1,704,074)	(270,420)
Capital Leases Payable	815,176	--	231,491	(246,871)	336,814	195,021
Accrued Compensated Absences	869,001	256,355	268,347	--	857,009	351,747
Total Business-Type Activities	<u>\$ 66,198,709</u>	<u>\$ 17,075,276</u>	<u>\$ 13,378,282</u>	<u>\$ (246,871)</u>	<u>\$ 69,485,878</u>	<u>\$ 4,415,413</u>
Total Primary Government	<u>\$ 96,061,521</u>	<u>\$ 21,000,389</u>	<u>\$ 19,337,868</u>	<u>\$ --</u>	<u>\$ 97,774,232</u>	<u>\$ 8,617,277</u>
Component Unit - Discretely Presented						
Revenue Bonds Payable	\$ 4,850,581	\$ --	\$ 234,046	\$ --	\$ 4,616,535	\$ 246,511
Unamortized Issuance Cost	(74,402)	--	4,960	--	(69,442)	(4,960)
Total Business-Type Activities	<u>\$ 4,776,179</u>	<u>\$ --</u>	<u>\$ 239,006</u>	<u>\$ --</u>	<u>\$ 4,547,093</u>	<u>\$ 241,551</u>
Total Component Unit	<u>\$ 4,776,179</u>	<u>\$ --</u>	<u>\$ 239,006</u>	<u>\$ --</u>	<u>\$ 4,547,093</u>	<u>\$ 241,551</u>
Total City - Wide	<u>\$ 100,837,700</u>	<u>\$ 21,000,389</u>	<u>\$ 19,576,874</u>	<u>\$ --</u>	<u>\$ 102,321,325</u>	<u>\$ 8,858,828</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
 September 30, 2008

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, 2008 is comprised of the following:

Original Issuance	Series	Type	Name	Payment Installments		Installments		Interest Rates		Final Payment Through	Balance September 30, 2008
				Lowest	Highest	Lowest	Highest	Lowest	Highest		
\$ 2,165,000	1999	Certificate of Obligation	CT&LPR	\$ 105,000	\$ 105,000	5.53%	5.53%	5.53%	5.53%	08/15/2010	\$ 210,000
12,035,000	2001	Certificate of Obligation	CT&LPR	450,000	605,000	4.50%	5.00%	5.00%	5.00%	08/15/2015	3,675,000
16,110,000	2005B	Refunding Bonds	GO	710,000	1,535,000	3.50%	5.00%	5.00%	5.00%	08/15/2021	15,840,000
			HUD							Subtotal - Refunding Bonds	15,840,000
\$ 2,125,000	2001A	Note	Section 108	\$ 240,000	\$ 270,000	2.87%	2.90%	2.90%	2.90%	08/01/2011	765,000
			Various	\$ 480,994	\$ 538,772	9.25%	9.25%	9.25%	9.25%	10/09/2012	2,036,162
										Subtotal - PEDC Notes	2,036,162
										Governmental Total	\$ 22,526,162
\$ 3,260,000	1988	Revenue Bonds Jr. Lien	WW&SS	\$ 185,000	\$ 190,000	0.00%	0.00%	0.00%	0.00%	09/01/2013	\$ 935,000
29,000,000	2007	Revenue Bonds - CWSRF	WW&SS	730,000	2,480,000	2.85%	3.50%	3.50%	3.50%	09/01/2027	28,290,000
14,000,000	2007A	Revenue Bonds - DWSRF	WW&SS	370,000	1,075,000	2.30%	2.95%	2.95%	2.95%	09/01/2027	13,630,000
10,000,000	2007B	Revenue Bonds - NADBank	WW&SS	355,000	685,000	3.75%	3.75%	3.75%	3.75%	12/04/2007	9,565,000
										Subtotal - Revenue Bonds	52,420,000
9,755,000	2005A	Refunding Bonds	CT&IBR	510,000	740,000	3.25%	4.50%	4.50%	4.50%	08/15/2022	8,315,000
6,430,000	2008	Refunding Bonds	WW&SS	75,000	815,000	3.60%	3.60%	3.60%	3.60%	09/01/2018	6,240,000
										Subtotal - Refunding Bonds	14,555,000
\$ 7,100,000	2006	Note	Tax Note	\$ 1,465,000	\$ 1,595,000	4.22%	4.34%	4.34%	4.34%	08/15/2011	4,590,000
										Subtotal - Notes	4,590,000
										Business-Type Total	\$ 71,565,000

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

G. Long-Term Obligations - (continued)

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

1. Bonds Payable

Debt service requirements of bonds payable at September 30, 2008 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 710,000	\$ 654,341	\$ 1,364,341	\$ 2,775,000	\$ 2,207,702	\$ 4,982,702
2010	735,000	629,491	1,364,491	2,855,000	2,124,641	4,979,641
2011	865,000	603,766	1,468,766	2,930,000	2,039,176	4,969,176
2012	905,000	572,410	1,477,410	3,030,000	1,949,819	4,979,819
2013	940,000	538,473	1,478,473	3,050,000	1,856,419	4,906,419
2014 - 2018	7,260,000	1,998,623	9,258,623	16,810,000	7,687,810	24,497,810
2019 - 2023	4,425,000	369,659	4,794,659	19,370,000	4,669,487	24,039,487
2024 - 2027	--	--	--	16,155,000	1,389,471	17,544,471
	<u>\$ 15,840,000</u>	<u>\$ 5,366,764</u>	<u>\$ 21,206,764</u>	<u>\$ 66,975,000</u>	<u>\$ 23,924,525</u>	<u>\$ 90,899,525</u>

2. Certificates of Obligation Payable

Debt service requirements of certificates of obligation payable at September 30, 2008 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
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	545,000	84,585	629,585
2014 - 2015	1,180,000	88,675	1,268,675
	<u>\$ 3,885,000</u>	<u>\$ 756,690</u>	<u>\$ 4,641,690</u>

3. Notes Payable

Debt service requirements of notes payable at September 30, 2008 are as follows:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 240,000	\$ 43,931	\$ 283,931	\$ 1,465,000	\$ 194,164	\$ 1,659,164
2010	255,000	30,323	285,323	1,530,000	132,194	1,662,194
2011	270,000	15,660	285,660	1,595,000	67,628	1,662,628
	<u>\$ 765,000</u>	<u>\$ 89,914</u>	<u>\$ 854,914</u>	<u>\$ 4,590,000</u>	<u>\$ 393,986</u>	<u>\$ 4,983,986</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

G. Long-Term Obligations - (continued)

4. Capital Leases Payable

Capital leases payable at September 30, 2008 is comprised of the following issues:

<u>Capital Leases</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
\$399,773 lease payable; due in monthly installments of \$9338, including interest, through October 24, 2008; interest at 3.07%	\$ 2,526	\$ 698	\$ 3,224
\$279,600 lease payable; due in monthly installments of \$3,832, including interest, through June 10, 2013; interest at 4.08%	198,262	-	198,262
\$1,667,000 lease payable; due in monthly installments between \$14,875 and \$40,439, including interest, through December 15, 2010; interest rate varies	387,451	72,576	460,027
\$1,300,000 lease payable; due in monthly installments of \$38,347, including interest, through May 18, 2010; interest at 3.94%	477,574	263,540	741,114
\$2,322,000 lease payable; due in monthly installments of \$31,600.21, including interest, through November 14, 2014; interest at 3.87%	2,077,353	-	2,077,353
\$555,000 lease payable; due in monthly installments of \$16,329.09, including interest, through November 14, 2010; interest at 3.77%	407,066	-	407,066
\$5,037,996 lease payable; due in monthly installments of \$49,078, including interest, through August 3, 2016; interest at 9.25%	2,036,162	-	2,036,162
	<u>\$ 5,586,394</u>	<u>\$ 336,814</u>	<u>\$ 5,923,208</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, 2008 are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
September 30,						
2009	\$ 1,542,987	\$ 198,649	\$ 1,741,636	\$ 195,021	\$ 9,578	\$ 204,599
2010	1,414,635	137,201	1,551,836	134,798	2,452	137,250
2011	941,801	86,806	1,028,607	6,995	46	7,041
2012	866,174	50,255	916,429	--	--	--
2013	388,913	24,779	413,692	--	--	--
2014 - 2017	431,884	10,519	442,403	--	--	--
	<u>\$ 5,586,394</u>	<u>\$ 508,209</u>	<u>\$ 6,094,603</u>	<u>\$ 336,814</u>	<u>\$ 12,076</u>	<u>\$ 348,890</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

G. Long-Term Obligations

5. Debt Disclosure and Currently Defeased Debt

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

General Obligation Bonds		
Interest rates:	2.75% - 4.25%	
Series	2003	\$ 15,315,000
Waterworks & Sewer System Revenue Bonds		
Interest rates:	4.00% - 6.74%	
Series	1996 through 1998a	8,151,000
Bridge Revenue Bonds		
Interest rates:	5.00% - 5.53%	
Series	1998 through 2001	<u>12,340,000</u>
Bonds legally defeased		<u><u>\$ 35,806,000</u></u>

6. Defeased Debt This Fiscal Year

On July 23, 2008, the City of Pharr paid \$2,000,000 as well as issued waterworks and sewer system revenue refunding State & Local Government Series bonds of \$6,430,000 (par value) with an interest rate of 3.6% to advance refund term and serial bonds with interest rates ranging from 4.00% to 6.74% and a par value of \$8,151,000. The refunding bonds are serial bonds which mature on September 1, 2018. The revenue serial refunding bonds were issued at par and after paying issuance cost totaling \$79,149, the net proceeds were \$6,350,851. The net proceeds from the issuance of the revenue refunding bonds were used to purchase U.S. governmental securities, and those securities were deposited in an irrevocable trust with an escrow agent (Bank of New York Mellon) to provide debt service payments until bonds are called beginning on September 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements. They were previously recorded in the Utility Fund's balance sheet.

As a result of the advance refunding, the City reduced the total debt service requirements by \$1,450,029 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$614,222.

7. 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, 2008, the owning fund of the liability is as follows:

Owning Fund of Liability	Amount
General	\$ 2,940,930
Community Development	16,372
Garage	28,918
Utility	581,168
Bridge	175,914
Golf	<u>99,927</u>
	<u><u>\$ 3,843,229</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

G. Long-Term Obligations - (continued)

8. 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, 2008, there was no liability of arbitrage that would have been owed to the federal government.

H. INTERFUND TRANSFERS

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2008, consisted of the following:

		TRANSFER FROM						
		Governmental Funds						
		General	Capital Projects	PEDC	Law Enforcement	Hotel/ Motel	Debt Service	Total Governmental
TRANSFER TO	General	\$ -	\$ 32,553	\$ -	\$ 42,251	\$ -	\$ -	\$ 74,804
	Capital Projects	5,555,579	-	325,000	-	-	-	5,880,579
	PEDC	-	-	-	-	-	-	-
	Asset Sharing	-	-	-	79,278	-	-	79,278
	Debt Service	-	-	495,000	-	-	-	495,000
	Total governmental	5,555,579	32,553	820,000	121,529	-	-	6,529,661
	Utility	-	-	-	-	-	-	-
	Bridge	-	-	-	-	81,938	1,200,000	1,281,938
	Golf	3,843,381	2,289,847	-	-	-	-	6,133,228
	Total enterprise	3,843,381	2,289,847	-	-	81,938	1,200,000	7,415,166
	Garage	460,609	-	-	-	-	-	460,609
	Workman's Compensation	10,000	-	-	-	-	-	10,000
Total internal service	470,609	-	-	-	-	-	470,609	
Total	\$ 9,869,569	\$ 2,322,400	\$ 820,000	\$ 121,529	\$ 81,938	\$ 1,200,000	\$ 14,415,436	

The major transfers from the General, Capital Projects, Utility, Bridge, Garage, and Workman's Compensation funds to the Capital Projects, Golf, Garage, and General funds were to eliminate advances that were never expected to be repaid. With City Commission approval, this allowed the financial statements to be more reliable.

The Bridge fund also received a transfer from the Hotel/Motel fund for its portion of a debt service payment. 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. PEDC transferred funds to Capital Projects and Debt Service funds to reimburse them on agreed upon projects and debt. Law Enforcement fund eliminated a bank account by transferring funds accumulated through grant reimbursement and interest revenue to the appropriate funds. The Debt Service fund transferred funds to the Bridge fund to help pay for general obligation debt. The bridge fund used available funds to assist the General fund in operational expenditures. The Bridge fund also made a transfer to the Debt Service fund for agreed upon reimbursement of debt payments. All other transfers were routine.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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

H. INTERFUND TRANSFERS - (continued)

	TRANSFER FROM Enterprise Funds				TRANSFER FROM Internal Service Funds			Grand Total
	Utility	Bridge	Golf	Total Enterprise	Garage	Workman's Compensation	Total Component Units	
	General	\$ 4,230,630	\$ 5,249,267	\$4,233	\$ 9,484,130	\$ 232,233	\$ 564,651	
Capital Projects	-	-	-	-	-	-	-	5,880,579
PEDC	-	-	-	-	-	10,000	10,000	10,000
Asset Sharing	-	-	-	-	-	-	-	79,278
Debt Service	-	120,630	-	120,630	-	-	-	615,630
Total governmental	4,230,630	5,369,897	4,233	9,604,760	232,233	574,651	806,884	16,941,305
Utility	453,485	-	-	453,485	-	-	-	453,485
Bridge	-	-	-	-	-	-	-	1,281,938
Golf	-	-	-	-	-	-	-	6,133,228
Total enterprise	453,485	-	-	453,485	-	-	-	7,868,651
Garage	-	-	-	-	-	-	-	460,609
Workman's Compensat	-	-	-	-	-	-	-	10,000
Total internal service	-	-	-	-	-	-	-	470,609
Total	\$ 4,684,115	\$ 5,369,897	\$4,233	\$ 10,058,245	\$ 232,233	\$ 574,651	\$ 806,884	\$ 25,280,565

I. Restricted Assets

The balances of restricted asset are as follows:

Governmental Funds

Grant restrictions - General	\$ 79,019
Grant restrictions - Economic Development	17,577
Grant restrictions - Asset Sharing	14,020
Grant restrictions - Community Development	17,504
Grant restrictions - Grant	198,346
Capital financing - General	1,729,724
Total restricted assets - governmental funds	\$ 2,056,190

Business-Type Funds

Grant restrictions - Utility	\$ 1,203,521
Grant restrictions - Bridge	194,832
Capital financing - Utility	13,570,000
Customer deposits - Utility	2,184,003
Debt reserves - Utility	4,207,280
Debt reserves - Bridge	1,995,985
Total restricted assets - business-type funds	\$ 23,355,621

Total restricted assets \$ 25,411,811

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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.

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 (1) who have retired prior to January 1, 1986, (2) who have had 28 years of service prior to January 1, 1986. Currently, approximately 68 retirees meet those eligibility requirements. Furthermore, employees who retire may elect to provide hospitalization insurance benefits for themselves by paying the appropriate premium for such coverage under the City's group hospitalization plan. Also, under the terms of legal settlement during a prior year, certain firefighters will be eligible for City paid health insurance benefits upon retirement. The City pays 70% of the amount of validated claims for qualified medical and hospitalization costs incurred, after the retiree meets a deductible ranging from \$1,000 to \$2,000. The maximum out-of-pocket costs that can be incurred by a retiree in one year ranges from \$4,000 to \$6,000.

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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

IV. OTHER INFORMATION - (continued)

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, 2008.

3. Construction Commitments

The City has entered into various significant construction commitments that are currently underway. As of September 30, 2008, they are as follows:

	<u>Project Amount</u>	<u>Expended To Date</u>	<u>Remaining Cost</u>
Street Inventory	\$ 156,100	\$ 110,600	\$ 45,500
Library Bldg Improvements	2,334,216	2,221,325	112,891
Owassa road - east	505,639	271,101	234,538
Owassa road - west	470,525	235,988	234,537
Pharr Parks Plan Update	13,999	8,952	5,047
	<u>3,480,479</u>	<u>2,847,966</u>	<u>632,513</u>
Total Governmental	\$ 3,480,479	\$ 2,847,966	\$ 632,513
Sewer collection - Engineering	\$ 11,940,514	\$ 7,141,005	\$ 4,799,509
Raw water pump	1,093,885	241,550	852,335
Wastewater Plant - Engineering	1,194,715	1,161,802	32,913
Water Plant - Engineering	1,361,495	93,701	1,267,794
24" Waterline Upgrade	-	-	76,982
Northbound Lanes	3,745,252	2,613,504	1,131,748
	<u>19,335,861</u>	<u>11,251,562</u>	<u>8,161,281</u>
Total Business-Type	\$ 19,335,861	\$ 11,251,562	\$ 8,161,281
Total	<u>\$ 22,816,340</u>	<u>\$ 14,099,528</u>	<u>\$ 8,793,794</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

IV. OTHER INFORMATION - (continued)

D. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2007 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

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, 2007 valuation is effective for rates beginning January 2009)

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

IV. OTHER INFORMATION - (continued)

D. Pension Plan - (continued)

4. Schedule of Trend Information and Actuarial Assumptions

Trend Information

	Fiscal Years Ended September 30,		
	2008	2007	2006
Net Pension Obligation at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution	2,122,494	2,049,996	1,931,555
Contributions Made	2,122,494	2,049,996	1,931,555
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	30 Years - Closed 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	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	2.1% (3.0% CPI)

E. 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:

<u>Project Name</u>	<u>Amount</u>
FSSI	\$ 258,000
FSSI (Palm Drive)	42,000
Wright Foods	<u>56,264</u>
	<u>\$ 356,264</u>

F. Subsequent Events

On December 16, 2008, the City approved the removal of automatic repeating service credits and annuity increases from our pension system. This reduced the City's contribution rate from 14.04% to 11.43% of payroll. It also drastically decreased the unfunded actuarial liability from \$19.7 million to \$9.7 million. This action also enabled the funded ratio to increase from 55.44% to 71.5%. The effects of this action will be identified in next year's pension statement.

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)
12/31/05	\$ 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%
12/31/07	24,524,749	44,233,706	(19,708,957)	55.44%	15,600,980	126.33%

**CITY OF PHARR, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Property	\$ 11,112,460	\$ 11,112,460	\$ 11,450,404	\$ 337,944	\$ -	\$ 11,450,404
Sales	8,511,000	8,149,000	8,478,696	329,696	-	8,478,696
Franchise	1,760,000	1,760,000	1,897,438	137,438	-	1,897,438
Other	170,000	170,000	183,154	13,154	-	183,154
Licenses and permits	721,000	721,000	684,506	(36,494)	-	684,506
Intergovernmental	521,082	521,082	216,542	(304,540)	-	216,542
Fees and charges:						
Sanitation	3,300,000	3,200,000	3,868,368	668,368	-	3,868,368
Brush	900,000	900,000	1,011,182	111,182	-	1,011,182
Other	775,000	775,000	774,290	(710)	-	774,290
Fines	761,000	761,000	815,060	54,060	-	815,060
Special assessments	80,000	80,000	65,323	(14,677)	-	65,323
Interest income	50,000	50,000	155,937	105,937	-	155,937
Contributions and donations	-	-	9,529	9,529	-	9,529
Other	191,000	191,000	563,254	372,254	-	563,254
Total revenues	<u>28,852,542</u>	<u>28,390,542</u>	<u>30,173,683</u>	<u>1,783,141</u>	<u>-</u>	<u>30,173,683</u>
EXPENDITURES						
Current:						
General government	5,673,555	5,621,873	4,935,928	685,945	(34,916)	4,901,012
Public safety	19,302,341	19,138,495	18,273,923	864,572	(802,539)	17,471,384
Highways and streets	2,350,694	2,376,503	2,270,708	105,795	(223,355)	2,047,353
Health and welfare	3,900,000	3,909,000	4,305,918	(396,918)	-	4,305,918
Culture and recreation	3,209,464	3,078,713	3,528,231	(449,518)	(56,916)	3,471,315
Total expenditures	<u>34,436,054</u>	<u>34,124,584</u>	<u>33,314,708</u>	<u>809,876</u>	<u>(1,117,726)</u>	<u>32,196,982</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(5,583,512)</u>	<u>(5,734,042)</u>	<u>(3,141,025)</u>	<u>2,593,017</u>	<u>1,117,726</u>	<u>(2,023,299)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,994,552	4,194,552	10,355,818	6,161,266	-	10,355,818
Transfers (out)	(206,040)	(35,600)	(9,869,569)	(9,833,969)	-	(9,869,569)
Bond/loan proceeds	2,795,000	2,795,000	2,877,000	82,000	(2,877,000)	-
Total other financing sources and uses	<u>5,583,512</u>	<u>6,953,952</u>	<u>3,363,249</u>	<u>(3,590,703)</u>	<u>(2,877,000)</u>	<u>486,249</u>
Net change in fund balance	-	1,219,910	222,224	(997,686)	(1,759,274)	(1,537,050)
Fund balance - beginning	4,600,125	4,600,125	4,600,125	-	-	4,600,125
Prior period adjustment	-	-	(936,112)	(936,112)	-	(936,112)
Fund balance - ending	<u>\$ 4,600,125</u>	<u>\$ 5,820,035</u>	<u>\$ 3,886,237</u>	<u>\$ (1,933,798)</u>	<u>\$ (1,759,274)</u>	<u>\$ 2,126,963</u>

The major differences between the budget basis and GAAP basis are the 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
Lease proceeds	<u>\$(2,877,000)</u>	Principal lease payments	<u>1,117,726</u>
			<u>\$(1,759,274)</u>

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

CITY OF PHARR, TEXAS
PHARR ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Sales	\$ 2,800,000	\$ 2,800,000	\$ 2,826,232	\$ 26,232	\$ -	\$ 2,826,232
Fees and charges:						
Other	500,000	500,000	611,705	111,705	-	611,705
Interest income	84,000	84,000	92,707	8,707	-	92,707
Other	30,000	30,000	17,774	(12,226)	-	17,774
Total revenues	<u>3,414,000</u>	<u>3,414,000</u>	<u>3,548,418</u>	<u>134,418</u>	<u>-</u>	<u>3,548,418</u>
EXPENDITURES						
Current:						
Economic development	4,302,185	4,302,185	2,066,824	2,235,361	-	2,066,824
Debt service:						
Principal	1,935,810	1,935,810	1,935,804	6	-	1,935,804
Interest	176,110	176,110	176,101	9	-	176,101
Total expenditures	<u>6,414,105</u>	<u>6,414,105</u>	<u>4,178,729</u>	<u>2,235,376</u>	<u>-</u>	<u>4,178,729</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(3,000,105)</u>	<u>(3,000,105)</u>	<u>(630,311)</u>	<u>2,369,794</u>	<u>-</u>	<u>(630,311)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	10,000	10,000	-	10,000
Transfers (out)	(820,000)	(820,000)	(820,000)	-	-	(820,000)
Proceeds from sale of land	1,750,000	1,750,000	1,805,311	55,311	-	1,805,311
Total other financing sources and uses	<u>930,000</u>	<u>930,000</u>	<u>995,311</u>	<u>65,311</u>	<u>-</u>	<u>995,311</u>
Net change in fund balance	<u>(2,070,105)</u>	<u>(2,070,105)</u>	<u>365,000</u>	<u>2,435,105</u>	<u>-</u>	<u>365,000</u>
Fund balance - beginning	4,056,263	4,056,263	4,056,263	-	-	4,056,263
Prior period adjustment	-	-	13,589	13,589	-	13,589
Fund balance - ending	<u>\$ 1,986,158</u>	<u>\$ 1,986,158</u>	<u>\$ 4,434,852</u>	<u>\$ 2,448,694</u>	<u>\$ -</u>	<u>\$ 4,434,852</u>

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



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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.

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

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

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, 2008**

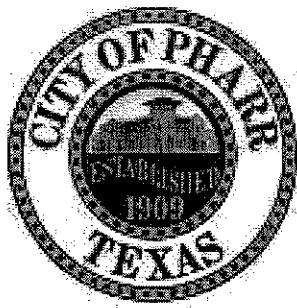
	Special Revenue Funds			
	Asset Sharing	Community Development	Law Enforcement	Hotel/Motel
<u>ASSETS</u>				
Cash	\$ 459,425	\$ 524,112	\$ -	\$ 1,853,376
Investments	-	-	-	224,317
Receivables (net of allowance for uncollectible):				
Property taxes	-	-	-	-
Notes	-	71,439	-	-
Other	-	-	-	281,249
Restricted assets:				
Intergovernmental receivable	14,020	17,504	-	-
Total assets	<u>\$ 473,445</u>	<u>\$ 613,055</u>	<u>\$ -</u>	<u>\$ 2,358,942</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 84,338	\$ 7,644	\$ -	\$ 245
Due to other funds	-	270,943	-	-
Deferred property tax	-	-	-	-
Deferred revenue	-	71,439	-	-
Total liabilities	<u>84,338</u>	<u>350,026</u>	<u>-</u>	<u>245</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved for:				
Special revenue	389,107	263,029	-	2,358,697
Total fund balances	<u>389,107</u>	<u>263,029</u>	<u>-</u>	<u>2,358,697</u>
Total liabilities and fund balances	<u>\$ 473,445</u>	<u>\$ 613,055</u>	<u>\$ -</u>	<u>\$ 2,358,942</u>

<u>Parkland Dedication</u>			<u>Grants</u>	<u>Total</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>	
\$	225,014	\$	28,374	\$	3,090,301	\$	3,357,119
	-		-		224,317		224,317
	-		-		-		-
	-		-		71,439		71,439
	500		-		281,749		281,749
	-		198,346		229,870		229,870
\$	<u>225,514</u>	\$	<u>226,720</u>	\$	<u>3,897,676</u>	\$	<u>4,453,639</u>
\$	-	\$	-	\$	92,227	\$	92,777
	-		198,346		469,289		469,289
	-		-		-		-
	-		27,446		98,885		98,885
	-		<u>225,792</u>		<u>660,401</u>		<u>932,803</u>
	-		-		-		-
	225,514		928		3,237,275		3,237,275
	<u>225,514</u>		<u>928</u>		<u>3,237,275</u>		<u>3,520,836</u>
\$	<u>225,514</u>	\$	<u>226,720</u>	\$	<u>3,897,676</u>	\$	<u>4,453,639</u>
					283,561		283,561
					-		-
					<u>283,561</u>		<u>3,520,836</u>
					555,963		4,453,639

CITY OF PHARR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

REVENUES	Special Revenue Funds			
	Asset Sharing	Community Development	Law Enforcement	Hotel/Motel
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	1,006,532
Intergovernmental	457,337	1,094,985	-	-
Fees and charges:				
Other	-	6,054	-	603
Special assessments	-	-	-	-
Interest income	6,343	740	2,994	41,372
Contributions and donations	-	-	-	-
Other	53,165	-	-	95
Total revenues	<u>516,845</u>	<u>1,101,779</u>	<u>2,994</u>	<u>1,048,602</u>
 EXPENDITURES				
Current:				
General government	-	256,583	-	249,244
Public safety	408,659	38,407	1,069	-
Highways and streets	-	191,822	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	213,204	-	-
Debt service:				
Principal	-	225,000	-	-
Interest	-	56,373	-	-
Total expenditures	<u>408,659</u>	<u>981,389</u>	<u>1,069</u>	<u>249,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,186</u>	<u>120,390</u>	<u>1,925</u>	<u>799,358</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	79,278	-	-	-
Transfers (out)	-	-	(121,529)	(81,938)
Proceeds from sale of assets	13,425	-	-	-
Total other financing sources and uses	<u>92,703</u>	<u>-</u>	<u>(121,529)</u>	<u>(81,938)</u>
Net change in fund balances	200,889	120,390	(119,604)	717,420
Fund balance - beginning	<u>188,218</u>	<u>142,639</u>	<u>119,604</u>	<u>1,641,277</u>
Fund balance - ending	<u>\$ 389,107</u>	<u>\$ 263,029</u>	<u>\$ -</u>	<u>\$ 2,358,697</u>

<u>Parkland Dedication</u>	<u>Grants</u>	<u>Total</u>	<u>Debt Service Fund Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,527,174	\$ 1,527,174
-	-	1,006,532	-	1,006,532
-	686,161	2,238,483	-	2,238,483
22,663	-	29,320	87,369	116,689
-	-	-	-	-
7,928	-	59,377	23,657	83,034
-	-	-	-	-
-	-	53,260	-	53,260
<u>30,591</u>	<u>686,161</u>	<u>3,386,972</u>	<u>1,638,200</u>	<u>5,025,172</u>
-	-	505,827	9,631	515,458
-	670,417	1,118,552	-	1,118,552
-	-	191,822	-	191,822
-	-	-	-	-
138,863	14,816	366,883	-	366,883
-	-	225,000	1,210,000	1,435,000
-	-	56,373	776,484	832,857
<u>138,863</u>	<u>685,233</u>	<u>2,464,457</u>	<u>1,996,115</u>	<u>4,460,572</u>
<u>(108,272)</u>	<u>928</u>	<u>922,515</u>	<u>(357,915)</u>	<u>564,600</u>
-	-	79,278	615,630	694,908
-	-	(203,467)	(1,200,000)	(1,403,467)
-	-	13,425	-	13,425
-	-	(110,764)	(584,370)	(695,134)
<u>(108,272)</u>	<u>928</u>	<u>811,751</u>	<u>(942,285)</u>	<u>(130,534)</u>
<u>333,786</u>	<u>-</u>	<u>2,425,524</u>	<u>1,225,846</u>	<u>3,651,370</u>
<u>\$ 225,514</u>	<u>\$ 928</u>	<u>\$ 3,237,275</u>	<u>\$ 283,561</u>	<u>\$ 3,520,836</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.

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.

**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, 2008**

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Taxes:						
Property						
Current	\$ 9,888,000	\$ 9,888,000	\$ 10,149,556	\$ 261,556	\$ -	\$ 10,149,556
Delinquent	700,000	700,000	715,403	15,403	-	715,403
Penalty & interest	479,960	479,960	551,757	71,797	-	551,757
Other	44,500	44,500	33,688	(10,812)	-	33,688
Total property taxes	11,112,460	11,112,460	11,450,404	337,944	-	11,450,404
Sales	8,511,000	8,149,000	8,478,696	329,696	-	8,478,696
Franchise						
Telephone	285,000	285,000	256,423	(28,577)	-	256,423
Electric	1,260,000	1,260,000	1,327,586	67,586	-	1,327,586
Cable	110,000	110,000	184,632	74,632	-	184,632
Gas	105,000	105,000	128,797	23,797	-	128,797
Total franchise taxes	1,760,000	1,760,000	1,897,438	137,438	-	1,897,438
Other	170,000	170,000	183,154	13,154	-	183,154
Total taxes	21,553,460	21,191,460	22,009,692	818,232	-	22,009,692
Licenses and permits						
Building	400,000	400,000	422,619	22,619	-	422,619
Vocational	295,000	295,000	176,011	(118,989)	-	176,011
Other	26,000	26,000	85,876	59,876	-	85,876
Total licenses & permits	721,000	721,000	684,506	(36,494)	-	684,506
Intergovernmental						
Local school districts	229,938	229,938	203,476	(26,462)	-	203,476
County	6,000	6,000	11,300	5,300	-	11,300
Other	285,144	285,144	1,766	(283,378)	-	1,766
Total intergovernmental	521,082	521,082	216,542	(304,540)	-	216,542
Fees and charges:						
Sanitation	3,300,000	3,200,000	3,868,368	668,368	-	3,868,368
Brush	900,000	900,000	1,011,182	111,182	-	1,011,182
Other	775,000	775,000	774,290	(710)	-	774,290
Total fees & charges	4,975,000	4,875,000	5,653,840	778,840	-	5,653,840
Fines						
Court	741,000	741,000	780,492	39,492	-	780,492
Other	20,000	20,000	34,568	14,568	-	34,568
Total fines	761,000	761,000	815,060	54,060	-	815,060
Special assessments	80,000	80,000	65,323	(14,677)	-	65,323
Interest income	50,000	50,000	155,937	105,937	-	155,937
Contributions and donations	-	-	9,529	9,529	-	9,529
Other	191,000	191,000	563,254	372,254	-	563,254
Total revenues	\$ 28,852,542	\$ 28,390,542	\$ 30,173,683	\$ 1,783,141	\$ -	\$ 30,173,683

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	1,190,486	1,156,980	1,280,720	(123,740)	-	1,280,720
Finance	714,202	666,001	650,403	15,598	(6,834)	643,569
Planning	1,078,059	1,017,488	998,783	18,705	(28,081)	970,702
Non-departmental	2,690,808	2,781,404	2,006,022	775,382	-	2,006,022
Total general government	5,673,555	5,621,873	4,935,928	685,945	(34,915)	4,901,013
Public safety						
Police	11,296,160	11,215,523	11,008,543	206,980	(256,981)	10,751,562
Traffic safety	908,453	914,583	942,324	(27,741)	(62,002)	880,322
Court	426,400	431,740	447,514	(15,774)	-	447,514
Fire	6,671,328	6,576,649	5,875,542	701,107	(483,557)	5,391,985
Total public safety	19,302,341	19,138,495	18,273,923	864,572	(802,540)	17,471,383
Highways and streets						
	2,350,694	2,376,503	2,270,708	105,795	(223,355)	2,047,353
Health and welfare						
Garbage	3,200,000	3,200,000	3,512,142	(312,142)	-	3,512,142
Brush	500,000	500,000	553,746	(53,746)	-	553,746
Animal control	200,000	209,000	240,030	(31,030)	-	240,030
Total health and welfare	3,900,000	3,909,000	4,305,918	(396,918)	-	4,305,918
Culture and recreation						
Library	1,090,799	1,067,939	993,145	74,794	-	993,145
Parks	2,118,665	2,010,774	2,535,086	(524,312)	(56,916)	2,478,170
Total culture and recreation	3,209,464	3,078,713	3,528,231	(449,518)	(56,916)	3,471,315
Total expenditures	34,436,054	34,124,584	33,314,708	809,876	(1,117,726)	32,196,982
Excess (deficiency) of revenues over (under) expenditures	(5,583,512)	(5,734,042)	(3,141,025)	2,593,017	1,117,726	(2,023,299)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Bridge	2,839,552	4,039,552	5,249,267	1,209,715	-	5,249,267
Workman compensation	-	-	564,652	564,652	-	564,652
Capital projects	-	-	32,553	32,553	-	32,553
Utility	155,000	155,000	4,230,629	4,075,629	-	4,230,629
Golf	-	-	4,233	4,233	-	4,233
Law enforcement	-	-	42,251	42,251	-	42,251
City garage	-	-	232,233	232,233	-	232,233
Total transfers in	2,994,552	4,194,552	10,355,818	6,161,266	-	10,355,818
Transfers (out)						
Worker's compensation	-	-	(10,000)	(10,000)	-	(10,000)
Capital projects	-	-	(5,555,579)	(5,555,579)	-	(5,555,579)
Golf	(179,340)	-	(3,843,381)	(3,843,381)	-	(3,843,381)
Community Development	(26,700)	(31,150)	-	31,150	-	-
Garage	-	(4,450)	(460,609)	(456,159)	-	(460,609)
Total transfers (out)	(206,040)	(35,600)	(9,869,569)	(9,833,969)	-	(9,869,569)
Bond/loan proceeds						
	2,795,000	2,795,000	2,877,000	82,000	(2,877,000)	-
Total other financing sources and uses						
	5,583,512	6,953,952	3,363,249	(3,590,703)	(2,877,000)	486,249
Net change in fund balance	-	1,219,910	222,224	(997,686)	(1,759,274)	(1,537,050)
Fund balance - beginning						
	4,600,125	4,600,125	4,600,125	-	-	4,600,125
Prior period adjustment						
	-	-	(936,112)	(936,112)	-	(936,112)
Fund balance - ending	\$ 4,600,125	\$ 5,820,035	\$ 3,886,237	\$ (1,933,798)	\$ (1,759,274)	\$ 2,126,963

**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, 2008**

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis	Adjustment For GAAP Basis	Actual GAAP Basis
	Original	Final				
REVENUES						
Intergovernmental	\$ 220,000	\$ 220,000	\$ 1,094,985	\$ 874,985	\$ -	\$ 1,094,985
Fees and charges:						
Other	-	-	6,054	6,054	-	6,054
Interest income	-	-	740	740	-	740
Other	-	-	-	-	-	-
Total revenues	<u>220,000</u>	<u>220,000</u>	<u>1,101,779</u>	<u>881,779</u>	<u>-</u>	<u>1,101,779</u>
EXPENDITURES						
Current:						
General government	151,300	151,300	256,583	(105,283)	-	256,583
Public safety	-	-	38,407	(38,407)	-	38,407
Highways and streets	-	-	191,822	(191,822)	-	191,822
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	213,204	(213,204)	-	213,204
Debt service:						
Principal	-	-	225,000	(225,000)	(225,000)	-
Interest	-	-	56,373	(56,373)	-	56,373
Total expenditures	<u>151,300</u>	<u>151,300</u>	<u>981,389</u>	<u>(830,089)</u>	<u>(225,000)</u>	<u>756,389</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>68,700</u>	<u>68,700</u>	<u>120,390</u>	<u>51,690</u>	<u>225,000</u>	<u>345,390</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>90,550</u>	<u>90,550</u>	<u>-</u>	<u>(90,550)</u>	<u>-</u>	<u>-</u>
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	<u>159,250</u>	<u>159,250</u>	<u>120,390</u>	<u>(38,860)</u>	<u>225,000</u>	<u>345,390</u>
Fund balance - beginning	<u>142,639</u>	<u>142,639</u>	<u>142,639</u>	<u>-</u>	<u>-</u>	<u>142,639</u>
Fund balance - ending	<u>\$ 301,889</u>	<u>\$ 301,889</u>	<u>\$ 263,029</u>	<u>\$ (38,860)</u>	<u>\$ 225,000</u>	<u>\$ 488,029</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
	<u>Expenditures</u>
Principal lease payments	225,000
	<u>\$ 225,000</u>

**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, 2008**

	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	\$ 1,006,532	\$ 406,532	\$ -	\$ 1,006,532
Fees and charges:						
Other	-	-	603	603	-	603
Interest income	30,000	30,000	41,372	11,372	-	41,372
Other	-	-	95	95	-	95
Total revenues	<u>630,000</u>	<u>630,000</u>	<u>1,048,602</u>	<u>418,602</u>	<u>-</u>	<u>1,048,602</u>
EXPENDITURES						
Current:						
General government	350,000	350,000	249,244	100,756	-	249,244
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>249,244</u>	<u>100,756</u>	<u>-</u>	<u>249,244</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>280,000</u>	<u>280,000</u>	<u>799,358</u>	<u>519,358</u>	<u>-</u>	<u>799,358</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(79,481)	(79,481)	(81,938)	(2,457)	-	(81,938)
Total other financing sources and uses	<u>(79,481)</u>	<u>(79,481)</u>	<u>(81,938)</u>	<u>(2,457)</u>	<u>-</u>	<u>(81,938)</u>
Net change in fund balance	200,519	200,519	717,420	516,901	-	717,420
Fund balance - beginning	1,641,277	1,641,277	1,641,277	-	-	1,641,277
Fund balance - ending	<u>\$ 1,841,796</u>	<u>\$ 1,841,796</u>	<u>\$ 2,358,697</u>	<u>\$ 516,901</u>	<u>\$ -</u>	<u>\$ 2,358,697</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>	<u>Adjustment For GAAP Basis</u>	<u>Actual GAAP Basis</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Property	\$ 1,522,737	\$ 1,522,737	\$ 1,527,174	\$ 4,437	\$ -	\$ 1,527,174
Fees and charges:						
Other	-	-	87,369	87,369	-	87,369
Interest income	21,000	21,000	23,657	2,657	-	23,657
Total revenues	<u>1,543,737</u>	<u>1,543,737</u>	<u>1,638,200</u>	<u>94,463</u>	<u>-</u>	<u>1,638,200</u>
EXPENDITURES						
Current:						
General government	-	-	9,631	(9,631)	-	9,631
Debt service:						
Principal	1,160,000	1,160,000	1,210,000	(50,000)	(1,210,000)	-
Interest	952,325	952,325	776,484	175,841	-	776,484
Total expenditures	<u>2,112,325</u>	<u>2,112,325</u>	<u>1,996,115</u>	<u>116,210</u>	<u>(1,210,000)</u>	<u>786,115</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(568,588)</u>	<u>(568,588)</u>	<u>(357,915)</u>	<u>210,673</u>	<u>1,210,000</u>	<u>852,085</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	734,800	734,800	615,630	(119,170)	-	615,630
Transfers (out)	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Total other financing sources and uses	<u>734,800</u>	<u>734,800</u>	<u>(584,370)</u>	<u>(1,319,170)</u>	<u>-</u>	<u>(584,370)</u>
Net change in fund balance	166,212	166,212	(942,285)	(1,108,497)	1,210,000	267,715
Fund balance - beginning	1,225,846	1,225,846	1,225,846	-	-	1,225,846
Fund balance - ending	<u>\$ 1,392,058</u>	<u>\$ 1,392,058</u>	<u>\$ 283,561</u>	<u>\$ (1,108,497)</u>	<u>\$ 1,210,000</u>	<u>\$ 1,493,561</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:

	<u>Needed for GAAP</u>
	<u>Expenditures</u>
Principal lease payments	<u>1,210,000</u>
	<u>\$1,210,000</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, 2008**

	City Garage	Worker's Compensation	Total
<u>ASSETS</u>			
Current assets:			
Cash	\$ 131,922	\$ -	\$ 131,922
Receivables (net of allowance for uncollectible):			
Accounts	-	-	-
Inventories	14,284	-	14,284
Due from other funds	-	-	-
Restricted assets:			
Cash with Fiscal Agent	-	-	-
Total current assets	146,206	-	146,206
Capital assets (net of accumulated depreciation):			
Buildings	513,300	-	513,300
Improvements other than buildings	117,264	-	117,264
Machinery and equipment	61,011	-	61,011
Total capital assets, net of accumulated depreciation	691,575	-	691,575
Total noncurrent assets	691,575	-	691,575
Total assets	\$ 837,781	\$ -	\$ 837,781
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 102,347	\$ -	\$ 102,347
Due to other funds	4,564	-	4,564
Total current liabilities	106,911	-	106,911
Current liabilities payable from restricted assets:			
Matured accrued compensation	11,869	-	11,869
Matured capital lease	6,144	-	6,144
Total current liabilities payable from restricted assets	18,013	-	18,013
Noncurrent liabilities:			
Accrued compensation	17,049	-	17,049
Capital lease payable	4,232	-	4,232
Total noncurrent liabilities	21,281	-	21,281
Total liabilities	146,205	-	146,205
<u>NET ASSETS</u>			
Net assets:			
Invested in capital assets, net of related debt	681,199	-	681,199
Unrestricted	10,377	-	10,377
Total net assets	\$ 691,576	\$ -	\$ 691,576

CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>City Garage</u>	<u>Worker's Compensation</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Other	\$ 1,232,621	\$ 6,321	\$ 1,238,942
Total operating revenues	<u>1,232,621</u>	<u>6,321</u>	<u>1,238,942</u>
 Operating expenses:			
Personnel services	174,740	-	174,740
Supplies and Materials	9,793	-	9,793
Contractual Services	1,099,991	65	1,100,056
Depreciation	88,551	-	88,551
Total operating expenses	<u>1,373,075</u>	<u>65</u>	<u>1,373,140</u>
 Operating income (loss)	<u>(140,454)</u>	<u>6,256</u>	<u>(134,198)</u>
 Nonoperating revenues (expenses):			
Investment earnings	2,431	5,169	7,600
Interest expense	(536)	-	(536)
Gain on sale of asset	4,500	-	4,500
Total nonoperating revenues (expenses)	<u>6,395</u>	<u>5,169</u>	<u>11,564</u>
Income before contributions and transfers	(134,059)	11,425	(122,634)
Transfers in	460,609	10,000	470,609
Transfers out	(232,233)	(574,651)	(806,884)
Changes in net assets	<u>94,317</u>	<u>(553,226)</u>	<u>(458,909)</u>
 Total net assets - beginning	597,259	15,907	613,166
Prior period adjustment	-	537,319	537,319
Total net assets - ending	<u>\$ 691,576</u>	<u>\$ -</u>	<u>\$ 691,576</u>

**CITY OF PHARR, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>City Garage</u>	<u>Worker's Compensation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,232,621	\$ 553,640	\$ 1,786,261
Payments to suppliers	(4,766)	-	(4,766)
Payments to employees	(178,328)	-	(178,328)
Payments for contractual services	(997,641)	(537,383)	(1,535,024)
Net cash flow from operating activities	<u>51,886</u>	<u>16,257</u>	<u>68,143</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances (to)/from other funds	(139,716)	544,466	404,750
Transfers in from other funds	460,609	10,000	470,609
Transfers out to other funds	(232,233)	(574,651)	(806,884)
Net cash provided (used) by noncapital and related financing activities	<u>88,660</u>	<u>(20,185)</u>	<u>68,475</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	4,500	-	4,500
Interest Paid on Long-Term Obligations	(536)	-	(536)
Principal paid on long-term debt	(42,140)	-	(42,140)
Net cash provided (used) by capital and related financing activities	<u>(38,176)</u>	<u>-</u>	<u>(38,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	2,431	5,169	7,600
Net cash provided (used) by investing activities	<u>2,431</u>	<u>5,169</u>	<u>7,600</u>
Net increase in cash	104,801	1,241	106,042
Cash beginning of fiscal year	<u>27,121</u>	<u>(1,241)</u>	<u>25,880</u>
Cash end of fiscal year	<u>\$ 131,922</u>	<u>\$ -</u>	<u>\$ 131,922</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (140,454)	\$ 6,256	\$ (134,198)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	88,554	-	88,554
(Increase) Decrease in Grants, Accounts and Other Receivables, net	-	547,319	547,319
(Increase) Decrease in Inventories	5,027	-	5,027
Increase (Decrease) in Accounts Payable	102,347	(537,318)	(434,971)
Increase (Decrease) in Accrued Compensation	(3,588)	-	(3,588)
Total adjustments	<u>192,340</u>	<u>10,001</u>	<u>202,341</u>
Net cash provided by operating activities	<u>\$ 51,886</u>	<u>\$ 16,257</u>	<u>\$ 68,143</u>



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STATISTICAL SECTION

This part of the City of Pharr's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Pharr's overall financial health.

	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	77
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	82
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	86
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	91
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	93

City of Pharr, Texas
Net Assets by Component
Last Six Fiscal Years¹
(Accrual Basis of Accounting)
(amount expressed in thousands)

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

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

City of Pharr, Texas
Changes in Net Asset
Last Six Fiscal Years¹
(Accrual Basis of Accounting)
(amount expressed in thousands)

Expenses	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:						
General government	\$ 6,484	\$ 4,386	\$ 5,463	\$ 7,181	\$ 8,178	\$ 8,265
Public safety	10,331	13,179	14,069	15,000	16,504	18,495
Streets		2,140	2,276	2,361	2,442	2,114
Sanitation	2,453	3,411	3,519	3,227	3,518	4,537
Culture and recreation	826	3,156	3,248	3,253	3,340	3,831
Economic development	105	2,503	2,198	1,754	2,653	-
Debt service	1,880	1,537	1,478	1,365	1,433	1,122
Total governmental activities expenses	<u>22,079</u>	<u>30,312</u>	<u>32,251</u>	<u>34,141</u>	<u>38,068</u>	<u>38,365</u>
Business-type activities:						
Utility	5,085	6,298	6,885	7,576	7,879	9,291
Toll Bridge	2,070	3,244	3,830	3,156	3,454	3,300
Tierra Del Sol Golf Course	965	1,239	988	1,054	1,241	1,171
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>	<u>13,763</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>	<u>\$ 52,127</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 125	\$ 705	\$ 2,051	\$ 208	\$ 1,790	\$ 2,375
Public Safety	11	1,038	63	571	1,908	1,662
Streets	-	-	-	85	472	67
Sanitation	3,055	3,069	3,464	3,006	3,274	4,969
Culture and recreation	71	488	489	131	911	372
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Operating grants and contributions	79	1,944	1,753	1,648	1,867	2,465
Capital grants and contributions	3,349	1,067	-	1,094	-	1,481
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>	<u>13,391</u>
Business-type activities:						
Charges for services:						
Utility	6,079	6,475	7,645	11,200	10,851	12,483
Toll Bridge	5,811	6,669	7,611	7,714	8,058	8,281
Tierra Del Sol Golf Course	696	737	809	350	631	766
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	2,936	250	-	-	6,940
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>	<u>28,469</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>	<u>\$ 41,861</u>
Net (expense)/revenue						
Governmental activities	\$(15,389)	\$(22,001)	\$(24,431)	\$(27,398)	\$(27,846)	\$(24,973)
Business-type activities	4,466	6,036	4,612	7,478	6,966	14,707
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>	<u>\$(10,267)</u>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 6,328	\$ 8,595	\$ 9,713	\$ 10,475	\$ 11,276	\$ 13,082
Sales taxes	8,272	9,297	10,043	11,346	11,160	11,305
Other Taxes	289	2,163	2,283	2,543	2,912	3,087
Investment earnings	440	162	306	419	445	357
Grants, Donations, and Miscellaneous	2,004	1,459	2,657	3,854	2,159	365
Transfers	-	1,640	6,362	2,288	8,655	2,190
Total governmental activities	<u>17,333</u>	<u>23,316</u>	<u>31,364</u>	<u>30,925</u>	<u>36,607</u>	<u>30,386</u>
Business-type activities:						
Investment earnings	-	35	610	1,011	866	1,451
Grants, Donations, and Miscellaneous	699	403	10	-	495	217
Transfers	-	(1,640)	(6,362)	(2,288)	(8,655)	(2,190)
Total business-type activities	<u>699</u>	<u>(1,202)</u>	<u>(5,742)</u>	<u>(1,277)</u>	<u>(7,294)</u>	<u>(522)</u>
Total primary government	<u>\$ 18,032</u>	<u>\$ 22,114</u>	<u>\$ 25,622</u>	<u>\$ 29,648</u>	<u>\$ 29,313</u>	<u>\$ 29,864</u>
Change in Net Assets						
Governmental activities	\$ 1,944	\$ 1,315	\$ 6,933	\$ 3,527	\$ 8,761	\$ 5,413
Business-type activities	5,165	4,834	(1,130)	6,201	(328)	14,185
Total primary government	<u>\$ 7,109</u>	<u>\$ 6,149</u>	<u>\$ 5,803</u>	<u>\$ 9,728</u>	<u>\$ 8,433</u>	<u>\$ 19,598</u>

(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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 55	\$ 51	\$ 60	\$ 54	\$ 54	\$ 3,037	\$ 3,903	\$ 7,405	\$ 11,002	\$ 1,049
Unreserved, undesignated	2,250	3,156	4,091	3,825	3,489	1,433	602	195	(6,402)	2,081
Designated	-	-	-	-	-	-	1,327	-	-	756
Total general fund	\$ 2,305	\$ 3,207	\$ 4,151	\$ 3,879	\$ 3,543	\$ 4,470	\$ 5,832	\$ 7,600	\$ 4,600	\$ 3,886
All other governmental funds										
Reserved	\$ 285	\$ 82	\$ 74	\$ 1,025	\$ (15)	\$ 1,369	\$ 2,894	\$ 5,447	\$ 7,572	\$ 4,718
Unreserved, reported in:										
Special revenue funds	517	66	168	200	2	824	3,573	142	2,425	3,238
Capital projects funds	5,022	3,344	12,422	10,536	4,534	-	-	(2,590)	(1,508)	-
Debt service funds	429	356	271	314	356	-	-	1,044	-	-
Total all other governmental funds	\$ 6,253	\$ 3,848	\$ 12,935	\$ 12,075	\$ 4,877	\$ 2,193	\$ 6,467	\$ 4,043	\$ 8,489	\$ 7,956
Total governmental fund balances	\$ 8,558	\$ 7,055	\$ 17,086	\$ 15,954	\$ 8,420	\$ 6,663	\$ 12,299	\$ 11,644	\$ 13,089	\$ 11,842

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 10,097	\$ 11,758	\$ 12,734	\$ 14,205	\$ 15,051	\$ 20,022	\$ 21,929	\$ 24,350	\$ 25,972	\$ 27,370
Licenses and permits	275	360	533	712	688	555	681	1,468	886	685
Intergovernmental	1,788	2,705	1,674	3,210	3,606	3,431	2,296	1,178	1,751	2,455
Charges for services	2,594	2,619	2,785	3,042	3,558	3,647	3,971	4,287	5,073	6,382
Fines	251	326	411	518	761	1,056	1,415	968	800	880
Investment earnings	441	354	474	644	440	162	306	419	445	349
Miscellaneous	622	1,059	686	982	1,318	1,079	1,481	2,127	1,970	644
Total Revenues	16,068	19,181	19,297	23,313	25,422	29,952	32,079	34,797	36,897	38,765
Expenditures										
General government	8,814	10,018	9,141	13,231	16,536	8,287	6,985	14,218	12,943	6,034
Public safety	5,581	7,044	7,900	8,708	9,767	11,558	13,452	15,391	15,642	19,392
Highways and streets	563	696	740	942	1,287	2,076	5,351	2,542	2,121	4,443
Sanitation	1,817	1,945	2,108	2,226	2,235	3,059	-	3,021	3,483	4,306
Culture and recreation	359	400	477	601	752	3,168	3,323	977	3,422	5,661
Economic development	269	260	470	117	933	2,149	2,109	3,120	5,757	2,067
Debt service	1,334	1,412	1,558	2,615	3,169	3,227	3,211	2,803	5,129	4,380
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	18,737	21,775	22,394	28,440	34,679	33,524	34,431	42,072	48,497	46,283
Excess of revenues over (under) expenditures	(2,669)	(2,594)	(3,097)	(5,127)	(9,257)	(3,572)	(2,352)	(7,275)	(11,600)	(7,518)
Other financing sources (uses)										
Transfers in	502	886	705	1,524	1,986	2,302	10,721	4,044	9,298	16,941
Transfers out	(27)	(169)	(20)	(9)	-	(662)	(4,359)	(1,756)	(669)	(14,415)
Proceeds of Long Term Debt	86	329	12,204	-	-	312	16,567	3,120	2,480	2,877
Other	-	-	-	-	-	-	(15,149)	979	3,479	1,819
Total other financing sources (uses)	561	1,046	12,889	1,515	1,986	1,952	7,780	6,387	14,588	7,222
Net change in fund balances	\$ (2,108)	\$ (1,548)	\$ 9,792	\$ (3,612)	\$ (7,271)	\$ (1,620)	\$ 5,428	\$ (888)	\$ 2,988	\$ (297)
Debt service as a percentage of noncapital expenditures	7.7%	6.9%	7.5%	10.1%	10.1%	10.7%	10.3%	7.1%	11.8%	10.5%

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

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Total Assessed</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value' as a Percentage of Actual Value</u>
1999	1998	\$ 750,745	\$ 26,351	\$ 724,394	\$ 0.6423	\$ 724,394	103.64%
2000	1999	792,599	26,192	766,407	0.6423	766,407	103.42%
2001	2000	917,247	34,266	882,981	0.6623	882,981	103.88%
2002	2001	1,003,668	33,547	970,122	0.6900	970,122	103.46%
2003	2002	1,059,189	31,435	1,027,754	0.6831	1,027,754	103.06%
2004	2003	1,239,070	35,865	1,203,205	0.6831	1,203,205	102.98%
2005	2004	1,396,726	45,216	1,351,511	0.6831	1,351,511	103.35%
2006	2005	1,489,878	47,732	1,442,146	0.6831	1,442,146	103.31%
2007	2006	1,661,456	44,162	1,617,294	0.6831	1,617,294	102.73%
2008	2007	\$ 1,847,671	\$ 50,825	\$ 1,796,846	\$ 0.6819	\$ 1,796,846	102.83%

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.

*Includes tax-exempt property.

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

Fiscal Year Ending	City of Pharr Tax Rate			Overlapping Tax Rates						Total Direct & Overlapping Rates		
				Drainage District #1		Hidalgo County		P.S.J.A ISD				
	Operating	Debt Service	Total	Operating	Debt Service	Operating	Debt Service	Operating	Debt Service			
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	0.596	0.087	0.683	0.040	0.009	0.049	0.516	0.075	0.591	1.040	0.171	1.211
2008	\$ 0.603	\$ 0.079	\$ 0.682	\$ 0.042	\$ 0.028	\$ 0.070	\$ 0.519	\$ 0.071	\$ 0.590	\$ 1.040	\$ 0.231	\$ 1.271

Fiscal Year Ending	Overlapping Tax Rates			Total Direct & Overlapping Rates			
	South Texas ISD						
	Operating	Debt Service	Total				
1999	\$ 0.037	\$ -	\$ 0.037	\$ 0.080	\$ 0.012	\$ 0.092	\$ 2.837
2000	0.037	-	0.037	0.080	0.012	0.092	2.900
2001	0.039	-	0.039	0.079	0.011	0.090	2.991
2002	0.039	-	0.039	0.110	0.068	0.178	3.164
2003	0.039	-	0.039	0.110	0.064	0.174	3.152
2004	0.039	-	0.039	0.110	0.055	0.165	3.132
2005	0.039	-	0.039	0.110	0.049	0.159	3.128
2006	0.039	-	0.039	0.110	0.045	0.155	3.122
2007	0.049	-	0.049	0.110	0.044	0.154	2.737
2008	\$ 0.049	\$ -	\$ 0.049	\$ 0.110	\$ 0.040	\$ 0.150	\$ 2.812

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 2008 and 1999
(amounts expressed in thousands)**

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wilder Corp	\$ 16,409	1	0.91%	\$ 9,393	2	1.30%
McAllen Levcal LLC	14,978	2	0.83%	-		-
Shell Western E&P (Total E&P)	13,148	3	0.73%	-		-
Central Power & Light	12,706	4	0.71%	7,727	5	1.07%
AEP Texas Central Co.	12,377	5	0.69%	-		-
Wayne Windle Enterprises et al	9,798	6	0.55%	-		-
FJRS Investments LTD	9,168	7	0.51%	-		-
Southwestern Bell Tele	8,591	8	0.48%	11,413	1	1.58%
Gold Star Warehousing LTD	8,470	9	0.47%	-		-
Capote Farms LTD	8,010	10	0.45%	-		-
Spigel, Stanley	-		-	8,564	3	1.18%
Fina Oil & Ch-Vannie Cook Trsts	-		-	8,501	4	1.17%
Westbrea Enterprises, Inc.	-		-	5,857	6	0.81%
H E Butt Grocery Company	-		-	5,130	7	0.71%
Home Depot U.S.A., Inc.	-		-	4,463	8	0.62%
Matt's Cash & Carry	-		-	4,070	9	0.56%
Financial Mngmnt Intl Corp	-		-	4,001	10	0.55%
Totals	\$ 113,656		6.3%	\$ 69,119		9.5%
Assessed Taxable Value	\$ 1,796,846			\$ 724,394		

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 in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1999	1998	\$ 4,653	\$ 4,076	87.6%	\$ 307	\$ 4,383	94.2%
2000	1999	4,923	5,186	105.3%	391	5,577	113.3%
2001	2000	5,848	5,024	85.9%	438	5,462	93.4%
2002	2001	6,694	5,684	84.9%	515	6,199	92.6%
2003	2002	7,021	6,330	90.2%	520	6,849	97.6%
2004	2003	8,219	7,485	91.1%	623	8,109	98.7%
2005	2004	9,232	8,373	90.7%	663	9,036	97.9%
2006	2005	9,852	9,072	92.1%	789	9,861	100.1%
2007	2006	11,048	10,239	92.7%	1,020	11,259	101.9%
2008	2007	\$ 12,275	\$ 11,561	94.2%	813	\$ 12,375	100.8%

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 Personal Income ¹	Per Capita ¹
	General		Certificates of Obligation	Notes	Utility & Toll Bridge		Capital Leases	Notes			
	Obligation Bonds				Bonds/Notes	Capital Leases					
1999	\$ 86	\$ 13,195	-	\$ 42,979	-	-	-	\$ 56,360	0.04%	\$ 1,271	
2000	-	14,560	-	38,821	113	-	-	53,799	0.07%	1,153	
2001	-	26,060	-	36,766	320	-	-	63,740	0.06%	1,295	
2002	-	25,500	1,960	32,327	389	-	-	60,418	0.06%	1,176	
2003	-	24,170	1,785	36,882	289	-	-	63,758	0.06%	1,171	
2004	-	23,330	5,278	31,707	305	2	-	61,093	0.06%	1,076	
2005	16,110	7,085	4,683	21,444	86	-	-	50,106	0.08%	849	
2006	16,025	6,070	5,746	20,042	246	-	-	49,673	0.08%	810	
2007	15,935	5,000	4,962	61,711	815	5,995	-	95,968	0.04%	1,492	
2008	\$ 15,840	\$ 3,885	\$ 2,801	\$ 66,975	\$ 337	\$ 4,590	-	\$ 97,978	0.04%	\$ 1,483	

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 Obligations Bonds</u>	<u>Percentage of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
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
2008	\$ 19,725	1.10%	\$ 299

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, 2008
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hidalgo County	\$ 169,180	8.2%	\$ 13,862
Hidalgo Irrigation District #1	27,719	8.2%	2,271
South Texas College	85,914	37.0%	31,788
South Texas ISD	-	0.0%	-
Pharr, San Juan, Alamo Independent School District	199,180	53.2%	<u>106,035</u>
		Subtotal, overlapping debt	<u>153,956</u>
City of Pharr direct debt	19,725	100.0%	<u>19,725</u>
Total direct and overlapping debt			<u>\$ 173,681</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.

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

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									
	1999	2000	2001	2002	2003	2004	2005	2007	2008	
Debt Limit	\$ 79,260	\$ 91,725	\$ 100,367	\$ 105,919	\$ 123,907	\$ 139,673	\$ 148,988	\$ 166,146	\$ 184,767	
Total net debt applicable to limit	14,560	26,060	25,500	24,170	23,330	23,195	22,095	20,935	19,725	
Legal debt margin	\$ 64,700	\$ 65,665	\$ 74,867	\$ 81,749	\$ 100,577	\$ 116,478	\$ 126,893	\$ 145,211	\$ 165,042	
Total net debt applicable to the limit as a percentage of debt limit	18.4%	28.4%	25.4%	22.8%	18.8%	16.6%	14.8%	12.6%	10.7%	

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	\$ 1,796,846
Add Back: exempt property	50,825
Total Assessed Value	<u>\$ 1,847,671</u>
Debt limit (10% of total assessed value)	184,767
Debt applicable to limit:	
General obligation bonds	19,725
Legal debt margin	<u>\$ 165,042</u>

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

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

Water & Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Utility Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
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	1,291	604	1.56
2006	11,594	5,695	5,899	937	542	3.99
2007	10,722	5,427	5,295	870	702	3.37
2008	\$ 13,820	\$ 5,910	\$ 7,910	\$ 2,265	\$ 1,873 ^a	1.91

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

^a Principal and interest payments explained on Notes to the Financial Statements.

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

Fiscal Year	Population¹	Median Household Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling²	School Enrollment	Unemployment Rate³
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%
2008	66,078	\$ 38,967	\$ 9,462	27.8	47.3%	29,999	7.2%

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

¹Population data from 2001 to 2007 taken from Planning/Zoning department. 2008 population estimate based on average growth over prior 8 years.

²Represents population age 25 or greater that has graduated from high school.

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 2008 and 1999**

<u>Employer</u>	2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment¹</u>
Pharr-San Juan-Alamo ISD	4,972	1	22.17%
Convergy's	1,638	2	7.30%
Lack's	720	3	3.21%
City of Pharr	455	4	2.03%
Ticketmaster	401	5	1.79%
Texas Department of Transportation	369	6	1.65%
HEB Food Stores	250	7	1.11%
Lowe's	163	8	0.73%
Frank Smith Toyota	143	9	0.64%
Home Depot	130	10	0.58%
Total	9,241		41.21%

	1999*		
	<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%
Lack's	Unknown	-	0.00%
City of Pharr	Unknown	-	0.00%
Ticketmaster	Unknown	-	0.00%
Texas Department of Transportation	Unknown	-	0.00%
HEB Food Stores	Unknown	-	0.00%
Lowe's	Unknown	-	0.00%
Frank Smith Toyota	Unknown	-	0.00%
Home Depot	Unknown	-	0.00%
Total	-		0.00%

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,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GENERAL FUND										
City Manager	6.0	12.0	12.0	16.0	16.7	9.0	9.0	9.0	9.0	9.0
Finance	7.0	7.0	7.0	7.0	8.0	10.0	12.0	12.5	13.5	5.5
Police Department	90.0	101.5	105.5	121.5	124.5	130.0	134.0	146.0	155.0	161.0
Traffic Safety	7.0	9.0	13.0	13.0	13.0	13.0	16.0	13.0	16.0	16.0
Municipal Court	3.0	3.0	3.0	4.0	4.0	6.0	6.0	6.0	6.0	5.0
Fire Protection	48.0	49.0	51.0	52.0	53.0	54.0	57.0	57.0	65.0	66.0
Administrative Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0
Street Maintenance	19.0	23.0	23.0	24.0	24.0	24.0	25.0	28.0	30.0	29.0
Municipal Library	12.0	13.0	14.0	16.0	18.0	23.0	23.0	25.0	26.0	26.0
Parks & Recreation	38.5	45.0	46.0	47.0	51.0	53.0	70.0	71.0	73.0	102.0
Planning & Community Dev	14.0	15.7	16.0	17.0	17.3	19.0	22.0	20.0	23.0	22.0
Total General Fund	244.5	278.2	290.5	317.5	329.5	341.0	374.0	387.5	416.5	448.5
UTILITY FUND										
Administrative	5.0	6.0	7.0	8.0	8.0	8.0	9.0	9.5	10.5	12.5
Water Production	10.0	10.0	9.0	11.0	9.0	9.0	9.0	9.0	10.0	10.0
Water Distribution	18.0	18.0	19.0	19.5	21.5	21.0	23.0	25.0	26.0	23.0
Water Treatment Plant	10.0	10.0	11.0	12.0	11.0	11.0	11.0	11.0	13.0	13.0
Lift Station	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Total Utility Fund	47.0	48.0	50.0	54.5	53.5	53.0	56.0	58.5	63.5	61.5
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	0.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Total Internal Svc Fund	1.0	3.0	3.0	4.0	4.0	4.0	4.0	5.0	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	16.0	17.0	21.0	22.0	19.0	25.0	25.0	26.0	26.0	24.0
Total Int'l Bridge	17.0	18.0	22.0	23.0	20.0	26.0	26.0	27.0	27.0	25.0
OTHER										
CDBG	4.3	4.0	4.3	5.3	5.7	6.0	6.0	6.0	6.0	4.0
Golf Course	0.0	31.0	25.0	21.0	8.0	18.0	18.0	15.0	15.0	15.5
Total Other	4.3	35.0	29.3	26.3	13.7	24.0	24.0	21.0	21.0	19.5
GRAND TOTAL	313.8	382.2	394.8	425.3	420.7	448.0	484.0	499.0	533.0	559.5

Source: City of Pharr Budget Reports

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical arrests	2,787	4,066	4,117	3,841	4,848	2,897	3,857	2,858	2,808	2,944
Parking & Traffic Violations	4,037	7,897	6,008	6,587	10,101	10,897	15,983	13,742	12,742	15,194
Fire										
Number of calls answered	1,540	2,089	1,935	2,216	2,189	1,737	1,624	1,701	1,794	2,238
Inspections	359	511	401	573	725	1,235	877	809	1,108	1,344
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	137
International Bridge										
Car Crossings	unknown	1,841,749	1,768,363	1,879,256	1,749,112	1,785,564	1,780,599	1,716,751	1,683,048	1,649,983
Truck Crossings	unknown	256,792	260,344	276,840	312,300	359,320	384,572	404,103	433,880	461,559
Culture and recreation										
Int'l Convention Center Events	68	82	92	unknown	75	72	95	86	95	216
Other Community Center Events	176	189	259	unknown	306	269	231	206	268	597
Water										
New connections	448	627	290	717	614	867	832	1,204	638	324
Water mains breaks	unknown	unknown	unknown	unknown	unknown	unknown	unknown	3,948	4,156	578
Average daily consumption (millions of gallons)	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	6.5MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	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	4.94 MGD

Sources: Various City Departments.

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	unknown	unknown	unknown	unknown	64	69	76	82	84	90
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)	unknown	unknown	unknown	unknown	unknown	unknown	180	213	213	213
Streetlights	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Traffic signals	unknown	unknown	unknown	unknown	unknown	unknown	47	51	51	51
Culture and recreation										
Parks Acreage (Developed)	41	41	41	41	41	41	41	57	57	57
Swimming pools	2	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	~170	~182	~190	191.6	~313.4
Fire hydrants	1,330	1,440	1,596	1,712	1,730	1,750	1,820	1,918	2,010	2,030
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	8.28 MGD
Sewer										
Sanitary sewers (miles)	unknown	unknown	unknown	~169	~186	~204	~224	~246	~262	~265
Storm sewers (miles)	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	57
Maximum daily treatment capacity (thousands of gallons)	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	5.7 MGD

Sources: Various city departments.



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