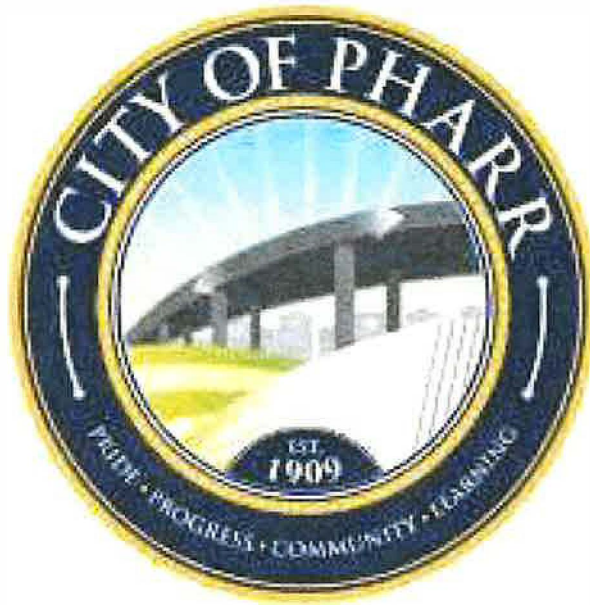




CITY OF PHARR, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Raul Hernandez & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF PHARR, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	15
C-2 Reconciliation for C-1	16
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	17
C-4 Reconciliation for C-3	18
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	19
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	21
D-3 Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	25
E-2 Statement of Changes in Fiduciary Net Position	26
<u>Discrete Component Units</u>	
F-1 Statement of Net Position - Component Unit Fund	27
F-2 Statement of Activities - Component Unit Funds	28
Notes to the Financial Statements	29
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	76
G-2 Schedule of Changes in Net Pension Liability and Related Ratios for TMRS	77
G-3 Schedule of Contributions TMRS Pension Plan	79
Notes to Schedule of Contributions	81
G-4 Schedule of Changes in Net Pension Liability and Related Ratios for TCDRS	82
Notes to Schedule of OPEB Contributions	84
<u>Combining and Individual Fund Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	85
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	88
Internal Service Funds:	
H-3 Combining Statement of Net Position	91
H-4 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	92

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>	<u>Page</u>
<u>Report on Internal Control and Compliance</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Report on Compliance For Each Major Federal and State Program and on Internal Control over Compliance in Accordance with the Uniform Guidance and the State of Texas Grant Management Standards	95
Schedule of Findings and Questioned Costs	98
Schedule of Status of Prior Findings	100
Corrective Action Plan	114
Schedule of Expenditures of Federal Awards	115
Notes to Schedule of Expenditures of Federal Awards	117



FINANCIAL SECTION

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INDEPENDENT AUDITORS REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
Members of the City Commission
City of Pharr, Texas

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pharr, Texas's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pharr, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pharr, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2023, the City of Pharr, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Pharr, Texas's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pharr, Texas's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Pharr, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pharr, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison and schedule of the City of Pharr, Texas's proportionate share of the net pension liability and schedule of City of Pharr, Texas's pension contributions, and schedule of the City of Pharr, Texas's proportionate share of the net OPEB liability and schedule of City of Pharr, Texas's OPEB contributions identified as required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pharr, Texas's basic financial statements. The combining and individual nonmajor fund statements, the schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the City of Pharr, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pharr, Texas's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

December 18, 2024

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MANAGEMENT'S DISCUSSION & ANALYSIS (MD & A)

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City of Pharr, Texas Management's Discussion and Analysis

As management of the City of Pharr, Texas, 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, Texas for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets and deferred outflows of the City's governmental activities exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$152,347,674.
- The assets and deferred outflows of the City's business-type activities exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$146,701,790. The majority of the business-type activities' net position is unrestricted.
- The General Fund assets exceeded its liabilities by over \$16,722,608. The general fund showed an increase in revenues of \$3,544,856, primarily due to an increase in fees & charges and property tax collections. Sales taxes showed an increase of 2%, and property taxes went up by 10%, but we also saw an increase of \$2,877,835 in operating expenses compared to the previous fiscal year. The significant increase in expenditures is mainly due to capital equipment purchase and the City's growing personnel needs.
- During the prior fiscal year 21-22, the Pharr Economic Development Corporation II (PEDC) came back as a City blended component unit due to its relationship with the City and to comply with GASB No. 61. During the year, PEDC's assets exceeded its liabilities by \$15,831,991 (fund balance), with the decrease being due to decreased transfers and bond issuance.

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 are comprised 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 and 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 like a private-sector business.

The Statement of Net Position presents information on all the City's assets and liabilities and deferred outflow and inflow of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a helpful indicator of whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event which gives 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).

City of Pharr, Texas Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

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

The government-wide financial statements include separate component units for which the city is financially accountable: the Pharr Economic Development Corporation II (PEDC), The Greater Pharr Chamber of Commerce (Chamber), The Tax Increment Reinvestment Zone No. 1 (TIRZ No.1) and Tax Increment Reinvestment Zone No.2 (TIRZ No.2), the Pharr Housing Finance Corporation (PHFC), and the Jackson Place Apartments (JPA).

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. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the City's funds are divided into four categories: governmental funds, proprietary funds, blended presented component units and discretely presented component units.

Governmental Funds

Governmental funds are used to account for 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 and on balances of resources that can be spent which are available at the end of the fiscal year. Such information may be helpful 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 helpful 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three major (General, PEDC II and the Covid Relief Fund) and ten nonmajor governmental funds. Information for the major funds is presented separately in the governmental fund's Balance Sheet and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances. The nonmajor governmental funds are combined into a single, aggregated presentation.

City of Pharr, Texas Management's Discussion and Analysis

Governmental Funds (Continued)

Individual fund data for each of these nonmajor funds is provided by combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General, Asset Sharing, Community Development, Hotel/Motel, Parkland Dedication, Paving & Drainage, Grants, General Capital Improvement Projects, and Debt Service governmental funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains two different types of proprietary funds: enterprise funds and internal service funds.

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

Proprietary funds provide more detailed information than government-wide financial statements. The proprietary funds financial statements offer separate data for water and wastewater operations, bridge toll, internet services ambulances services, 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 by combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the Utility, TeamPharr.net, Pharr Emergency Medical Services, Bridge, Golf, Health Insurance, and City Garage funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Notes to the Financial Statements

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

Other Information

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

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

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

City of Pharr, Texas
Management's Discussion and Analysis

Other Information (Continued)

The City's condensed Statement of Net Position along with last fiscal year's numbers are presented for comparison in the table located below:

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2023	2022	2023	2022	2023	2022	
Current Assets	\$ 78.41	\$ 96.96	\$ 123.30	\$ 118.45	\$ 201.72	\$ 215.41	\$ (13.69)
Capital Assets, Net	258.39	234.84	173.91	171.64	432.29	406.48	25.81
Total Assets	336.80	331.80	297.21	290.09	634.01	621.89	12.12
Deferred Outflows of Resources	13.29	1.66	2.33	0.66	15.61	2.32	13.29
Total assets and deferred outflows of resources	350.09	333.46	299.53	290.75	649.62	624.21	25.41
Current and Other Liabilities	30.62	25.92	15.66	8.51	46.28	34.43	11.85
Long-Term Liabilities	162.30	164.54	131.45	125.34	293.75	289.88	3.87
Total Liabilities	192.92	190.46	147.11	133.85	340.02	324.31	15.71
Deferred Inflows of Resources	4.82	6.33	5.73	20.08	10.55	26.41	(15.86)
Net Invested in Capital Assets	110.09	114.49	41.58	135.16	151.67	249.65	(97.98)
Restricted	45.12	29.79	-	7.44	45.12	37.23	7.89
Unrestricted	(2.86)	(7.61)	105.12	(5.78)	102.27	(13.39)	115.66
Total Net Position	152.35	136.67	146.70	136.82	299.05	273.49	25.56
Total Liabilities, deferred inflows of resources and net position	\$ 350.09	\$ 333.46	\$ 299.53	\$ 290.75	\$ 649.62	\$ 624.21	\$ 25.41

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide Statement of Net Position of \$299,049,465 as of September 30, 2023. The increase of \$14,901,003 is due to the increase in new capital projects to improve citizens' quality of life.

By far, the most significant portion of the City's net position reflects its Net Investment in Capital Assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding, which is \$110,087,115 for governmental activities and \$41,580,636 for business-type activities. 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 are reported in 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 position, \$45,115,933, represents resources subject to external restrictions on how they may be used. Fiscal year 22-23 shows a negative unrestricted net position of \$2,855,374 mainly due to new investments, changes in net pension liability, the addition of PHFC as a blended component unit and bringing back PEDC as a blended component unit as a result of the GASB No. 61 guidelines.

City of Pharr, Texas
Management's Discussion and Analysis

Governmental Activities

The City's condensed changes in net position along with last fiscal year's numbers are presented for comparison in the table below:

	Governmental		Business-Type		Totals		Increase
	2023	2022	2023	2022	2023	2022	(Decrease)
Revenues:							
Program Revenues							
Charges for Services	\$ 7.81	\$ 10.08	\$ 53.83	\$ 57.75	\$ 61.64	\$ 67.83	\$ (6.19)
Operating Grants and Contributions	16.00	4.09	-	2.05	16.00	6.14	9.86
Capital Grants and Contributions	-	6.72	-	-	-	6.72	(6.72)
General Revenues							
Property Taxes	29.22	27.25	-	-	29.22	27.25	1.97
Sales Tax	30.08	29.21	-	-	30.08	29.21	0.87
Other Taxes	4.02	2.95	-	-	4.02	2.95	1.07
Other Revenues	2.50	0.37	1.34	0.94	3.84	1.31	2.53
Total Revenues	89.62	80.67	55.18	60.74	144.80	141.41	3.39
Expenses:							
General Government	16.70	21.70	-	-	16.70	21.70	(5.00)
Public safety	24.30	42.36	-	-	24.30	42.36	(18.06)
Highway and Streets	8.71	8.47	-	-	8.71	8.47	0.24
Health and Welfare	2.26	3.47	-	-	2.26	3.47	(1.21)
Culture and Recreation	6.59	7.47	-	-	6.59	7.47	(0.88)
Economic development	19.01	5.90	-	-	19.01	5.90	13.11
Interest on long-term debt	5.36	4.04	-	-	5.36	4.04	1.32
Utility Services	-	-	17.27	17.03	17.27	17.03	0.24
Pharr EMS	-	-	13.64	26.38	13.64	26.38	(12.74)
TeamPharr.net	-	-	-	0.27	-	0.27	(0.27)
Toll Bridge	-	-	-	8.50	-	8.50	(8.50)
Tierra del sol golf course	-	-	-	1.82	-	1.82	(1.82)
Total Expenses	82.93	93.41	30.91	54.00	113.84	147.41	(33.57)
Increase in net position before transfers	6.69	(12.74)	24.26	6.74	30.96	(6.00)	36.96
Contributions	-	0.48	-	1.42	-	1.90	(1.90)
Transfers	8.21	(2.37)	-	2.37	8.21	-	8.21
Change in Net Position	14.90	(14.63)	24.26	10.53	39.17	(4.10)	43.27
Net Position Beginning	136.67	133.27	-	131.63	136.67	264.90	(128.23)
Prior Period Adjustment	0.78	18.03	-	(5.34)	0.78	12.69	(11.91)
Net Position Ending	\$ 152.35	\$ 136.67	\$ 24.26	\$ 136.82	\$ 176.61	\$ 273.49	\$ (96.88)

City of Pharr, Texas
Management's Discussion and Analysis

Business-Type Activities

There was an increase in revenues for most Business-Type funds, however, an increase in operating expenses was also reflected. The decrease of \$2,573,506 in revenues reflected during this fiscal year is primarily comprised of EMS receivables, which are expected to be received in a later period.

Capital Assets and Debt Administration

The City of Pharr, Texas's capital assets for its governmental and business-type activities amount to \$432,294,456. This investment in capital assets includes water rights, lease assets (GASB No. 87), land, buildings and system improvements, other improvements, machinery and equipment, infrastructure, and construction in progress net of depreciation. The total increase in the City's capital assets for the current fiscal year was \$25.82 million or 6%.

	Activities		Business-Type		Totals		Increase (Decrease)
	2023	2022	2023	2022	2023	2022	
Lease Assets	\$ 3.40	\$ 2.43	\$ 3.25	\$ 3.99	\$ 6.65	\$ 6.42	\$ 0.23
Subscription Assets	0.14				0.14	-	0.14
Water Rights	-	-	7.75	7.75	7.75	7.75	-
Land	22.42	22.30	6.90	6.90	29.32	29.20	0.12
Building and System Improvements	64.18	65.86	13.48	14.23	77.66	80.09	(2.43)
Other Improvements	56.07	55.22	10.14	10.72	66.21	65.94	0.27
Machinery and Equipment	7.81	8.34	6.54	6.35	14.35	14.69	(0.34)
Infrastructure	26.87	27.61	94.24	97.25	121.10	124.86	(3.76)
Construction in progress	77.50	53.08	31.62	24.44	109.12	77.52	31.60
Total Capital Assets	\$ 258.39	\$ 234.84	\$ 173.91	\$ 171.63	\$ 432.29	\$ 406.47	\$ 25.82

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report under section *III-Detailed Notes on Funds and Component Units Subsection F-Capital Assets*.

Long-Term Debt Obligations

At the end of the current fiscal year, the City had a total contractually obligated long-term debt of \$259.35 million. The details of the change in debt from last fiscal year are as indicated:

	Governmental		Increase (Decrease)
	2023	2022	
Bonds	\$ -	\$ -	\$ -
Certificates of Obligation	115.54	118.76	(3.22)
Capital Equipment Loans	4.58	5.92	(1.34)
Notes Payable	18.94	5.24	13.70
Total Long-Term Debt	139.06	129.92	9.14
	Business-Type		Increase (Decrease)
	2023	2022	
Bonds Payable	114.15	118.18	(4.03)
Capital Equipment Loans	6.13	3.24	2.89
Total Long-Term Debt	120.29	121.42	(1.13)
Total Long-Term Debt	\$ 259.35	\$ 251.34	\$ 8.01

City of Pharr, Texas
Management's Discussion and Analysis

Long-Term Debt (Continued)

Long-term debt for governmental activities increased by \$9.14 million due to bonds issued for the TeamPharr.net project which was funded by the Pharr Economic Development Corporation.

Long-term debt for Business-Type activities decreased by \$1.13 million. The decrease in long-term debt is mainly due to debt repayments made during the fiscal year.

Additional information on the City's long-term debt can be found in this report's Notes to the Financial Statements under *Section III-Detailed Notes on Funds and Component Units Subsection G-Long-Term Obligations*.

Pension Liability and Other Post-Employment Benefits

The adoption of Statement No. 68 and Statement No. 75 resulted in the City's reporting of net pension and OPEB liabilities, deferred inflows, and deferred outflows of resources for each of these qualified pension and benefit plans and the recognition expense by the statement provisions.

Table 5 provides the City's key pension statistics related to the Texas Municipal Retirement System (TMRS) plan as of and for the fiscal year ended September 30, 2023:

<u>Description</u>	<u>Amount</u>
Net Pension Liability	27.48
Pension Expense	5.89
 OPEB Liability	 1.27
OPEB Expense	0.12

Additional information on the City's net pension liability can be found in the Notes to the Financial Statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- The launch of TeamPharr.net, the new broadband service the City is providing to citizens will connect people to improve quality of life.
- The continuation of the new infrastructure Bridge Expansion project and improvements inside the Port of Entry will streamline the truck/cargo inspection process, allow for better flow and maximum efficiency, and result in more crossing revenue as consequence.
- The City's proposed revenues for the 2023-2024 fiscal year are \$76,569,500, an increase of \$7,673,600 from the current year. The increase is mainly due to increased tax revenue.

City of Pharr, Texas
Management's Discussion and Analysis

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, Texas, Office of the Finance Director, P.O. Box 1729, Pharr, TX 78577.



BASIC FINANCIAL STATEMENTS

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City of Pharr, Texas
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-Type Activities	Total	Discrete Component Units	Total
ASSETS:					
Current Assets:					
1010 Cash and Cash Equivalents	\$ 25,392,572	\$ 6,759,445	\$ 32,152,018	\$ 687,246	\$ 32,839,264
1143 Taxes Receivable, Net	2,326,226	-	2,326,226	-	2,326,226
1150 Accounts Receivable, Net	9,932,278	10,167,935	20,100,213	23,902	20,124,115
1160 Notes Receivable - EDC	1,591,895	-	1,591,895	-	1,591,895
1220 Lease Receivable, Net	46,120	1,608,534	1,654,654	-	1,654,654
1300 Due from Other Funds	8,784,969	-	8,784,969	-	8,784,969
1390 Due from Others	505,034	-	505,034	-	505,034
1410 Inventories	41,401	20,420	61,821	-	61,821
1437 Land Available for Sale	3,353,679	-	3,353,679	-	3,353,679
1601 Non-Current Leases Receivable	175,924	-	175,924	-	175,924
Restricted Assets:					
1611 Restricted Cash	21,319,030	104,473,644	125,792,674	2,581,338	128,374,012
1621 Restricted Cash with Fiscal Agent	3,315,054	271,837	3,586,891	-	3,586,891
1623 Restricted Intergovernmental Receivable	1,629,519	-	1,629,519	-	1,629,519
Total Current Assets	78,413,702	123,301,815	201,715,516	3,386,061	205,101,577
Noncurrent Assets:					
Capital Assets					
1791 Capital Assets Not Being Depreciated	99,922,063	46,265,139	146,187,202	1,500,000	147,687,202
1792 Capital Assets Being Depreciated	158,466,603	127,640,652	286,107,255	23,566,790	309,674,045
Total Capital Assets	258,388,666	173,905,790	432,294,456	25,066,790	457,361,246
Total Noncurrent Assets	258,388,666	173,905,790	432,294,456	25,066,790	457,361,246
TOTAL ASSETS	\$ 336,802,368	\$ 297,207,605	\$ 634,009,973	\$ 28,452,851	\$ 662,462,824
DEFERRED OUTFLOWS OF RESOURCES:					
1991 Unamortized loss on refunding of debt	-	97,743	97,743	-	97,743
1992 Pension-TMRS	13,229,948	2,218,396	15,448,344	-	15,448,344
1993 Other post employment benefits	55,884	9,550	65,434	-	65,434
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,285,832	2,325,689	15,611,521	-	15,611,521
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 350,088,200	\$ 299,533,294	\$ 649,621,494	\$ 28,452,851	\$ 678,074,345
LIABILITIES:					
Current Liabilities:					
2010 Accounts Payable	\$ 8,038,444	\$ 1,655,586	\$ 9,694,030	\$ 92,533	\$ 9,786,563
2012 Accrued Interest	1,353,573	-	1,353,573	-	1,353,573
2020 Payroll Liabilities	107,996	-	107,996	-	107,996
2030 Compensated Absences Payable	36,263	-	36,263	-	36,263
2060 Retainage Payable	-	461,780	461,780	-	461,780
2080 Due to Other Funds	-	4,945,938	4,945,938	3,822,695	8,768,633
2140 Accrued liabilities	681,793	507,859	1,189,652	-	1,189,652
2190 Escrow Accounts	105,257	-	105,257	45,546	150,803
2230 Unearned Revenues	10,880,308	421,406	11,301,714	52,298	11,354,012
Total Current Liabilities	21,203,634	7,992,569	29,196,204	4,013,072	33,209,276
Current Liabilities Payable From Restricted Assets:					
2374 Customer Deposits Payable	-	723,728	723,728	76,766	800,494
2501 Debt Service - Due Within One Year	9,416,540	7,336,432	16,752,972	764,699	17,517,671
Total Current Liabilities From Restricted Assets	9,416,540	8,060,160	17,476,700	841,465	18,318,165
Noncurrent Liabilities:					
2502 Debt Service - Due in More Than One Year	138,885,011	125,712,914	264,597,925	30,061,407	294,659,332
2580 Net Pension Liability	22,375,945	5,103,358	27,479,303	-	27,479,303
2585 Other post employment benefits	1,035,705	236,217	1,271,922	-	1,271,922
Total Noncurrent Liabilities	162,296,661	131,052,489	293,349,150	30,061,407	323,410,557
TOTAL LIABILITIES	192,916,835	147,105,218	340,022,054	34,915,944	374,937,998
DEFERRED INFLOWS OF RESOURCES:					
2602 Pension Plan	4,287,934	977,963	5,265,897	-	5,265,897
2603 Other post employment benefits	313,713	71,542	385,255	-	385,255
2607 Deferred Inflow Related to Leases	222,044	1,608,534	1,830,578	-	1,830,578
2608 Unearned Revenues - Intergovernmental	-	3,068,246	3,068,246	-	3,068,246
TOTAL DEFERRED INFLOWS OF RESOURCES	4,823,690	5,726,285	10,549,976	-	10,549,976
NET POSITION					
4001 Net Investment in Capital Assets	110,087,115	41,580,636	151,667,752	(5,752,417)	145,915,335
3721 Debt Service	18,865,608	-	18,865,608	2,581,338	21,446,946
3722 Capital Outlay	2,271,531	-	2,271,531	-	2,271,531
3723 Economic Development	12,283,377	-	12,283,377	235,298	12,518,675
3724 Tourism	658,684	-	658,684	-	658,684
3725 Noncurrent advances	4,700,162	-	4,700,162	-	4,700,162
3726 Public Safety	561,462	-	561,462	-	561,462
3727 Paving and Drainage	986,561	-	986,561	-	986,561
3728 General Government	4,268,606	-	4,268,606	-	4,268,606
3729 Parkland	38,359	-	38,359	-	38,359
3730 Community Development	481,584	-	481,584	-	481,584
3890 Unrestricted	(2,855,374)	105,121,154	102,265,780	(3,527,312)	98,738,468
TOTAL NET POSITION	152,347,674	146,701,790	299,049,465	(6,463,093)	292,586,372
TOTAL LIABILITIES, DEFERRED INFLOWS, & NET POSITION	\$ 350,088,200	\$ 299,533,294	\$ 649,621,494	\$ 28,452,851	\$ 678,074,345

City of Pharr, Texas
Statement of Activities
For the Year Ended September 30, 2023

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 16,700,387	\$ 2,499,639	\$ 3,872,741
Public Safety	24,303,776	138,782	2,176,756
Highways and Streets	8,708,528	1,051,791	9,950,345
Health and Welfare	2,255,637	3,580,244	-
Culture and Recreation	6,587,945	504,895	-
Economic Development	19,012,420	33,111	-
Interest on Debt	5,360,770	-	-
Total Governmental Activities	82,929,463	7,808,461	15,999,841
BUSINESS-TYPE ACTIVITIES:			
Utility	18,698,811	17,731,236	-
Pharr EMS	14,450,726	13,048,426	-
TeamPharr.Net	1,243,947	4,216,587	-
Toll Bridge	7,547,488	17,503,630	-
Tierra Del Sol Golf Course	1,591,152	1,070,194	-
Total Business-Type Activities	43,532,124	53,570,073	-
TOTAL PRIMARY GOVERNMENT	126,461,586	61,378,534	15,999,841
COMPONENT UNITS:			
PHFC Jackson Place Apartments	3,566,038	3,552,746	-
Greater Pharr Chamber of Commerce	315,945	79,221	-
Total Component Unit Activities	3,881,983	3,631,967	-

General Revenues
Taxes:
Property Taxes
General Sales and Use Taxes
Franchise Tax
Contributions
Other Taxes
Investment Earnings
Other
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position Primary Government				
Governmental Activities	Business-Type Activities	Total	Discrete Component Units	Total
\$ (10,328,007)		\$ (10,328,007)	\$ -	\$ (10,328,007)
(21,988,238)		(21,988,238)	-	(21,988,238)
2,293,607		2,293,607	-	2,293,607
1,324,607		1,324,607	-	1,324,607
(6,083,049)		(6,083,049)	-	(6,083,049)
(18,979,309)		(18,979,309)	-	(18,979,309)
(5,360,770)		(5,360,770)	-	(5,360,770)
<u>(59,121,160)</u>		<u>(59,121,160)</u>	<u>-</u>	<u>(59,121,160)</u>
(967,575)	(967,575)	(967,575)	-	(967,575)
(1,402,300)	(1,402,300)	(1,402,300)	-	(1,402,300)
2,972,640	2,972,640	2,972,640	-	2,972,640
9,956,142	9,956,142	9,956,142	-	9,956,142
<u>(520,958)</u>	<u>(520,958)</u>	<u>(520,958)</u>	<u>-</u>	<u>(520,958)</u>
<u>10,037,949</u>	<u>10,037,949</u>	<u>10,037,949</u>	<u>-</u>	<u>10,037,949</u>
<u>(49,083,210)</u>	<u>10,037,949</u>	<u>(49,083,210)</u>	<u>-</u>	<u>(49,083,210)</u>
-	-	-	(13,292)	(13,292)
-	-	-	(236,724)	(236,724)
-	-	-	<u>(250,016)</u>	<u>(250,016)</u>
29,224,882	-	29,224,882	-	29,224,882
30,077,038	-	30,077,038	-	30,077,038
2,937,014	-	2,937,014	-	2,937,014
-	1,796,054	-	218,400	218,400
1,078,084	-	1,078,084	-	1,078,084
780,035	2,296,377	3,076,412	6,447	3,082,859
1,717,091	3,044,584	4,761,675	220,603	4,982,278
<u>8,208,018</u>	<u>(8,208,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>74,022,162</u>	<u>(1,071,003)</u>	<u>71,155,105</u>	<u>445,450</u>	<u>71,600,555</u>
14,901,003	8,966,946	22,071,895	195,434	22,267,329
\$ 136,666,918	\$ 137,227,365	\$ 273,894,283	(6,636,605)	267,257,678
779,754	507,479	1,287,233	(21,922)	1,265,311
<u>\$ 152,347,674</u>	<u>\$ 146,701,790</u>	<u>\$ 299,049,465</u>	<u>\$ (6,463,093)</u>	<u>\$ 292,586,372</u>

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City of Pharr, Texas
Balance Sheet - Governmental Funds
September 30, 2023

EXHIBIT C-1

	Major Governmental Funds			Non-major	Total Governmental
	General	Covid Relief	Development	Governmental	Funds
		Fund	Corporation II,	Funds	
			Inc.		
ASSETS:					
1010 Cash and Cash Equivalents	\$ 740,873	\$ -	\$ 4,450,285	\$ 20,143,059	\$ 25,334,217
1143 Taxes Receivable, Net	1,898,651	-	-	427,575	2,326,226
1150 Accounts Receivable, Net	6,063,977	-	1,494,310	2,373,991	9,932,278
1160 Notes Receivable - EDC	-	-	1,534,607	57,289	1,591,895
1220 Lease Receivable, Net	-	-	46,120	-	46,120
1300 Due from Other Funds	10,692,327	-	189,381	1,861,293	12,743,001
1390 Due from Others	505,034	-	-	-	505,034
1437 Land Available for Sale	-	-	3,353,679	-	3,353,679
1601 Non-Current Leases Receivable	-	-	175,924	-	175,924
Restricted Assets:					
1611 Restricted Cash	-	14,875,300	6,443,730	-	21,319,030
1621 Restricted Cash with Fiscal Agent	2,271,531	-	-	1,043,523	3,315,054
1623 Restricted Intergovernmental Receivable	-	-	-	1,629,519	1,629,519
TOTAL ASSETS	\$ 22,172,392	\$ 14,875,300	\$ 17,688,035	\$ 27,536,250	\$ 82,271,978
LIABILITIES:					
2010 Accounts Payable	2,195,915	3,717,951	1,322,555	782,456	8,018,877
2012 Accrued Interest	-	277,041	-	1,076,532	1,353,573
2020 Payroll Liabilities	107,996	-	-	-	107,996
2080 Due to Other Funds	300,674	-	311,445	3,345,789	3,957,908
2140 Accrued liabilities	25,680	-	-	-	25,680
2230 Unearned Revenues	-	10,880,308	-	-	10,880,308
TOTAL LIABILITIES	2,630,264	14,875,300	1,634,000	5,204,777	24,344,341
DEFERRED INFLOWS OF RESOURCES:					
2601 Deferred Property Taxes	515,473	-	-	77,601	593,073
2604 Deferred Accounts	943,606	-	-	1,516,835	2,460,441
2605 Deferred Resource Inflow - Warrants	1,360,442	-	-	-	1,360,442
2607 Deferred Inflow Related to Leases	-	-	222,044	-	222,044
TOTAL DEFERRED INFLOWS OF RESOURCES	2,819,520	-	222,044	1,594,436	4,636,000
FUND BALANCES:					
Non-spendable for:					
3002 Land Available for Sale	-	-	3,353,679	-	3,353,679
3003 Non-Current Advances	4,700,162	-	-	-	4,700,162
Restricted for:					
3005 General Government	4,278,202	-	-	(9,596)	4,268,606
3006 Debt Service	-	-	5,965,346	12,900,261	18,865,608
3007 Capital Outlay	2,271,531	-	-	-	2,271,531
3008 Paving and Drainage	-	-	-	986,561	986,561
3009 Tourism	-	-	-	658,684	658,684
3010 Public Safety	-	-	-	561,462	561,462
3410 Parkland	-	-	-	38,359	38,359
3415 Community Development	-	-	-	481,584	481,584
3425 Economic Development	-	-	6,512,965	5,770,411	12,283,377
Assigned for:					
3565 Fire Department	94,966	-	-	-	94,966
3570 Public Works	305,274	-	-	-	305,274
3580 Court	401,561	-	-	-	401,561
3600 Unassigned	4,670,912	-	-	(650,689)	4,020,223
TOTAL FUND BALANCES	16,722,608	-	15,831,991	20,737,037	53,291,636
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 22,172,392	\$ 14,875,300	\$ 17,688,035	\$ 27,536,250	\$ 82,271,978

City of Pharr, Texas
Reconciliation of the Balance Sheet - Governmental to the Governmental Activities - Statement of Net Position
September 30, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	53,291,636
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Amounts Reported for governmental activities in the statement of net position are different because:

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 are allocated to governmental activities. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.

	<u>231,227</u>	231,227
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Capital assets used in governmental activities are not financial resources, and therefore are not reported in governmental funds:

Capital Assets Not Being Depreciated	99,922,063	
Capital Assets Being Depreciated	288,295,316	
Accumulated Depreciation	<u>(130,121,396)</u>	
Total Capital Assets, Net		258,095,983

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities at the fund level.

Debt Service - Due Within One Year	(9,416,540)	
Debt Service - Due in More Than One Year	<u>(138,885,011)</u>	
Total Long-Term Liabilities		(148,301,551)

Some receivables are reported as deferred inflows of resources at the governmental level, and therefore are not reported in governmental funds.

Property Taxes	593,073	
Accounts	2,460,441	
Warrants	<u>1,360,442</u>	
Total Deferred Inflows of Resources		4,413,956

Interest on long-term debt is not accrued in the governmental funds, but is recognized as an expenditure in the funds.

Accrued Interest Payable	<u>(656,113)</u>	
Total Accrued Interest Payable		(656,113)

Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.

Net Pension Liability	(22,375,945)	
Deferred Outflow related to Pension Plan	13,229,948	
Deferred Inflow related to Pension Plan	<u>(4,287,934)</u>	
		(13,433,931)

Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB Statement No. 75, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.

Net OPEB Liability	(1,035,705)	
Deferred Outflow related to OPEB	55,884	
Deferred Inflow related to OPEB	<u>(313,713)</u>	
		(1,293,534)

Net position of governmental activities	\$	<u>152,347,674</u>
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City of Pharr, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For The Year Ended September 30, 2023

EXHIBIT C-3

		Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
		General	Covid Relief Fund	Economic Development Corporation II, Inc.		
REVENUES:						
Taxes:						
5110	Property Taxes	\$ 22,960,931	\$ -	\$ -	\$ 6,065,539	\$ 29,026,470
5120	General Sales and Use Taxes	21,785,578	-	7,261,860	1,029,600	30,077,038
5170	Franchise Tax	2,937,014	-	-	-	2,937,014
5180	Other Taxes	201,621	-	-	876,463	1,078,084
5200	Licenses and Permits	1,481,690	-	-	-	1,481,690
5300	Intergovernmental	72,900	7,329,688	-	8,597,254	15,999,841
Fees and Charges:						
5400	Sanitation	3,237,297	-	-	-	3,237,297
5401	Brush	1,271,160	-	-	-	1,271,160
5402	Other Charges and Fees	1,385,486	-	-	1,222,947	2,608,433
5510	Fines	673,006	-	-	-	673,006
5610	Investment Earnings	166,953	-	272,731	340,351	780,035
5700	Other Revenue	966,382	-	368,991	37,217	1,372,590
	TOTAL REVENUES	57,140,019	7,329,688	7,903,582	18,169,370	90,542,659
EXPENDITURES:						
Current:						
100	General Government	17,901,344	5,070,237	-	656,157	23,627,738
200	Public Safety	30,453,185	-	-	3,931,842	34,385,027
310	Highway and Streets	5,547,004	-	-	6,773,838	12,320,842
400	Health and Welfare	3,191,279	-	-	-	3,191,279
500	Culture and Recreation	9,098,554	-	-	222,082	9,320,636
650	Economic Development and Assistance	2,340,302	-	24,558,504	-	26,898,807
Debt Service:						
710	Principal on Debt	3,059,928	-	-	4,915,319	7,975,246
720	Interest on Debt	248,693	-	2,298,664	2,771,032	5,318,389
723	Bond Issuance Cost	-	-	-	115,000	115,000
	TOTAL EXPENDITURES	71,840,289	5,070,237	26,857,168	19,385,271	123,152,965
	Excess(Deficiency) of Revenues					
	Over(Under) Expenditures	(14,700,269)	2,259,451	(18,953,587)	(1,215,901)	(32,610,306)
OTHER FINANCING SOURCES (USES)						
7911	Issuance of Debt	3,123,969	-	1,179,150	15,116,582	19,419,701
7915	Transfers In	13,378,800	-	12,522,629	17,845,044	43,746,473
8911	Transfers Out	(10,061,876)	(2,259,451)	(2,010,800)	(21,210,129)	(35,542,256)
8916	Other Contributions	-	-	(150,000)	(79,483)	(229,483)
	TOTAL OTHER FINANCING SOURCES (USES)	6,440,893	(2,259,451)	11,540,979	11,672,014	27,394,435
	Net Change in Fund Balances	(8,259,376)	-	(7,412,608)	10,456,114	(5,215,870)
3600	Fund Balance - Beginning	\$ 24,622,337	\$ -	\$ 23,088,626	\$ 10,016,790	\$ 57,727,753
3700	Prior Period Adjustment	359,647	-	155,973	264,133	779,754
3900	Fund Balance - Ending	\$ 16,722,608	\$ -	\$ 15,831,991	\$ 20,737,037	\$ 53,291,636

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City of Pharr, Texas

EXHIBIT C-4

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the
Governmental Activities - Statement of Activities
For the Year Ended September 30, 2023**

Total Net Change in Fund Balances - Governmental Funds			\$ (5,215,870)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays and debt principal payments is to increase (decrease) the change in net position.			
	Additions to Capital Assets	40,453,804	
	Depreciation of Capital Assets	<u>(10,381,381)</u>	
			30,072,423
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
	Principal Repayment	6,843,938	
	Acquisition of Debt	(16,914,150)	
	Compensated Absences	<u>731,490</u>	
			(9,338,722)
Interest on long-term debt is not accrued in the governmental funds, but it is recognized as an expenditure at the fund level.			
	Accrued Interest Payable	<u>42,381</u>	
			42,381
Because some property taxes and accounts receivable will not be collected for several months after the City's year end, they are not considered "available" revenues in the governmental funds. This represents the change in unavailable revenue from the prior year.			
	Property Taxes	198,411	
	Accounts	517,959	
	Warrants	173,613	
	Leases	(44,403)	
	Notes	<u>(54,619)</u>	
			790,961
GASB 68 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. Finally, the proportionate share of pension expense on the plan as a whole has to be recorded.			
	Change in Net Pension Liability	(12,880,687)	
	Deferred Outflow related to Pension Plan	11,898,582	
	Deferred Inflow related to Pension Plan	<u>1,719,717</u>	
			737,612
GASB 75 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. Finally, the proportionate share of OPEB expense on the plan as a whole has to be recorded.			
	Change in Net OPEB Liability	(1,661,503)	
	Deferred Outflow related to OPEB	(277,478)	
	Deferred Inflow related to OPEB	<u>(248,801)</u>	
			(2,187,782)
Change in Net Position of Governmental Activities			<u>\$ 14,901,003</u>

City of Pharr, Texas
Statement of Net Position - Proprietary Funds
September 30, 2023

	Utility	EMS	TeamPharr.Net
ASSETS:			
Current Assets:			
1010 Cash and Cash Equivalents	\$ -	\$ -	\$ 11,739
1150 Accounts Receivable, Net	3,680,372	2,487,936	3,931,359
1220 Lease Receivable, Net	-	-	-
1410 Inventories	-	-	-
Restricted Assets:			
1611 Restricted Cash	47,586,189	-	-
1621 Restricted Cash with Fiscal Agent	271,837	-	-
Total Current Assets	51,538,397	2,487,936	3,943,099
Noncurrent Assets:			
Capital Assets			
1710 Land (nondepreciable)	4,293,127	785,224	-
1720 Construction in Progress (nondepreciable)	7,730,446	-	-
1721 Water Rights (nondepreciable)	7,750,000	-	-
1730 Buildings (net of depreciation)	8,052,016	2,021,501	-
1731 Improvements Other than Buildings (net of acc. Depreciaton)	8,706,116	48,664	-
1740 Infrastructure (net of acc. Depreciation)	84,815,257	-	-
1741 Machinery and Equipment (Net of acc depreciation)	3,230,719	1,290,824	39,343
1750 Lease Asset (net of acc depreciation)	143,149	2,977,168	-
Total Capital Assets	124,720,830	7,123,381	39,343
Total Noncurrent Assets	124,720,830	7,123,381	39,343
TOTAL ASSETS	\$ 176,259,227	\$ 9,611,317	\$ 3,982,442
DEFERRED OUTFLOWS OF RESOURCES:			
1991 Unamortized loss on refunding of debt	97,743	-	-
1992 Pension-TMRS	792,601	948,709	-
1993 Other post employment benefits	4,347	5,203	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	894,691	953,912	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 177,153,918	\$ 10,565,229	\$ 3,982,442
LIABILITIES:			
Current Liabilities:			
2010 Accounts Payable	\$ 1,191,912	\$ 185,889	\$ 38,018
2060 Retainage Payable	76,742	-	-
2080 Due to Other Funds	4,150,524	598,975	183,719
2140 Accrued liabilities	213,317	220	-
2230 Unearned Revenues	-	-	-
Total Current Liabilities	5,632,495	785,083	221,736
Current Liabilities Payable From Restricted Assets:			
2374 Customer Deposits Payable	723,728	-	-
2400 Accrued Compensation	104,289	17,885	-
2499 Capital Equipment Loans/Lease Liability	653,830	455,491	-
2500 Bonds/Note Principal Payable	4,558,405	-	-
Total Current Liabilities From Restricted Assets	6,040,252	473,376	-
Noncurrent Liabilities:			
2520 Accrued Compensation	312,866	53,656	-
2540 Capital Equipment Loans/Lease Liability	1,737,862	2,900,041	-
2550 Bonds/Notes Principal	52,414,810	-	-
2580 Net Pension Liability	1,825,498	2,185,041	-
2585 Other post employment benefits	84,496	101,138	-
Total Noncurrent Liabilities	56,375,531	5,239,876	-
TOTAL LIABILITIES	68,048,278	6,498,335	221,736
DEFERRED INFLOWS OF RESOURCES:			
2602 Pension Plan	349,823	418,722	-
2603 Other post employment benefits	25,593	30,628	-
2607 Deferred Inflow Related to Leases	-	-	-
2608 Unearned Revenues - Intergovernmental	3,068,246	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,443,662	449,350	-
NET POSITION			
4001 Net Investment in Capital Assets	65,355,923	3,767,849	39,343
3890 Unrestricted	40,306,055	(150,305)	3,721,362
TOTAL NET POSITION	105,661,978	3,617,543	3,760,706
TOTAL LIABILITIES, DEFERRED INFLOWS, & NET POSITION	\$ 177,153,918	\$ 10,565,229	\$ 3,982,442

		Governmental	
		Activities - Internal	
Toll Bridge	Tierra Del Sol Golf Course	Total	Service Fund
\$ 6,606,565	\$ 141,141	\$ 6,759,445	\$ 58,355
53,905	14,363	10,167,935	-
1,608,534	-	1,608,534	-
-	20,420	20,420	41,401
56,887,455	-	104,473,644	-
-	-	271,837	-
65,156,458	175,924	123,301,815	99,756
819,645	999,342	6,897,338	-
23,887,354	-	31,617,800	-
-	-	7,750,000	-
3,158,060	249,876	13,481,452	292,683
230,255	1,156,016	10,141,051	-
9,420,137	0	94,235,394	-
1,837,589	136,813	6,535,288	-
-	127,150	3,247,467	-
39,353,040	2,669,197	173,905,790	292,683
39,353,040	2,669,197	173,905,790	292,683
\$ 104,509,498	\$ 2,845,121	\$ 297,207,605	\$ 392,440
-	-	97,743	-
303,298	173,789	2,218,396	-
-	-	9,550	-
303,298	173,789	2,325,689	-
\$ 104,812,796	\$ 3,018,910	\$ 299,533,294	\$ 392,440
\$ 209,392	\$ 30,377	\$ 1,655,586	\$ 19,567
385,038	-	461,780	-
10,698	2,023	4,945,938	125
294,322	-	507,859	-
369,265	52,141	421,406	-
1,268,714	84,540	7,992,569	161,212
-	-	723,728	-
50,053	8,822	181,048	-
61,148	31,510	1,201,979	-
1,395,000	-	5,953,405	-
1,506,201	40,331	8,060,160	-
150,158	26,465	543,144	-
15,272	278,422	4,931,596	-
67,823,364	-	120,238,174	-
694,737	398,082	5,103,358	-
32,157	18,426	236,217	-
68,715,687	721,395	131,052,489	-
71,490,602	846,267	147,105,218	161,212
133,133	76,285	977,963	-
9,740	5,581	71,542	-
1,608,534	-	1,608,534	-
-	-	3,068,246	-
1,751,407	81,866	5,726,285	-
(29,941,744)	2,359,265	41,580,636	292,683
61,512,531	(268,488)	105,121,154	(61,456)
31,570,787	2,090,777	146,701,790	231,227
\$ 104,812,796	\$ 3,018,910	\$ 299,533,294	\$ 392,440

City of Pharr, Texas
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2023

	Utility	EMS	Team Pharr.Net
OPERATING REVENUES:			
5403 Garage Repairs	\$ -	\$ -	\$ -
5404 Claims	-	-	-
5551 Water Sales	9,751,075	-	-
5552 Sewer Service	7,605,331	-	-
5553 Tap Fees	374,830	-	-
5554 Toll Fees	-	-	-
5555 Golf Services	-	-	-
5556 Internet Services	-	-	4,216,587
5558 EMS	-	13,048,426	-
5559 Other	299,481	918,803	-
5621 Lease Revenue	-	-	-
Total Operating Revenues	18,030,717	13,967,229	4,216,587
OPERATING EXPENSES:			
6101 Personnel Services	3,878,792	4,330,402	1,206
6301 Contractual Services	4,282,617	8,291,442	1,203,853
6601 Supplies and Materials	2,917,267	262,483	32,014
6800 Depreciation	6,189,972	757,189	6,874
6801 Self-Insurance Claims	-	-	-
Total Operating Expenses	17,268,648	13,641,516	1,243,947
OPERATING INCOME(LOSS)	762,069	325,713	2,972,641
NON-OPERATING REVENUES(EXPENSES)			
6806 Investment Earnings	922,561	4,025	204
6807 Pension Income	-	1,439,631	-
6920 Interest on Debt	(950,112)	(148,228)	-
6923 Amortization Expense	(480,051)	(660,982)	-
Total Non-Operating Revenues(Expenses)	(507,602)	634,447	204
Income(Loss) Before Capital Contributions and Transfers	254,466	960,160	2,972,844
7957 Capital Contributions	1,796,054	-	-
7958 Transfers In	86,500	1,570,500	1,031,735
8911 Transfers Out	(693,900)	-	-
Total Contributions and Transfers	1,188,654	1,570,500	1,031,735
Change in Net Position	\$ 1,443,121	\$ 2,530,660	\$ 4,004,579
3890 Net Position - Beginning	\$ 104,400,078	\$ 1,086,883	\$ (243,874)
3700 Prior Period Adjustment	(181,220)	-	-
3900 Net Position - Ending	\$ 105,661,978	\$ 3,617,543	\$ 3,760,706

EXHIBIT D-2

Toll Bridge	Tierra Del Sol Golf Course	Total	Governmental Activities - Internal Service Fund
\$ -	\$ -	\$ -	\$ 1,017,785
-	-	-	8,355,881
-	-	9,751,075	-
-	-	7,605,331	-
-	-	374,830	-
17,503,630	-	17,503,630	-
-	1,070,194	1,070,194	-
-	-	4,216,587	-
-	-	13,048,426	-
82,002	41,207	1,341,493	-
263,460	-	263,460	-
17,849,091	1,111,401	55,175,025	9,373,666
1,481,158	814,056	10,505,614	196,181
2,560,384	237,973	16,576,269	817,204
324,720	214,474	3,750,958	4,105
822,560	208,546	7,985,142	14,467
-	-	-	8,504,340
5,188,822	1,475,050	38,817,983	9,536,296
12,660,269	(363,649)	16,357,042	(162,630)
1,355,929	13,657	2,296,377	-
-	-	1,439,631	-
(2,358,666)	(12,910)	(3,469,917)	-
-	(103,190)	(1,244,222)	-
(1,002,737)	(102,442)	(978,131)	-
11,657,532	(466,092)	15,378,911	(162,630)
-	-	1,796,054	-
7,276,694	123,800	10,089,228	3,800
(17,603,346)	-	(18,297,246)	-
(10,326,653)	123,800	(6,411,964)	3,800
\$ 1,330,879	\$ (342,292)	\$ 8,966,947	\$ (158,830)
\$ 29,551,208	\$ 2,433,069	\$ 137,227,365	\$ 481,834
688,699	-	507,479	(91,776)
\$ 31,570,787	\$ 2,090,777	\$ 146,701,790	\$ 231,227

City of Pharr, Texas
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2023

	Utility	EMS	TeamPharr.Net
CASH FLOWS FROM OPERATING ACTIVITIES			
Total Receipts From Customers	\$ 18,030,717	\$ 13,967,229	\$ 4,216,587
Total Payments to Suppliers	(2,917,267)	(262,483)	(32,014)
Total Payments to Employees	(3,878,792)	(4,330,402)	(1,206)
Total Payments for Contractual Services	(4,282,617)	(8,291,442)	(1,272,175)
Total Payments (to)/From Others	(2,893,367)	-	-
Net Cash Flow (To)/From Operating Activities	4,058,674	1,082,902	2,911,193
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Total Transfers in From Other Funds	86,500	1,570,500	1,031,735
Total Transfers Out to Other Funds	(693,900)	-	-
Net Cash Provided/(Used) by Noncapital and Related Financing Activities	(607,400)	1,570,500	1,031,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(226,691)	-	(6,874)
Principal Paid on Long-Term Debt	(4,129,996)	(1,409,850)	-
Interest Paid on Long-Term Debt	(950,112)	(148,228)	-
Other	(480,051)	(1,099,350)	(3,931,359)
Net cash provided/(used) by capital and related financing activities	(5,786,850)	(2,657,428)	(3,938,233)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income Received	922,561	4,025	204
Net Cash Provided/(Used) by Investing Activities	922,561	4,025	204
Net Increase/Decrease in Cash	(1,413,015)	-	4,898
Cash Beginning of Fiscal Year	49,271,041	-	6,841
Cash End of Fiscal Year	\$ 47,858,026	\$ -	\$ 11,739

EXHIBIT D-3

Tierra Del Sol Golf		Governmental Activities -	
Toll Bridge	Course	Total	Internal Service Fund
\$ 17,585,632	\$ 1,111,401	\$ 64,285,231	\$ 9,373,666
(324,720)	(214,474)	(3,755,063)	(4,105)
(1,481,158)	(814,056)	(10,701,795)	(196,181)
(2,560,384)	(237,973)	(17,461,795)	(817,204)
263,460	-	(11,134,247)	(8,664,530)
13,482,829	(155,103)	21,232,331	(308,354)
7,276,694	123,800	10,093,028	3,800
(17,603,346)	-	(18,297,246)	-
(10,326,653)	123,800	(8,204,218)	3,800
(4,130,611)	-	(4,364,176)	-
(1,100,156)	-	(6,640,002)	-
(2,358,666)	(12,910)	(3,469,917)	-
-	(111,748)	(5,622,508)	-
(7,589,434)	(124,658)	(20,096,603)	-
1,355,929	13,657	2,296,377	-
1,355,929	13,657	2,296,377	-
(3,077,328)	(142,304)	(4,627,749)	(304,554)
66,571,348	283,445	116,132,675	362,909
\$ 63,494,020	\$ 141,141	\$ 111,504,926	\$ 58,355

City of Pharr, Texas
Statement of Fiduciary Net Position
September 30, 2023

EXHIBIT E-1

	Developer Escrow Fund
ASSETS:	
1010 Cash and Cash Equivalents	\$ -
TOTAL ASSETS	<u>\$ -</u>
 LIABILITIES:	
2010 Accounts Payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
 NET POSITION:	 <u><u>\$ -</u></u>

City of Pharr, Texas
Statement of Changes In Fiduciary Net Position
For the Year Ended September 30, 2023

EXHIBIT E-2

		Developer Escrow Fund
ADDITIONS:		
5701	Developer Deposits	\$ 301,754
	TOTAL ADDITIONS	<u>301,754</u>
DEDUCTIONS:		
801	Release of Developer Escrow Deposits	362,552
	TOTAL DEDUCTIONS	<u>362,552</u>
	Net Change in Fiduciary Balances	(60,798)
3600	Fund Balance - Beginning	-
3700	Prior Period Adjustment	60,798
3900	Fund Balance - Ending	<u><u>\$ -</u></u>

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Discrete Component Units

Basic Financial Statements



Discretely Presented Component Units: Separate legal entities in which the primary government is financially accountable and is able to impose will on the organization.

PHFC- Jackson Place Apartments: is a separate entity created for reporting financial activity of an apartment complex owned by the City.

Greater Pharr Chamber of Commerce: is a separate non-profit entity created for the purpose of promoting tourism.

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City of Pharr, Texas
Statement of Net Position - Component Unit Funds
September 30, 2023

	PHFC Jackson Place Apartments	Greater Pharr Chamber	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 341,483	\$ 345,763	\$ 687,246
Accounts Receivable, Net	23,902	-	23,902
Prepaid Items	93,575	-	93,575
Restricted Assets:			
Restricted Cash	2,581,338	-	2,581,338
Total Current Assets	3,040,298	345,763	3,386,061
Noncurrent Assets:			
Capital Assets			
Capital Assets Not Being Depreciated	1,500,000	-	1,500,000
Capital Assets Being Depreciated	23,557,829	8,961	23,566,790
Total Capital Assets	25,057,829	8,961	25,066,790
Total Noncurrent Assets	25,057,829	8,961	25,066,790
TOTAL ASSETS	\$ 28,098,127	\$ 354,724	\$ 28,452,851
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 34,513	\$ 58,050	\$ 92,563
Due to City of Pharr	3,822,695	-	3,822,695
Due to Tenants	76,766	-	76,766
Unearned Revenues	52,298	-	52,298
Total Current Liabilities	3,986,272	58,050	4,044,322
Current Liabilities Payable From Restricted Assets:			
Escrow Payable	-	45,546	45,546
Debt Service - Due Within One Year	762,982	1,717	764,699
Total Current Liabilities From Restricted Assets	762,982	47,263	810,245
Noncurrent Liabilities:			
Debt Service - Due in More Than One Year	30,056,225	5,152	30,061,377
Total Noncurrent Liabilities	30,056,225	5,152	30,061,377
TOTAL LIABILITIES	34,805,479	110,465	34,915,944
NET POSITION			
Net Investment in Capital Assets and Lease Assets	(5,761,378)	8,961	(5,752,417)
Unrestricted	(3,527,312)	-	(3,527,312)
Restricted for Economic Development	-	235,298	235,298
Restricted for Debt Service	2,581,338	-	2,581,338
TOTAL NET POSITION	(6,707,352)	244,259	(6,463,093)
TOTAL LIABILITIES & NET POSITION	\$ 28,098,127	\$ 354,724	\$ 28,452,851

City of Pharr, Texas
Statement of Activities - Component Unit Funds
For the year ended September 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,431,140	\$ 3,552,746	\$ -	\$ 2,121,606
Depreciation	618,738	-	-	(618,738)
Economic Development	308,775	79,221	-	(229,554)
Interest on Debt	1,523,330	-	-	(1,523,330)
TOTAL PRIMARY GOVERNMENT	3,881,983	3,631,967	-	(250,016)
General Revenues				
Taxes:				
Property Taxes				-
General Sales and Use Taxes				-
Franchise Tax				-
Contributions				218,400
Other Taxes				-
Investment Earnings				6,447
Other				220,603
Transfers In (Out)				-
Total General Revenues and Transfers				445,450
Change in Net Position				195,434
Net Position - Beginning				\$ (6,636,605)
Prior Period Adjustment				(21,922)
Net Position - Ending				\$ (6,463,093)



NOTES TO THE FINANCIAL STATEMENTS

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City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Pharr, Texas (City) was 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, Texas 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, EMS, teampharr.net, 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, Texas

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 can 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 substantially the same as the City Commission and (1) there is a financial benefit or burden between the primary government and the component unit (2) city management holds power on the organization.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting Entity (continued)

The city has four blended component units, Tax Increment Reinvestment Zone No. 1, Tax Increment Reinvestment Zone No. 2, Information, and Pharr Economic Development Corporation II, Inc, Pharr Housing Finance Corporation.

Tax Increment Reinvestment Zone No. 1-On March 2012, the City Commissioners created the Tax Increment Reinvestment Zone No. 1 (TIRZ No. 1). TIRZ is a separate entity with its own EIN; the entity has a total of four (4) board members, for which three (3) of them are part of the city's board of commissioners. TIRZ #1 board serves as an advisory board; any projects or changes in the entity will have to be approved by the city's commission to be executed. TIRZ#1 has no active employees, so all administrative documentation is done by the city's staff and approved by city management.

TIRZ No. 1 was established to provide a financing mechanism to facilitate a high-quality development in the Pharr area, created by ordinance No. O-2011-46 in September 2011, TIRZ No. 1 is set to expire on January 1, 2051, or when all project costs are paid and all debt is retired, whichever comes first. Separate financial statements issued by TIRZ No. 1 can be obtained by request at the following address: TIRZ No. 1 P.O. Box 1729 Pharr, TX 78577. The city contributes 60% of the agreed contributions every year; payments and disbursements need to be approved by the city manager.

Tax Increment Reinvestment Zone No. 2-On February 2015, the City Commissioners created the Tax Increment Reinvestment Zone No. 2 (TIRZ No. 2). TIRZ is a separate entity with its own EIN. The entity, just like TIRZ # 1, has a total of four (4) members, of which three (3) of them are part of the city's board commissioners. The board is only an advisory board. Any changes on the entity will need to be approved by the city commission, and all documentation is prepared by city staff and approved by the city manager.

TIRZ No. 2 was established to provide a financing mechanism to facilitate a high-quality development in the Pharr area, created by ordinance No. O-2015-52 in November 2015 TIRZ No. 2 is set to expire on January 1, 2035, or the date when all project costs are paid and all debt is retired, whichever comes first. Separate financial statements issued by TIRZ No. 2 can be obtained by request at the following address: TIRZ No. 2 P.O. Box 1729 Pharr, TX 78577. The city contributes 60% of the agreed contributions every year. Also, payments and disbursements need to be approved by the city manager.

Pharr Economic Development Corporation II, Inc. – (PEDC) is a nonprofit development corporation organized for the purpose of promoting the general economic welfare of the city. The component unit may offer incentives to local businesses for the enhancement of the community. While PEDC does not provide services directly to the city, all activities benefit the economic growth bringing more funding and economic resources to the city.

Sales taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. Voted by the citizens of Pharr on November 4, 2008, and ratified by the City Commission on November 10, 2008, via ordinance O-2008-49, the PEDC 4a was dissolved, and the PEDC was authorized to receive the sales tax revenue, which is its main revenue source. PEDC is consider a blended component unit due to its relationship with the primary government, PEDC board members can not add or remove a board member without city commission approval, also, all policies and program administration shall be submitted for city commission approval and PEDC board shall administer said programs accordingly. Recently PEDC and the city joined forces to increase the quality of life of the Pharr citizens by investing in broadband infrastructure,

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting Entity- (continued)

PEDC is funding the project while the city manages the construction and services. Separate financial statements issued by the PEDC can be obtained by request at the following address: PEDC- 1215 South Cage Blvd. Pharr, TX 78577.

Pharr Housing Finance Corporation- On November 2015, the entity was created to carry out the purposes of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, which is to provide financially residential ownership and development to provide decent, safe, and sanitary housing for residents of the City of Pharr, Texas at prices they can afford. The Board of Directors is composed in its entirety of people who are members of the governing body of the city and whose terms of office shall be fixed by and run conterminously with their respective terms of office on such governing body of the city.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the city's component unit. The unit is reported in a separate column to emphasize that they are legally separate from the city but are included because the primary government is financially accountable and can impose its will on the organization. This component unit subscribes to the accounting policies and procedures of the primary government.

The Greater Pharr Chamber of Commerce is a nonprofit corporation created on April 16, 2018, to create an environment in which Pharr businesses can succeed and thrive and promote economic development by creating and promoting community events to increase tourism in tourism the City of Pharr, Texas. The Chamber has a different Primary government management is responsible for overseeing and approving financial operations and decisions concerning the organization. Separate financial statements issued by the Chamber of Commerce can be obtained by request at 1215 South Cage Blvd, Pharr, Texas 78577.

PHFC Jackson Place Apartments- The entity was created with the purpose of providing moderate-income citizens with affordable housing. The apartments started operations in June 2017. All revenues generated by the Jackson Place Apartments will be used to repay the construction loan from CTL Capital LLC. The city entered on an agreement with home springs a management company and gave them authority to manage the entity. PHFC Jackson Place Apartments is considered a Discrete Component Unit based on the criteria established by GASB Statement No. 61.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements report information on all the non-fiduciary financial information for the City and its component units. The primary government and component units are presented separately within the financial statements with a 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The 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 in the statement of net position 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. 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 franchise fees, licenses, charges for service, 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Types and Major Funds

Governmental Funds

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.

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.
- *PEDC Fund* – is a nonprofit industrial development corporation organized for the purpose of promoting, assisting, and enhancing economic development activities for the City.
- *Covid Relief fund* – reports funds available from covid assistant grants received.

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.
- *Pharr EMS* – accounts for the operations of the emergency medical service provided by the city.
- *TeamPharr.net* – accounts for the operations of the internet service provided by the city.
- *Bridge Fund* – accounts for the operating function of the City's international bridge with Mexico.
- *Golf Fund* – accounts for the operating function of the golf course including golf event hall, greens, pro-shop, and concessions.

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 health insurance. These are proprietary funds that are reported with governmental activities in the government-wide financial statements because most of the activity is for governmental activities. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are. Reimbursements are treated as a reduction of expenses.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity

1. Cash and Investments

All cash collections are pooled into common pooled accounts to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month-end. An individual fund's pooled cash is available upon demand and are "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 can 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 line attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational, and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions in arriving at the total assessed valuation of taxable property.

The valuations are subject to County-wide revaluation every three years. The effective tax rate is based upon the previous year's total assessed valuation.

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

3. Inventories

The inventories are recorded at cost and are accounted for by the consumption method. Inventories are reflected as no spendable fund balance.

4. Receivables and Payables

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible. The three main receivables that contain allowances are property taxes, utility accounts, and warrants. For these categories, the allowance was based on historical collection rates, the allowances are 2% for property taxes as well as for utility accounts, and 20% for warrants. As of February 2017, the city recommended doing 100% allowance for warrants older than 10 years.

5. Transactions between Funds

Legally authorized transfers are treated as inter-fund 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 or donated works of art are valued at their acquisition value on the donated date. 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 consists of unpaid, accumulated annual, and sick leave balances. The City's policy allows employees to accumulate unused sick leave and vacation leave based on the number of years of full-time employment with the City in accordance with the following chart:

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

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity-
(continued)

Nonexempt employees may accumulate no more than a maximum of two years allotment of vacation leave as set above, except for civil service nonexempt employees, which can accumulate more than the maximum. Sick leave may be accrued but will not be paid out to employees that leave before retirement.

8. Long-Term Obligations

In the government-wide, proprietary, and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts 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. Gain or loss on refunding are not netted against the liability but recorded in as deferred outflow/inflow of resources. Issuance cost is recorded as an expense for the period incurred and is no longer amortized over the life of the bond after implementing GASB Statement No. 65 and Statement No. 63. 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 Position / 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. All estimates are made utilizing a conservative philosophy for both revenues and expenditures.

12. General Fund's Fund Balance Policy

GASB No. 54 establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources; it also provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, non-current advances to other funds that are not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The city has inventories that are considered non-spendable. The City does not have any material prepaid items or non-spendable funds related to an endowment.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity-
(Continued)

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

-Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. All the City's restricted funds are from Special Revenue Funds, whose funds are revenues legally restricted to expenditures for a particular purpose.

-Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor through an approved resolution. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

-Assigned: Fund balances that contain self-imposed constraints of the government to be used for a purpose. The responsibility to assign funds rests with the City Manager.

-Unassigned: Fund balance of the general fund that is not constrained for any purpose. This is also where negative amounts from the other categories of fund balance are recognized.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to having been spent first out of committed, the assigned, then unassigned funds.

13. Leases

Leases are defined by GASB No. 87 as a contract that conveys control of the right to use another entity's non-financial assets as specified in the contract for a period in an exchange or exchange-like transaction.

- City as Lessor

The city should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term.

- City as a lessee

The city recognizes lease liability and an intangible right-to-use lease asset at the beginning of a lease. In general, the lease liability and the right-to-use lease assets are measured based on the present value of the expected payments during the term of the lease.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

13. Subscription-Based Information Technology Arrangements (SBITA)

The City implemented GASB 96 for reporting subscription-based information technology arrangements (SBITAs) during this reporting period. A SBITA is defined as a contract that conveys control over another entity's IT software as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a SBITA, it must meet the definition of a "long-term" SBITA provided in GASB 96. The right-to-use SBITA liability is reported in the government-wide statements. The SBITA liability is calculated as the present value of the reasonably certain expected payments made over the term of the contract and the interest included in the SBITA payments is recorded as an expense. There were no SBITAs material to the financial statements that were recorded during the year audited.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

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

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

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

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

B. Excess of General Fund Expenditures over Appropriations

In FY 22-23, expenses in certain general fund departments exceeded their budgeted amount. These expenditures over budget are mainly due to the new implementation of GABS No. 87. The IT department had to cover some starting costs for the operation of the new internet services, and lastly two incentives payments covered by the excess sales taxes. The departments and excess expenditures are listed below.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of General Fund Expenditures over Appropriations (Continued)

Department	Amount
Highways and Streets	\$ (121,304)
Culture and Recreation	(163,404)
Economic Development	(2,340,302)
	<u>\$ (2,625,010)</u>

C. Budget Basis of Accounting

The city prepares its annual budget on a basis (budget basis, which slightly 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 debt service transactions, capital outlay purchases, and the recording of bond/loan proceeds.

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 Position

The discretely presented component unit PHFC- Jackson Place Apartments shows a deficit in net position due to high loan payments.

F. Restated Balances

Prior period adjustments (PPA) were needed in several funds to properly state the correct financial position of the City. In fiscal year 19-20 PEDC and Chamber were reported as blended component unit, for FY 20-21 both entities change to discretely component unit to comply with GABS No 61. Due to the relation between PEDC and the city, PEDC went back to be presented as a blended component unit of the city. PPA of component units and others are listed below.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

F. Restated Balances (Continued)

Governmental Funds:

General Fund:

Fund Balance - Beginning	\$ 24,622,337	
To adjust inventory balances	(1,861,399)	
To correct prior year escrow fund balances	2,829,125	
To adjust claim on cash to other funds	<u>(608,078)</u>	
Fund Balance, as Restated		<u>\$ 24,981,984</u>

PEDC:

Fund Balance - Beginning	23,088,626	
To adjust 2022 ending balance	<u>155,973</u>	
Fund Balance, as Restated		<u>23,244,599</u>

Paving & Drainage Fund:

Fund Balance - Beginning	857,437	
To adjust 2022 ending balance	<u>(7,320)</u>	
Fund Balance, as Restated		<u>850,117</u>

Grants Fund

Fund Balance - Beginning	27	
To adjust 2022 ending balance	<u>(9,624)</u>	
Fund Balance, as Restated		<u>(9,597)</u>

General Capital Improvements Fund:

Fund Balance - Beginning	276,277	
To adjust 2022 ending balance	<u>281,077</u>	
Fund Balance, as Restated		<u>557,354</u>

Health Insurance Fund (Internal Service):

Fund Balance - Beginning	481,834	
To adjust 2022 ending balance	<u>(91,776)</u>	
Fund Balance, as Restated		<u>\$ 390,058</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

F. Restated Balances (Continued)

During FY 22-23 PPA adjustments were needed in our enterprise funds to correct beginning balances and adjust inventory. The restated balances as of September 30, 2023, are reflected in the table below.

Business-Type Activities:

Toll Bridge

Fund Balance - Beginning	\$ 29,551,208
To adjust 2022 ending balance	171,062
To correct lease receivable estimate	<u>517,637</u>
Fund Balance, as Restated	<u>\$ 30,239,907</u>

Utility

Fund Balance - Beginning	104,400,078
To adjust inventory balances	<u>(181,220)</u>
Fund Balance, as Restated	<u>\$ 104,218,858</u>

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Deposits and Investments

1. Deposits

The 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 enough 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.

On September 30, 2023, the carrying amount of all the City's bank deposits was \$150,318,911. The city has two depository accounts: Lone Star National Bank (LSNB) and Texas Regional Bank.

Description	Balance September 30, 2023
Insured	\$ 250,000
Security collateral issued by pledging bank's trust - LSNB	118,957,344
Security collateral issued by pledging bank's trust - TRB	35,581,994
(Over)/Under Collateralized	<u>(4,470,427)</u>
Total Deposits - City of Pharr	<u>\$ 150,318,911</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

A. Deposits and Investments (Continued)

1. Deposits (Continued)

Also, as of September 30, 2023, the carrying amount of PEDC was \$10,894,015. The unit uses Lone Star National bank as a depository bank.

Description	Balance September 30, 2023
Insured	\$ 250,000
Security collateral issued by pledging bank's trust department in the City's name	12,605,420
(Over-collateralized)/under collateralized	(1,961,405)
Total Deposits - PEDC	<u>\$ 10,894,015</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, 2023, the City's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized.

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

- a. Depository: LSNB and Texas Regional Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$174,444,181.
- c. The highest combined balances of cash accounts amounted to \$187,754,111 and occurred during November 2022.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000 during September 2023.

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Total restricted cash at the end of September 30, 2023, amounted to \$131,960,902 with \$3,586,891 that is classified as cash with fiscal agent, which was covered by collateral held in the fiscal agents' trust departments, but not in the city's name. The balance on Texas Regional Bank under the City's name but has Texas water development board as escrow agent. The rest are bond proceeds under the city's name. The trust department pledges a pool of collateral against all trust deposits it holds. Bank of America leasing company, U.S. Bank corporation are the city's fiscal agents.

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 the 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.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

A. Deposits and Investments (Continued)

2. Investments (Continued)

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.

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

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

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year-end, the city was not exposed to credit risk.

c. Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the city was not exposed to custodial credit risk.

d. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the city was exposed to concentration of credit risk, but highly collateralized. With the City's investment policy, diversification is stressed.

The city followed its diversification investment guidelines. In prior years, all deposits were placed into LSNB due to a previous depository agreement given a rate of return of 2%, now with a renewed agreement, rates are lower, and diversification is even needed more. The City invested in TexPool a portion of its contingency fund as of May 2016 of last year and has accrued interest since then.

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
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

A. Deposits and Investments (Continued)

2. Investments (Continued)

The City of Pharr, Texas has no Investment activity as of September 30, 2023.

GASB No. 79 requires additional note disclosure requirements for qualifying external investment pools that measure all their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. TexPool revised its Investment Policy to comply with GASB No. 79 as of August 2017 which includes the use of amortized cost to value portfolio assets and the following guidelines to maintain the portfolio consistent with a stable net asset value per share:

- The maximum remaining maturity of any security of other investment acquired for the portfolio shall be 397 calendar days or less.
- The portfolio should maintain a weighted average maturity of 60 days or less.
- The portfolio should maintain a weighted average life of 120 days or less.

B. Receivables

1. Receivables for the City on September 30, 2023, were as follows:

Description	Governmental Activities			Business-Type Activities					Total Business-Type	
	General	Other	Total	Utility	Fiber	EMS	Bridge	Golf	Total Business-Type	Total
Property Tax	\$ 2,381,213	\$ 1,862,529	\$ 4,243,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,243,742
Warrants	7,519,172	-	7,519,172	-	-	-	-	-	-	7,519,172
Sales Tax	3,759,929	1,253,310	5,013,239	-	-	-	-	-	-	5,013,239
Accounts	1,151,733	253,587	1,405,320	5,102,062	3,931,359	9,429,480	53,905	14,363	18,531,170	19,936,490
Intergovernmental	-	-	-	-	-	42,068	-	-	42,068	42,068
Other	172,561	1,155,910	1,328,470	-	-	1,615	-	-	1,615	1,330,085
Gross Receivables	14,984,608	4,525,336	19,509,944	5,102,062	3,931,359	9,473,163	53,905	14,363	18,574,853	38,084,797
Less: Allowance for Uncollectible	(6,947,551)	(303,889)	(7,251,440)	(1,421,691)	-	(6,985,227)	-	-	(8,406,918)	(15,658,358)
Total Receivables, Net	\$ 8,037,057	\$ 4,221,447	\$ 12,258,504	\$ 3,680,372	\$ 3,931,359	\$ 2,487,936	\$ 53,905	\$ 14,363	\$ 10,167,935	\$ 22,426,439

2. Notes Receivable for the Pharr Economic Development Corporation as of September 30, 2023, were as follows:

Description	Outstanding Balance as of 10/01/2022		Increase	Decrease	Outstanding Balance as of 9/30/2023
Reyes Garza, 05/13/2012, for the amount of \$27,022 at an interest rate of 6.00% with maturity on April 13, 2027.	\$	14,793	\$ -	\$ (14,793)	\$ -
Trancasa, 09/30/2023, for the amount of \$1,179,150 at an interest rate of 8.50% with maturity on November 1, 2030.	-	-	1,179,150	(18,936)	1,160,214
Trancasa, 02/15/18, for the amount of \$600,000 at an interest rate of 6.00% with maturity on March 15, 2026.	451,174	-	-	(76,781)	374,393
Total Notes Receivable	\$	465,967	\$ 1,236,439	\$ (110,510)	\$ 1,591,895

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

B. Receivables (Continued)

3. Leases Receivable for the Business-Type Activities as of September 30, 2023, were as follows:

Description	Cost	Accumulated Depreciation	Book Value
Cold Storage	\$ 1,058,726	\$ (503,519)	\$ 555,207
UETA	30,712	(18,233)	12,478
TABC	2,424,536	(1,383,688)	1,040,848
Total Leases Receivable, Net	<u>\$ 3,513,974</u>	<u>\$ (1,905,440)</u>	<u>\$ 1,608,534</u>

C. Payables

Payables for the City on September 30, 2023, were as follows:

Description	Governmental Activities	Business-Type Activities					Total Business- Type	Total
	Governmental	Utility	EMS	TeamPharr.Net	Bridge	Golf	Type	
Vendors	\$ 8,038,444	\$ 1,191,912	\$ 185,889	\$ 38,018	\$ 209,392	\$ 30,377	\$ 1,655,587	\$ 9,694,031
Salaries & Benefits	144,259	-	-	-	-	-	-	144,259
Retainage Fees	-	76,742	-	-	385,038	-	461,780	461,780
Accrued Liabilities	2,035,366	213,317	220	-	294,322	-	507,859	2,543,225
Customer Deposits	-	723,728	-	-	-	-	723,728	723,728
Total Payables	<u>\$ 10,218,069</u>	<u>\$ 2,205,699</u>	<u>\$ 186,109</u>	<u>\$ 38,018</u>	<u>\$ 888,751</u>	<u>\$ 30,377</u>	<u>\$ 3,348,953</u>	<u>\$ 13,567,022</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

D. 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 position/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances on September 30, 2023, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund:		
CDBG	\$ 441,213	\$ 63,661
Grant Fund	1,469,047	-
Utility	2,400,524	-
Fiber Optic	183,719	-
PEDC	311,445	189,381
EMS	598,975	-
City Garage	125	-
Bridge	10,698	-
PHFC	4,700,162	-
TIRZ #1	10,000	-
TIRZ #2	548,061	-
Golf	2,023	-
Asset Sharing	-	47,632
Chamber	16,336	-
Total General Fund	<u>10,692,327</u>	<u>300,674</u>
PEDC Fund:		
General Fund	189,381	311,445
Total PEDC Fund	<u>189,381</u>	<u>311,445</u>
Asset Sharing Fund:		
General Fund	47,632	-
Total Asset Sharing Fund	<u>47,632</u>	<u>-</u>
Grants Fund:		
General Fund	-	1,469,047
Total Grants Fund	<u>-</u>	<u>1,469,047</u>
TIRZ No. 1		
General Fund	-	10,000
Total TIRZ No. 1	<u>-</u>	<u>10,000</u>
TIRZ No. 2		
General Fund	-	548,061
Total TIRZ No. 2	<u>-</u>	<u>548,061</u>
PHFC Fund:		
General Fund	-	877,467
Total PHFC Fund	<u>-</u>	<u>877,467</u>
CDBG Fund:		
General Fund	63,661	441,213
Total CDBG Fund	<u>63,661</u>	<u>441,213</u>
City Garage Fund (Internal Service):		
General Fund	-	125
Total City Garage Fund:	<u>-</u>	<u>125</u>
Debt Service Fund:		
Utility	1,750,000	-
Total Debt Service Fund	<u>1,750,000</u>	<u>-</u>
Total Interfund Balances, Governmental Funds	<u>\$ 12,743,001</u>	<u>\$ 3,958,032</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

D. Interfund Balances (Continued)

The City's business-type activities as of September 30, 2023, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Utility Fund:		
General Fund	\$ -	\$ 2,400,524
Debt Service	-	1,750,000
Total Utility Fund	<u>-</u>	<u>4,150,524</u>
 EMS Fund:		
General Fund		<u>598,975</u>
Total EMS Fund	<u>-</u>	<u>598,975</u>
 TeamPharr.Net Fund		
General Fund		<u>183,719</u>
Total TeamPharr.Net Fund	<u>-</u>	<u>183,719</u>
 Toll Bridge Fund:		
General Fund		<u>10,698</u>
Total Toll Bridge Fund	<u>-</u>	<u>10,698</u>
 Golf Course Fund:		
General Fund		<u>2,023</u>
Total Golf Course Fund	<u>-</u>	<u>2,023</u>
 Total Interfund Balances, Business-Type Activities	<u><u>\$ -</u></u>	<u><u>\$ 4,945,938</u></u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

F. Capital Assets

Capital asset activity for the City's governmental activities for the year ended September 30, 2023, was as follows:

	Original Balance 10/1/2022	Prior Period Adjustment	Restated Balance 10/1/2022	Additions	Retirements/ Transfers	Balance 9/30/2023
Governmental Activities						
Capital assets, not being depreciated						
Land and Right of Way	\$ 17,446,075	\$ -	\$ 17,446,075	\$ 4,973,747	\$ -	\$ 22,419,822
Construction in Progress	53,079,742	(378,072)	52,701,670	29,466,146	(4,665,575)	77,502,241
Total capital assets, not being depreciated	70,525,817	(378,072)	70,147,745	34,439,893	(4,665,575)	99,922,063
Capital assets, being depreciated/amortized						
Buildings	82,896,528	-	82,896,528	-	694,000	83,590,528
Machinery & Equipment	36,223,716	-	36,223,716	1,473,412	-	37,697,128
Improvements, Other	65,307,474	90	65,307,564	4,969,058	-	70,276,622
Infrastructure	91,200,451	-	91,200,451	1,013,542	-	92,213,993
Right to Use Subscription Assets	-	-	-	230,114	-	230,114
Right to Use Lease Assets	2,681,571	-	2,681,571	2,299,360	-	4,980,931
Total capital assets, being depreciated	278,309,740	90	278,309,830	9,985,486	694,000	288,989,316
Less: accumulated depreciation / amortization for						
Buildings	(17,263,559)	-	(17,263,559)	(1,744,925)	(401,317)	(19,409,801)
Machinery & Equipment	(27,965,851)	-	(27,965,851)	(1,921,241)	-	(29,887,092)
Improvements, Other	(11,064,766)	-	(11,064,766)	(3,143,938)	-	(14,208,704)
Infrastructure	(63,593,010)	-	(63,593,010)	(1,753,469)	-	(65,346,479)
Right to Use Subscription Assets	-	-	-	(88,779)	-	(88,779)
Right to Use Lease Assets	(254,146)	-	(254,146)	(1,327,712)	-	(1,581,858)
Total accumulated depreciation	(120,141,332)	-	(120,141,332)	(9,980,064)	(401,317)	(130,522,713)
Total capital assets, being depreciated, net	158,168,408	90	158,168,498	5,422	292,683	158,466,603
Governmental activities, capital assets, net	\$ 228,694,225	\$ (377,982)	\$ 228,316,243	\$ 34,445,315	\$ (4,372,892)	\$ 258,388,666

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

F. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended September 30, 2023, was as follows:

Business-type Activities

Capital assets, not being depreciated						
Land & Right of Way	\$ 6,897,338	\$ -	\$ 6,897,338	\$ -	\$ -	\$ 6,897,338
Water Rights	7,750,000	-	7,750,000	-	-	7,750,000
Construction in Progress	24,437,858	-	24,437,858	7,179,943	-	31,617,801
Total capital assets, not being depreciated	<u>39,085,196</u>	<u>-</u>	<u>39,085,196</u>	<u>7,179,943</u>	<u>-</u>	<u>46,265,139</u>
Capital assets, being depreciated						
Buildings	34,748,599	-	34,748,599	-	-	34,748,599
Machinery & Equipment	28,410,227	-	28,410,227	1,598,461	-	30,008,688
Improvements, Other	16,446,595	-	16,446,595	425,880	-	16,872,475
Infrastructure	158,738,233	-	158,738,233	1,796,054	-	160,534,287
Machinery & Equipment, GASB No 87	4,458,486	-	4,458,486	-	(204,258)	4,254,228
Total capital assets, being depreciated	<u>242,802,140</u>	<u>-</u>	<u>242,802,140</u>	<u>3,820,395</u>	<u>(204,258)</u>	<u>246,418,277</u>
Less: accumulated depreciation / amortization for						
Buildings	(20,515,172)	-	(20,515,172)	(751,976)	-	(21,267,148)
Machinery & Equipment	(22,060,928)	-	(22,060,928)	(1,412,452)	-	(23,473,380)
Improvements, Other	(5,724,807)	-	(5,724,807)	(1,006,639)	-	(6,731,446)
Infrastructure	(61,484,818)	-	(61,484,818)	(4,814,075)	-	(66,298,893)
Machinery & Equipment, GASB No 87	(463,791)	(10,432)	(474,223)	(593,646)	61,110	(1,006,758)
Total accumulated depreciation	<u>(110,249,516)</u>	<u>(10,432)</u>	<u>(110,259,948)</u>	<u>(8,578,788)</u>	<u>61,110</u>	<u>(118,777,625)</u>
Total capital assets, being depreciated, net	<u>132,552,624</u>	<u>(10,432)</u>	<u>132,542,192</u>	<u>(4,758,393)</u>	<u>(143,148)</u>	<u>127,640,651</u>
Business-type activities, capital assets, net	<u>171,637,820</u>	<u>(10,432)</u>	<u>171,627,388</u>	<u>2,421,550</u>	<u>(143,148)</u>	<u>173,905,790</u>
Total Primary Government	<u>\$ 400,332,045</u>	<u>\$ (388,414)</u>	<u>\$ 399,943,631</u>	<u>\$ 36,866,865</u>	<u>\$ (4,516,040)</u>	<u>\$ 432,294,456</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

F. Capital Assets (Continued)

Capital asset activity for the City's discretely presented component unit activities for the year ended September 30, 2023, was as follows:

Component Unit - Discretely Presented Chamber

Capital assets, being depreciated						
Machinery & Equipment	\$ 35,848	\$ -	\$ 35,848	\$ -	\$ -	\$ 35,848
Total capital assets, being depreciated	<u>35,848</u>	<u>-</u>	<u>35,848</u>	<u>-</u>	<u>-</u>	<u>35,848</u>
Less: accumulated depreciation for						
Machinery & Equipment	(19,717)	-	(19,717)	(7,170)	-	(26,887)
Total accumulated depreciation	<u>(19,717)</u>	<u>-</u>	<u>(19,717)</u>	<u>(7,170)</u>	<u>-</u>	<u>(26,887)</u>
Total capital assets, being depreciated, net	<u>16,131</u>	<u>-</u>	<u>16,131</u>	<u>(7,170)</u>	<u>-</u>	<u>8,961</u>
Component Unit, capital assets, net	<u>\$ 16,131</u>	<u>\$ -</u>	<u>\$ 16,131</u>	<u>\$ (7,170)</u>	<u>\$ -</u>	<u>\$ 8,961</u>

Component Unit - Discretely Presented JPA

Capital assets, not being depreciated						
Land & Right of Way	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Total capital assets, not being depreciated	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Capital assets, being depreciated						
Buildings	26,502,558	-	26,502,558	-	-	26,502,558
Machinery & Equipment	153,683	-	153,683	-	-	153,683
Total capital assets, being depreciated	<u>26,656,241</u>	<u>-</u>	<u>26,656,241</u>	<u>-</u>	<u>-</u>	<u>26,656,241</u>
Less: accumulated depreciation for						
Buildings	(2,355,783)	-	(2,355,783)	(588,946)	-	(2,944,729)
Machinery & Equipment	(131,061)	-	(131,061)	(22,622)	-	(153,683)
Total accumulated depreciation	<u>(2,486,844)</u>	<u>-</u>	<u>(2,486,844)</u>	<u>(611,568)</u>	<u>-</u>	<u>(3,098,412)</u>
Total capital assets, being depreciated, net	<u>24,169,397</u>	<u>-</u>	<u>24,169,397</u>	<u>(611,568)</u>	<u>-</u>	<u>23,557,829</u>
Component Unit, capital assets, net	<u>25,669,397</u>	<u>-</u>	<u>25,669,397</u>	<u>(611,568)</u>	<u>-</u>	<u>25,057,829</u>
Total Discretely Presented Component Units, capital Assets, net	<u>\$ 25,685,528</u>	<u>\$ -</u>	<u>\$ 25,685,528</u>	<u>\$ (618,738)</u>	<u>\$ -</u>	<u>\$ 25,066,790</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations

The following schedule summarizes the changes in long-term obligations during the year ended September 30, 2023:

	Balance 10/1/2022	Adjustment	Restated 10/1/2022	Increase	Decrease	Balance 9/30/2023	Due in One Year
Governmental Activities							
Certificates of Obligation	\$ 118,760,000	\$ -	\$ 118,760,000	\$ -	\$ (3,220,000)	\$ 115,540,000	\$ 3,315,000
CDBG Section 108 Note Payable	2,655,000	-	2,655,000	-	(295,000)	2,360,000	295,000
Tax Notes Payable	2,586,157	-	2,586,157	15,115,000	(1,118,660)	16,582,497	3,107,708
Unamortized Premium/(Discount)	3,758,152	-	3,758,152	-	(247,785)	3,510,367	247,785
Capital Equipment Loans/Leases	5,922,214	-	5,922,214	620,000	(1,962,493)	4,579,721	1,049,151
Accrued Compensated Balances	6,313,213	450	6,312,763	3,552,811	(4,257,985)	5,607,589	1,372,196
Accrued Compensated Balances PEDC	147,693	-	147,693	70,951	(97,267)	121,377	29,701
Net Pension Liability	10,491,816	-	10,491,816	11,884,129	-	22,375,945	-
Other Post Employment Benefits	1,395,283	(6,614)	1,401,897	-	(366,192)	1,035,705	-
<i>Total Governmental Activities</i>	<u>152,029,528</u>	<u>(6,164)</u>	<u>152,035,692</u>	<u>31,242,891</u>	<u>(11,565,382)</u>	<u>171,713,201</u>	<u>9,416,540</u>
Business-Type Activities							
Revenue Bonds Payable	108,560,000	-	108,560,000	-	(2,441,000)	106,119,000	3,692,000
Refunding Revenue Bonds Payable	9,625,000	-	9,625,000	-	(1,590,000)	8,035,000	1,865,000
Unamortized Premium/(Discount)	12,436,289	(2,305)	12,433,984	-	(396,405)	12,037,579	396,405
Capital Equipment Loans/Leases	7,360,391	-	7,360,391	522,551	(1,749,366)	6,133,575	1,201,979
Accrued Compensated Absences	927,218	87,956	1,015,174	650,746	(941,727)	724,193	181,048
Net Pension Liability	3,441,855	-	3,441,855	1,661,503	-	5,103,358	-
Other Post Employment Benefits	457,725	-	457,725	-	(221,508)	236,217	-
<i>Total Business-Type Activities</i>	<u>\$ 142,808,478</u>	<u>\$ 85,651</u>	<u>\$ 142,894,129</u>	<u>\$ 2,834,800</u>	<u>\$ (7,340,006)</u>	<u>\$ 138,388,922</u>	<u>\$ 7,336,432</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

The following schedule summarizes the changes in Component Unit Activities' long-term obligations during the year ended September 30, 2023:

Component Unit Activities	Balance 10/1/2022	Increase	Decrease	Balance 9/30/2023	Due in One Year
Notes Payable	\$ 31,545,921	-	(1,484,544)	30,061,377	\$ 762,982

Long-term bonded and revenue supported obligations outstanding on September 30, 2023, is comprised of the following:

Governmental Activities	Series	Original Issuance	Payment Installments	Interest Rates	Installments	Maturity Date	Current Balance
<i>Bonds Payable</i>							
2012 Certificate of Obligation	2012	\$ 7,625,000	Annual	0.60% - 4.58%	295,000 - 535,000	8/15/2032	\$ 3,010,000
2016 Certificate of Obligation	2016	14,290,000	Annual	1.13% - 3.60%	190,000 - 1,035,000	2/15/2036	12,090,000
2017 Certificate of Obligation	2017	17,240,000	Annual	1.45% - 2.79%	355,000 - 2,640,000	8/15/2031	12,450,000
2018 Certificate of Obligation	2018	16,440,000	Annual	2.08% - 3.52%	70,000 - 1,440,000	8/15/2038	13,750,000
2020 Certificate of Obligation	2020	2,500,000	Annual	3.00%	890,000 - 2,625,000	8/15/2039	19,625,000
2021 Certificate of Obligation	2021	54,615,000	Annual	4.50% - 4.06%	1,645,000 - 3,740,000	8/15/2046	54,615,000
<i>Tax Notes Payable</i>							
2017 LSNB Tax Note	2017	7,300,000	Monthly	4.25%	941,000 - 1,167,000	12/1/2024	1,467,497
2023 LSNB Tax Note	2023	15,115,000	Annual	4.00%	1,940,000 - 2,415,000	8/15/2030	15,115,000
<i>Notes Payable</i>							
2017 HUD Section 108 Loan	2017	\$ 5,600,000	Annual	1.28% - 1.73%	294,000 - 295,000	8/15/2031	\$ 2,360,000

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

Business-Type Activities	Series	Original Issuance	Payment Installments	Interest Rates	Installments	Maturity Date	Current Balance
<i>Bonds Payable</i>							
Revenue Bonds - DWSR	2007A	\$ 13,310,000	Annual	2.35% - 3.50%	380,000 - 1,075,000	9/1/2027	\$ 4,120,000
Revenue Bonds - NADBANK	2007B	10,000,000	Annual	3.75%	385,000 - 685,000	9/1/2027	2,605,000
Revenue Bonds - DWSR	2013	8,725,000	Annual	0% - 2.71%	255,000 - 400,000	9/1/2042	6,165,000
Revenue Bonds - DWSR	2015	1,762,000	Annual	0.59% - 4.10%	72,000 - 117,000	9/1/2035	1,164,000
Revenue Bonds - CWSR	2020A	18,150,000	Annual	0.03% - 0.22%	115,000 - 780,000	9/1/2049	17,510,000
Revenue Bonds - CWSR	2020B	13,880,000	Annual	0.04% - 0.32%	115,000 - 590,000	9/1/2049	13,240,000
Revenue Bonds - CT&IBR	2021	37,425,000	Annual	3.00% - 5.00%	1,395,000 - 2,850,000	8/15/2041	37,425,000
Revenue Bonds - CT&WR	2021	3,157,000	Annual	0.00%	105,000 - 106,000	8/15/2051	2,945,000
Revenue Bonds - CT&IBR	2021	20,945,000	Annual	2.00% - 2.80%	580,000 - 1,355,000	8/15/2046	20,945,000
<i>Other Long-Term Obligations</i>							
2017 Refunding Bond	2017	\$ 18,000,000	Annual	3.29% - 3.62%	1,220,000 - 2,160,000	8/15/2028	\$ 8,035,000

Long-term bonded and revenue supported obligations outstanding for Component Unit Activities on September 30, 2023, is comprised of the following:

Component Activities	Original Issuance	Payment Installments	Interest Rates	Installments	Maturity Date	Current Balance
<i>Notes Payable</i>						
CTL Capital	\$ 34,600,000	Monthly	4.88%	187,504	5/14/20246	\$ 30,819,207

1. Bonds Payable

Debt service requirements of bonds payable on September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 3,315,000	\$ 2,444,210	\$ 5,557,000	\$ 3,187,437	\$ 8,872,000	\$ 5,631,647
2025	3,445,500	2,314,516	6,344,000	2,980,801	9,789,500	5,295,317
2026	3,575,000	2,180,329	6,587,000	2,735,617	10,162,000	4,915,946
2027	3,725,000	2,032,741	6,829,000	2,478,689	10,554,000	4,511,430
2028	3,890,000	1,878,065	4,156,000	2,194,629	8,046,000	4,072,694
2029-2033	20,240,000	7,036,669	22,765,000	11,072,689	43,005,000	18,109,357
2034-2051	22,735,000	2,876,925	61,916,000	7,496,496	84,651,000	10,373,421
Total	\$ 60,925,500	\$ 20,763,455	\$ 114,154,000	\$ 32,146,358	\$ 175,079,500	\$ 52,909,812

2. Tax Notes Payable

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 3,107,708	\$ 611,419
2025	2,284,885	529,150
2026	2,065,000	447,600
2027	2,150,000	365,000
2028	2,235,000	279,000
2029-2030	4,740,000	286,200
Total	\$ 16,582,593	\$ 2,518,370

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

3. Capital Equipment Loans Payable

Capital leases payable on September 30, 2023, is comprised of the following issues:

Description	Governmental	Business-Type	Total
\$2,685,000 lease payable, due in annual installments of \$325,947 including interest, through January 2026 at 3.69% LED Lighting Project Citywide.	\$ 909,882	\$ -	\$ 909,882
\$979,455 lease payable, due in semi annual installments of \$55,045 including interest, through May 1, 2026; interest at 2.28%. All funds used to purchase Fire Truck and Equipment	317,483	-	317,483
\$2,897,100 lease payable, due in quarterly installments of \$113,435 including interest, through October 15, 2024; interest 2.78%. All funds used to purchase city vehicles, public utilities, equipment, bridge office expansion and golf house renovations.	83,989	471,545	555,534
\$955,000 lease payable, due in quarterly installments of \$27,489 including interest, through October 15, 2027; interest 2.97%. All funds used for citywide air conditioning repairs, fire equipment and irrigation repairs for the golf course.	377,885	59,546	437,430

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

\$212,000 lease payable, due in quarterly installments of \$10,827 including interest, through August 31, 2023; interest 3.41%. All funds used for International Bridge security cameras.	10,650	639	11,289
\$138,000 lease payable, due in quarterly installments of \$5,462 including interest, through October 31, 2024; interest 3.12%. All funds used to purchase general fund equipment and golf course equipment.	42,160	5,142	47,302
\$1,788,000 lease payable, due in quarterly installments of \$70,435 including interest, through November 23, 2030; interest 1.385%. All funds used to purchase general fund equipment.	1,062,549	-	1,062,549
\$4,156,000 lease payable, due in quarterly installments of \$157,372 including interest, through November 01, 2028; interest 1.756%. All funds used to purchase general fund equipment and utility fund equipment.	1,218,945	1,931,513	3,150,458
\$620,000 lease payable, due in quarterly installments of \$104,907 including interest, through December 30, 2029; interest 4.20%. All funds used to purchase general fund equipment and utility fund equipment.	556,177	-	556,177
	<u>\$ 4,579,721</u>	<u>\$ 2,468,384</u>	<u>\$ 7,048,105</u>

3. Capital Equipment loans/leases Payable

Assets purchased with the lease funds are included in the City's capital assets and depreciation expense. Debt service requirements of capital leases obligations on September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,049,151	\$ 110,455	\$ 1,201,979	\$ 1,687,671	\$ 2,251,130	\$ 1,798,125
2025	1,000,029	82,855	903,469	149,826	1,903,498	232,681
2026	976,445	56,339	819,276	125,064	1,795,722	181,403
2027	561,701	30,176	797,689	101,602	1,359,390	131,778
2028	500,241	17,716	821,331	78,100	1,321,572	95,816
2029-2033	492,154	7,425	1,589,830	113,700	2,081,984	121,125
Total	<u>\$ 4,579,721</u>	<u>\$ 304,965</u>	<u>\$ 6,133,575</u>	<u>\$ 2,255,962</u>	<u>\$ 10,713,296</u>	<u>\$ 2,560,927</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

4. Notes Payable

Long-term notes payable outstanding on September 30, 2023, is comprised of the following:

Governmental Activities	Series	Original Issuance	Payment Installments	Interest Rates	Installments	Maturity Date	Current Balance
<i>Notes Payable</i>							
2017 HUD Section 108 Loan	2017	\$ 5,600,000	Annual	1.28% - 1.73%	294,00 - 295,000	8/15/2031	\$ 2,360,000

Debt service requirements of the City's governmental activities notes payable on September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 295,000	\$ 75,078
2025	295,000	66,346
2026	295,000	57,466
2027	295,000	48,351
2028	295,000	39,206
2029-2031	885,000	60,062
Total	<u>\$ 2,360,000</u>	<u>\$ 346,507</u>

5. Lease Liability

Long-term lease liability outstanding on September 30, 2023, is comprised of the following:

Year Ended September 30,	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 455,491	\$ 1,645,098	\$ 2,100,589
2025	431,189	122,545	553,734
2026	437,551	105,295	542,846
2027	409,640	88,750	498,390
2028	437,551	72,205	509,756
2029-2033	1,493,769	112,251	1,606,020
	<u>\$ 3,665,191</u>	<u>\$ 2,146,144</u>	<u>\$ 5,811,335</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

G. Long-Term Obligations (Continued)

6. Debt Disclosure and Currently Defeased Debt

None.

7. Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are granted to city employees. In the event of termination, an employee is paid for all accumulated, unused vacation. The City's accrued compensated absences as of September 30, 2023, are reflected in the long-term obligations schedule.

8. Arbitrage

The City has issued long-term debt for capital construction projects. These bonds are subject to arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. On September 30, 2023, there was no liability of arbitrage that would have been owed to the federal government.

9. Line of Credit

The City's PEDC has a secured revolving line of credit with Lone Star National Bank up to \$5,000,000. The principal is payable on demand and interest is paid monthly at a rate of 3.75%. The line of credit is collateralized by securities. The balance due for the line of credit as of September 30, 2023, is \$1,179,150.

H. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2023, consisted of the following:

Governmental Activities:	Transfers In	Transfers Out
General Fund:		
Hotel	\$ 1,300,000	\$ -
Capital Projects	-	8,398,441
Parkland	250,000	-
Garage	-	3,800
Utility	693,900	86,500
Business-Type	-	1,218,335
Bridge	9,634,900	28,800
Debt Service	-	326,000
PEDC	1,500,000	-
Total General Fund	13,378,800	10,061,876
Capital Projects Fund:		
General Fund	8,398,441	-
Hotel	231,600	-
Paving & Drainage	1,045,500	-
ARPA	2,259,451	-
Debt Service	5,000,000	-
PEDC	-	12,522,629
Bridge	73,253	-
Total Capital Projects Fund	\$ 17,008,244	\$ 12,522,629

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

H. Interfund Transfers (Continued)

Debt Service Fund:

General Fund	\$ 326,000	\$ -
Bridge	-	860,400
Capital Projects	-	5,000,000
PEDC	510,800	-
Total Debt Service Fund	<u>836,800</u>	<u>5,860,400</u>

ARPA Fund:

Capital Projects	-	2,259,451
Total ARPA Fund	<u>-</u>	<u>2,259,451</u>

Hotel/Motel Fund

General Fund	-	1,300,000
Capital Projects	-	231,600
Total Hotel/Motel Fund	<u>-</u>	<u>1,531,600</u>

Parkland Dedication Fund:

General Fund	-	250,000
Total Parkland Dedication Fund:	<u>-</u>	<u>250,000</u>

Paving & Drainage Fund:

Capital Projects	-	1,045,500
Total Paving & Drainage Fund	<u>-</u>	<u>1,045,500</u>

PEDC

General Fund	-	1,500,000
Debt Service	-	510,800
Capital Projects	12,522,629	-
Total PEDC	<u>12,522,629</u>	<u>2,010,800</u>

**Governmental - Total Interfund
Transfers**

<u>\$ 43,746,473</u>	<u>\$ 35,542,256</u>
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City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

H. Interfund Transfers (Continued)

Enterprise Funds:

Business-Type Activities	Transfers In	Transfers Out
Toll Bridge Fund:	\$ 28,800	\$ -
Debt Service	860,400	-
Capital Projects	-	73,253
General Fund	-	9,634,900
EMS	-	1,507,700
Bridge	6,387,494	6,387,494
Total Toll Bridge Fund	7,276,694	17,603,346
Utility Fund:		
General Fund	86,500	693,900
Total Utility Fund	86,500	693,900
EMS Fund:		
Toll Bridge	1,507,700	
General Fund	62,800	
Total EMS Fund	1,570,500	-
TeamPharr.Net Fund		
General Fund	1,031,735	
Total TeamPharr.Net Fund	1,031,735	-
Golf Course Fund:		
General Fund	123,800	
Total Golf Course Fund	123,800	-
City Garage Fund		
General Fund	3,800	
Total City Garage Fund:	3,800	-
Business-Type - Total Interfund Transfers	\$ 10,093,028	\$ 18,297,246

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

I. Restricted Assets

The balances of the restricted assets as of September 30, 2023, are as follows:

Governmental Activities	Amount
Capital Outlay	\$ 2,271,531
Capital Improvement Projects	7,487,253
Grant Receivables - Covid	1,629,519
Grant Receivables - Covid	14,875,300
Total Restricted Assets, Governmental Activities	<u>\$ 26,263,603</u>
Business-Type Activities	Amount
Capital Outlay	\$ 271,837
Capital Financing - Utility	40,097,919
Debt Reserves - Utility	7,488,269
Capital Financing - Bridge	38,622,347
Debt Reserves - Bridge	18,265,108
Total Restricted Assets, Business-Type Activities	<u>104,745,481</u>
Total Restricted Assets	<u>\$ 131,009,084</u>

J. Leases

The city has implemented GASB 87 which states that a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset.

The city has a lease contract with Kyocera for city-wide printers, the contract started in October 2019 and is expected to be finished by December 2023. Payments of \$5,726 are made monthly with an interest of .33%.

Pharr EMS has a lease contract with Stryker Sales, LLC in 2021 for ambulances services. The contract is for 10 years with annual payments of \$498,390.

Tierra del Sol has a lease with Yamaha to lease the golf carts used for operations. The lease ends in 2024, and the city pays monthly installments of \$5,390.

The city entered into a lease agreement with Enterprise in 2021 to replace city wide fleet. The agreement is for 48 months for the public safety fleet and 36 months for the rest of the city's fleet. The amount paid per month is around \$27,847 plus maintenance repairs.

The international bridge serves as a lessor for three businesses, the first one is TABC. They pay the international bridge a monthly amount of \$550. Also, UETA rents land and makes monthly payments of \$12,500 and lastly cold storage with monthly payments of \$7,723.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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 economically justifiable by joining 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 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 more than 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 Annual Comprehensive Financial 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

As of January 2018, the City transitioned from fully funded to self/partially funded. The health provider is United Health Care with Lone Star Insurance services as an agent of record. The City now funds its claims monthly through a separate bank account managed by the agent. The City pays 100% of the employees' insurance cost and 50% of the employee's dependent's insurance cost with the following plans:

Coverage Type	Monthly Cost to Employee	Monthly Cost to City	Total Monthly Cost
Employee Only	-	150	150
Employee and Spouse	206	150	356
Employee and Children	189	150	339
Employee and Family	408	150	558

Coverage Type	Monthly Cost to Employee	Monthly Cost to City	Total Monthly Cost
Employee Only	17	150	167
Employee and Spouse	240	150	389
Employee and Children	221	150	371
Employee and Family	458	150	608

For more detailed information about United HealthCare please contact:

United Healthcare
2000 West Loop South, Suite 900
Houston, TX 77027

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

2. Post-Retirement Health Care Benefits

The City provides certain health care and life insurance benefits, under City ordinance, for:

- A. A retired person and their dependents covered under the City of Pharr, Texas's health insurance plan, prior to January 1, 2009, shall be entitled to continued coverage at the municipality's expense not to exceed \$275 per month for the retiree, and fifty percent of the cost of coverage for the dependent or \$225 whichever is less. When a retiree reaches the age of 65, the municipality will no longer pay for the retiree's and dependent's health insurance. The municipality will only pay for the cost of the retiree's Medicare Advantage Plan coverage.
- B. Any person employed with the City of Pharr, Texas, prior to January 1, 2009, that has been employed for not less than twenty (20) years with any municipality in the State of Texas that participates in the Texas Municipal Retirement System, that was employed with the City of Pharr, Texas for not less than ten (10) years, and reaches the age of fifty (50), shall be eligible upon retirement to receive continued health coverage at the expense of the municipality not to exceed \$275 per month. A dependent of an eligible retired person under the subsection shall not receive continued coverage at the expense of the municipality. When a retiree reaches the age of 65, the municipality will no longer pay for the retiree's health coverage.
- C. A person that becomes employed with the City of Pharr, Texas, after January 1, 2009, shall not be eligible for any health insurance coverage at the expense of the municipality upon retirement. A dependent of an employee under this subsection shall not receive health insurance coverage at the expense of the municipality upon retirement.

Currently, approximately 46 retirees meet these eligibility requirements. The City pays 80% of the number of validated claims for qualified medical and hospitalization costs incurred after the retiree meets a deductible ranging from \$1,000 per individual to \$2,000 per family for In-Network coverage. The maximum out-of-pocket costs that can be incurred by a retiree in the one-year range from \$1,500 per individual to \$3,000 per family.

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. General inflation is assumed to be 2.50% per year with an investment return and assumption of 6.75% per year, compounded annually, composed on an assumed 2.5% inflation rate and a 4.25% net real rate of return.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

C. Pension Plan

1. Plan Description

The City of Pharr, Texas participates as of the 872 plans in the nontraditional, joint contributory, hybrid pension plan administered by the TMRS Act, Subtitle G, Title 8, Texas Government Code (The TMRS Act) as an agent of multi-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.TMRS.com.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the Governing Body of the City, within options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump-Sum Distribution in the amount equal to 12, 24 or 36 payments, which cannot exceed 75% of the member's deposits and interest.

Description	Plan Year 2022	Plan Year 2023
Employee Deposit Rate	7.0%	7.0%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service retirement eligibility (express as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employee Covered by Benefits Terms.

As of the December 31, 2022, valuation and measurement date, the following employees were covered by the terms of the benefits:

Description	2022
Inactive employees or beneficiaries currently receiving benefits	283
Inactive employees entitled to but no yet receiving benefits	362
Active employees	758
Total participants	1,403
Covered Payroll	\$ 42,496,767

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

C. Pension Plan (Continued)

3. Contributions

The contribution rates for employees with TMRS are 7% of employee gross earnings, and the city matching percentage is 100% after 5 years of services, as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The City's contributions to TMRS for the year ended September 30, 2023, were \$5,029,316.

	2023	2022	2021
Annual Required Contribution	\$ 5,029,316	\$ 4,952,837	\$ 4,642,463
Contributions Made	5,029,316	4,952,837	4,642,463
Net Pension Obligation	\$ —	\$ —	\$ —

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The Total Pension Liability for the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males' rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

C. Pension Plan (Continued)

4. Net Pension Liability (Continued)

Actuarial assumptions were used on December 31, 2017; valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010, through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

On September 30, 2023, the City reported a liability of \$27,479,303. The Net Pension Liability is based on an actuarial valuation performed as of December 31, 2023, and a measurement date of December 31, 2022; as such, no roll-forward was required. For this valuation, a single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2022. This single discount rate was based on the expected rate of return on pension plan investment of 6.75%. Based on the stated assumptions and the projection of cash flow, the City's fiduciary net position and future contributions were enough to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

4. Net Pension Liability (Continued)

Changes in Net Pension Liability

The change in the City's net pension liability for TMRS pension for the fiscal year ended September 30, 2023, is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a) - (b)
Beginning Balance	\$ 118,434,855	\$ 104,501,182	\$ 13,933,673
Changes for the year:			-
Service cost	6,149,282		6,149,282
Interest	8,028,121		8,028,121
Change in benefit terms	-		-
Difference between expected/actual experience	37,652		37,652
Changes of assumptions	-		-
Contributions - employer		5,312,216	(5,312,216)
Contributions - employee		2,974,839	(2,974,839)
Net investment income		(7,630,390)	7,630,390
Benefit payments, including refund of employee contributions	(5,148,741)	(5,148,741)	-
Administrative expenses		(66,010)	66,010
Other changes		78,770	(78,770)
Net change	9,066,314	(4,479,316)	13,545,630
Ending Balance	\$ 127,501,169	\$ 100,021,866	\$ 27,479,303

Plan fiduciary net position as a percentage of the total pension liability

78.45%

Covered-employee payroll

\$ 42,496,767

Net pension liability/(asset) as a percentage of covered employee payroll

64.66%

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

4. Net Pension Liability (Continued)

Sensitivity of the Net Position liability changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	5.75%	6.75%	7.75%
	\$ 47,237,183	\$ 27,479,303	\$ 11,359,405

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

For the year ended September 30, 2023, the city recognized a pension expense of \$5,894,534.

1 Total Service Cost	\$ 6,149,282
2 Interest on Total Pension Liability	8,028,121
3 Changes in the Current Period Benefits including Substantively Automatic Status	-
4 Employee Contributions (Reduction of Expense)	(2,974,839)
5 Projected Earnings on Plan Investments (Reduction of Expense)	(7,053,830)
6 Administrative Expense	66,010
7 Other Changes in Fiduciary Net Position	(78,770)
8 Recognition of current year outflow (inflow) of resources-liabilities	6,549
9 Recognition of current year outflow (inflow) of resources-assets	2,936,844
10 Amortization of prior year outflows (inflows) of resources-liabilities	(70,481)
11 Amortization of prior year outflows (inflow) of resources-assets	(1,114,352)
Total pension expense (income)	<u>\$ 5,894,534</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

On September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual pension earnings	\$ 271,484	\$ (163,780)
Change in actuarial assumptions	-	(77,982)
Difference in projected and actual investment earnings	11,747,376	(5,024,135)
Contributions subsequent to the measurement date	3,429,484	-
Total Deferred Inflows/Outflows	<u>\$ 15,448,344</u>	<u>\$ (5,265,897)</u>

D. Other Post Employment Benefit (OPEB) Programs

1. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is an unfunded OPEB plan (i.e. no assets are accumulated).

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

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

The city's SDBF is considered a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employee's contribution for retirees.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

2. Supplemental Death Benefits (SDBF) Plan Contributions

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

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2023	0.22%	0.08%
2022	0.18%	0.10%
2021	0.18%	0.10%
2020	0.14%	0.03%
2019	0.13%	0.03%

3. OPEB Liability

The Other Post-Employment Benefits (OPEB) was measured as of December 31, 2022, and the Total Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The Total OPEB Liability on December 31, 2022, actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021

	Total OPEB Liability
Beginning Balance	\$ 1,853,008
Changes for the year:	
Service cost	123,241
Interest	34,838
Change in benefit terms	-
Difference between expected/actual experience	(6,279)
Changes of assumptions	(690,389)
employee contributions	(42,497)
Net change	(581,086)
Ending Balance	<u>\$ 1,271,922</u>
Total OPEB Liability as a Percentage of Covered Payroll	2.99%

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

Fiscal year was updated

The change in the City's OPEB for City of Pharr, Texas for the fiscal year ended September 30, 2023, is as follows:

Description	2022
Inactive employees or beneficiaries currently receiving benefits	223
Inactive employees entitled to but no yet receiving benefits	62
Active employees	758
Total participants	1,043
Covered Payroll	\$ 42,496,767

Sensitivity of the Net Position liability changes in the discount rate

1% Decrease	Current Single Discount Rate Assumption	1% Increase
3.05%	4.05%	5.05%
\$ 1,535,294	\$ 1,271,922	\$ 1,067,955

Percentages were updated.

4. OPEB Expense

For the year ended September 30, 2023, the city recognized OPEB expense of \$116,343.

Total Service Cost	\$ 123,241
Interest on Total OPEB Liability	34,838
Changes in Benefit Terms including TMRS Plan Participation	-
Employer Administrative Expense	-
Recognition of deferred outflows/inflows of resources:	-
Differences between expected and actual experience	(18,940)
Changes in Assumptions or other outputs	(22,796)
Total OPEB expense (income)	<u>\$ 116,343</u>

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

On September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual pension earnings	\$ -	\$ (73,546)
Change in actuarial assumptions	-	(311,709)
Contributions subsequent to the measurement date	65,434	-
Total Deferred Inflows/Outflows	<u>\$ 65,434</u>	<u>\$ (385,255)</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions – (continued)

The net amounts of the City's balances of deferred outflows of resources and deferred inflows related to pensions will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2023	\$ (41,736)
2024	(46,191)
2025	(48,578)
2026	(48,867)
2027	(82,524)
Thereafter	(117,359)
Total	<u>\$ (385,255)</u>

E. 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.

During FY 22-23 the US Department of Housing and Urban Development audited the City's CDBG program and fined the city for failing to submit a proper compliance in one of their programs, The city failed to complete a required Environmental Review Record for the Jones Box Park Improvements project, they city will repay the amount of \$877,794 during next fiscal year.

2. Litigation

The city is a defendant in various lawsuits. It is the opinion of the City's legal counsel and management that there is no potential unasserted claim as of September 30, 2023.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

E Commitments

3. Construction Commitments

The city has entered various significant construction commitments that are currently underway. As of September 30, 2023, they are as follows:

Description	Original Commitment	Paid in Previous Years	Paid in Current Year	Balance Due
Governmental Activities				
<i>Administration</i>				
UTRGV Nursing School	\$ 2,000,000	\$ 1,507,025	\$ 486,109	\$ 6,866
Total Administration	2,000,000	1,507,025	486,109	6,866
<i>Public Safety</i>				
Fire Station	5,000,000	875,652	389,238	3,735,110
Total Public Safety	5,000,000	875,652	389,238	3,735,110
<i>Parks</i>				
Jones Box - Splash Pad	307,000	289,533	-	17,467
Maintenance Building	1,000,000	99,290	46,991	853,719
Total Parks	1,307,000	388,823	46,991	871,186
<i>Streets</i>				
Veterans Hike & Bike	2,300,000	1,891,950	60,600	347,450
Various Parking Improvements	875,600	503,944	53,985	317,671
Anaya Road	655,000	392,887	-	262,113
Railroad Crossing Replanking	500,000	497,703	-	2,297
Moore Road to Veterans	1,800,000	572,646	262,885	964,469
Total Streets	6,130,600	3,859,130	377,470	1,894,000
<i>PEDC</i>				
TeamPharr.Net	54,000,000	43,193,519	10,806,481	-
Total PEDC	54,000,000	43,193,519	10,806,481	-
Total Commitments - Governmental Activities	<u>\$ 68,437,600</u>	<u>\$ 49,824,149</u>	<u>\$12,106,289</u>	<u>\$ 6,507,162</u>

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

E Commitments (Continued)

3. Construction Commitments (Continued)

Description	Original Commitment	Paid in Previous Years	Paid in Current Year	Balance Due
Business-Type				
<i>Utility</i>				
South Detention Pound	\$ 3,882,000	\$ 568,467	\$ -	\$ 3,313,533
Lift Station Elimination	1,491,500	906,921	196,816	387,763
South Region Interceptor	3,077,700	996,345	169,021	1,912,334
Raw Water Reservoir	4,454,600	431,264	140,412	3,882,924
LS-30 Rehabilitation	2,000,000	1,928,076	551,123	(479,199)
Water Treatment Plant Upgrade	1,700,000	466,750	970,350	262,900
Waste Water Treat Headworks	787,000	100,639	304,262	382,099
Total Utility	<u>17,392,800</u>	<u>5,398,462</u>	<u>2,331,984</u>	<u>9,662,354</u>
<i>Bridge</i>				
Bridge Expansion	45,000,000	6,242,839	3,842,006	34,915,155
FY 15 DAP	9,948,700	9,799,577	149,123	-
FY 16 DAP	14,141,300	2,996,980	715,000	10,429,320
Total Bridge	<u>69,090,000</u>	<u>19,039,396</u>	<u>4,706,129</u>	<u>45,344,475</u>
Total Commitments - Business-Type	<u>86,482,800</u>	<u>24,437,858</u>	<u>7,038,113</u>	<u>55,006,829</u>
Total Commitments	<u>\$ 154,920,400</u>	<u>\$ 74,262,007</u>	<u>\$ 19,144,402</u>	<u>\$ 61,513,991</u>

F. Land available for sale

During FY 2011-2012, the City and PEDC entered into an agreement to buy land for economic development purposes. As of September 30, 2015, the city has a market value of \$8,867,500 in land including demolitions and infrastructure. On February 2012, the City Commission approved to contribute all land that has been purchased to the PEDC, the transfer of all land titles was completed as of September 30, 2013. Per GASB standards, land available for sale should be recorded at a lower of cost or net realizable value (NRV). The City obtained appraisals for the land in January 2017 which indicated that the land was worth \$1,565,698 less than the previous recorded value, a loss of this amount was reported on the financial statements as a special item during that year. The balance of land available for development is recorded as Land Available for Sale in the PEDC fund.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

G. Land available for sale (Continued)

The summary of land available for sale as of September 30, 2023, is shown on the following table:

Description	NRV Recorded 9/30/2022	Added/ (Removed)	Adjustment	Gain/(Loss) on Appraised Value	NRV Recorded 9/30/2023
Jackson Development Project	\$ 1,240,000	\$ -	\$ -	\$ -	\$ 1,240,000
Produce Park	420,012	(420,012)	-	-	-
Produce Park	237,109	(237,109)	-	-	-
Produce Park	255,993	-	-	-	255,993
Old Texan Hotel	1,107,686	-	-	-	1,107,686
Water Reservoir Commercial Portion	750,000	-	-	-	750,000
Total Land Available For Sale	<u>\$ 4,010,800</u>	<u>\$ (657,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,353,679</u>

H. Related Party

None.

I. New Accounting Principles

GASB Statement No. 91, *Conduit Debt Obligations* – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers, and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. This Statement has been implemented by the city as reflected in the financial statements as of September 30, 2023.

GASB Statement No. 98, *The Annual Comprehensive Financial Report* – The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report.

GASB Statement No. 99, *Omnibus 2023* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement did not apply to the City for the current fiscal year.

City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

IV. OTHER INFORMATION (Continued)

J. Tax Abatements

The City of Pharr, Texas negotiates loans, grants, property tax abatement agreements, property tax rebates, and sales tax rebates on an individual basis. These agreements are designed to promote local economic development and redevelopment within the City, estimate commercial activity, promote job creation, generate additional sales tax, and enhance the property tax base and economic vitality of the City. This program is authorized under Chapter 380.001 of the Texas Local Government Code.

The City has entered into various agreements that rebate a percentage of property, sales tax, and employment related reimbursement as well as economic development grants. The reimbursement amounts range per type of agreement once certain milestones are attained.

The City's tax abatements as of September 30, 2023, are as follows:

<u>Program</u> <u>Commitment To</u>	<u>Amount</u> <u>Pending</u>	<u>Obligator</u>	<u>Purpose</u>	<u>Length of Time</u>
City of Pharr	Varies	TIRZ	Infrastructure development	20 Years
Campero Legacy Properties	Varies*	City and PEDC	Commercial Development	5 Years
Pharr Town Center	Varies**	City OF Pharr	Commercial Development	10 Years
CarMax	\$ 120,000	PEDC	Commercial Development	2 Years
Top Golf	Varies***	PEDC	Commercial Development	12 years
Total	\$ 120,000			

*City and PEDC will reimburse a portion of property taxes each year.

**City will reimburse 25% of sales tax received for 10 years

***PEDC will reimburse 50% of total Sales for the next 12 years.

K. Subsequent Events

To report subsequent events, management has considered events occurring through December 18, 2024, the date the report was available to be issued, and the following are to be disclosed:

- The launch of TeamPharr.Net as of the day of this report the city has 7,000 active accounts.
- The city entered in a contract with city of San Juan for emergency services.
- The city entered into a contract with Rio Regional for Transfers services.
- The Discretely Presented Component Unit – Jackson Place Apartments – is in the process of selling the Jackson Place Apartments with anticipated closing date in December 2024.
- The PEDC will issue \$5,000,000 in Pharr Economic Development Corporation II Sales Tax Revenue Note (2016 Line of Credit Loan Renewal), Series 2024 to be used to promote local economic development and stimulate business and commercial activity in the City of Pharr, Texas.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Pharr
Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis)
As of September 30, 2023

Revenues:	Budgeted Amounts		Actual Amounts	
	Original	Final	Budgetary Basis	Variance
Property Taxes	\$ 24,036,300	\$ 24,036,300	\$ 22,960,931	\$ (1,075,369)
Sale Tax	22,528,700	21,528,700	21,785,578	256,878
Franchise Tax	2,518,400	2,518,400	2,937,014	418,614
Other Tax	295,000	295,000	201,621	(93,379)
Licenses and Permits	1,108,800	1,108,800	1,481,690	372,890
Intergovernmental	205,000	205,000	72,900	(132,100)
Fees & Charges	5,462,600	5,462,600	5,893,943	431,343
Fines	661,300	661,300	673,006	11,706
Interest Income	38,000	38,000	166,953	128,953
Other Tax	128,000	128,000	966,382	838,382
Total Revenues	56,982,100	55,982,100	57,140,019	1,157,919
Expenditures:				
General Government	18,494,000	20,563,050	17,901,344	2,661,706
Public Safety	30,058,000	30,806,900	30,453,185	353,715
Highways and Streets	5,932,900	5,425,700	5,547,004	(121,304)
Health & Welfare	3,352,700	3,352,700	3,191,279	161,421
Culture and Recreation	8,698,000	8,935,150	9,098,554	(163,404)
Economic Development	1,029,600	-	2,340,302	(2,340,302)
Debt Service:				-
Principal	1,255,200	1,255,200	3,059,928	(1,804,728)
Interest	110,700	110,700	248,693	(137,993)
Total Expenditures	68,931,100	70,449,400	71,840,289	(1,390,889)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,949,000)	(14,467,300)	(14,700,270)	2,548,808
Other Financing Sources (Uses):				
Transfers In	12,128,800	12,128,800	13,378,800	1,250,000
Transfers (Out)	(799,800)	(4,879,400)	(10,061,876)	(5,182,476)
Bond/Loan Proceeds	620,000	785,000	3,123,969	2,338,969
Total Other Funding Sources (Uses)	11,949,000	8,034,400	6,440,893	(1,593,507)
Change in Fund Balance	-	(6,432,900)	(8,259,377)	(1,826,477)
Fund Balance - Beginning	24,622,339	24,622,339	24,622,339	-
Prior Period Adjustment	-	-	359,647	359,647
Fund Balance - End	\$ 24,622,339	\$ 18,189,439	\$ 16,722,608	\$ (1,466,831)

CITY OF PHARR, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
A. Total Pension Liability			
Service Cost	\$ 6,149,282	\$ 5,640,448	\$ 3,749,532
Interest (on the Total Pension Liability)	8,028,121	7,442,313	6,184,172
Changes of Benefit Terms	-	12,390,200	-
Difference between Expected and Actual Experience	37,652	357,274	(80,063)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(5,148,741)	(4,882,879)	(4,217,477)
Net Change in Total Pension Liability	\$ 9,066,314	\$ 20,947,356	\$ 5,636,164
Total Pension Liability - Beginning	118,434,855	97,487,499	91,851,335
Total Pension Liability - Ending	\$ 127,501,169	\$ 118,434,855	\$ 97,487,499
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 5,312,216	\$ 2,907,748	\$ 2,437,328
Contributions - Employee	2,974,839	2,725,135	2,170,945
Net Investment Income	(7,630,390)	11,974,498	6,454,440
Benefit Payments, Including Refunds of Employee Contributions	(5,148,741)	(4,882,879)	(4,217,477)
Administrative Expense	(66,010)	(55,392)	(41,761)
Other	78,770	379	(1,629)
Net Change in Plan Fiduciary Net Position	\$ (4,479,316)	\$ 12,669,489	\$ 6,801,846
Plan Fiduciary Net Position - Beginning	104,501,182	91,831,699	85,029,853
Plan Fiduciary Net Position - Ending	\$ 100,021,866	\$ 104,501,188	\$ 91,831,699
C. Net Pension Liability	\$ 27,479,303	\$ 13,933,667	\$ 5,655,800
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.45%	88.24%	94.20%
E. Covered Payroll	\$ 42,496,767	\$ 38,872,833	\$ 31,013,497
F. Net Pension Liability as a Percentage of Covered Payroll	64.66%	35.84%	18.24%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	3,734,670	\$	3,533,893	\$	3,320,128	\$	3,146,078	\$	2,746,650	\$	2,377,944
	5,838,306		5,493,822		5,161,419		4,880,163		4,587,828		4,321,502
	-		-		-		-		-		-
	(204,752)		(231,976)		677,911		(278,776)		435,455		(63,247)
	(213,606)		-		-		-		2,330,292		-
	(3,858,744)		(3,726,672)		(3,736,864)		(3,598,628)		(3,484,627)		(2,547,161)
\$	5,295,874	\$	5,069,067	\$	5,422,594	\$	4,148,837	\$	6,615,598	\$	4,089,038
	86,555,461		81,486,304		76,673,830		72,524,993		65,909,395		61,820,357
\$	91,851,335	\$	86,555,371	\$	82,096,424	\$	76,673,830	\$	72,524,993	\$	65,909,395
\$	2,442,368	\$	2,312,486	\$	2,174,506	\$	1,683,200	\$	1,649,708	\$	1,570,743
	2,167,600		2,021,401		1,903,877		1,800,699		1,702,972		1,578,431
	11,294,135		(2,238,218)		9,059,762		4,148,172		90,733		3,296,861
	(3,858,744)		(3,726,672)		(3,736,864)		(3,598,628)		(3,484,627)		(2,547,161)
	(63,813)		(43,261)		(46,957)		(46,857)		(55,265)		(34,419)
	(1,917)		(2,260)		(2,380)		(2,525)		(2,730)		(2,830)
\$	11,979,629	\$	(1,676,524)	\$	9,351,944	\$	3,984,061	\$	(99,209)	\$	3,861,625
	73,050,224		74,726,749		65,374,805		61,390,744		61,489,953		57,628,328
\$	85,029,853	\$	73,050,225	\$	74,726,749	\$	65,374,805	\$	61,390,744	\$	61,489,953
\$	6,821,482	\$	13,505,146	\$	7,369,675	\$	11,299,025	\$	11,134,249	\$	4,419,442
	92.57%		84.40%		91.02%		85.26%		84.65%		93.29%
\$	30,363,171	\$	28,848,841	\$	27,417,409	\$	25,724,265	\$	24,328,166	\$	22,531,464
	22.47%		46.81%		26.88%		43.92%		45.77%		19.61%

CITY OF PHARR, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	\$ 5,029,316	\$ 2,674,066	\$ 2,777,930
Contributions in Relation to the Actuarially Determined Contributions	(5,029,316)	(2,674,066)	(2,777,930)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 41,179,621	\$ 38,377,631	\$ 35,342,627
Contributions as a Percentage of Covered Payroll	12.21%	6.97%	7.86%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

2020	2019	2018	2017	2016	2015
\$ 2,489,627	\$ 2,154,807	\$ 2,134,021	\$ 2,175,593	\$ 2,092,448	\$ 1,980,325
(2,489,627)	(2,154,807)	(2,134,021)	(2,175,593)	(2,092,448)	(1,980,325)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 31,617,123	\$ 30,363,171	\$ 28,848,841	\$ 27,147,409	\$ 25,724,265	\$ 27,723,154
7.87%	7.10%	7.40%	8.01%	8.13%	7.14%

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CITY OF PHARR, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

CITY OF PHARR, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability			
Service Cost	\$ 23,241	\$ 128,280	\$ 80,635
Interest on the Total OPEB Liability	34,838	34,527	39,042
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	6,279	(13,348)	(43,780)
Changes of Assumptions	(690,389)	60,787	231,003
Benefit Payments*	(42,497)	(38,873)	(9,304)
Net Change in Total OPEB Liability	(581,086)	171,373	297,596
Total OPEB Liability - Beginning	1,853,008	1,681,635	1,384,039
Total OPEB Liability - Ending	\$ 1,271,922	\$ 1,853,008	\$ 1,681,635
Covered Payroll	\$ 42,496,767	\$ 38,872,833	\$ 31,013,497
Total OPEB Liability as a Percentage of Covered Payroll	2.99%	4.77%	5.42%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
\$	60,726	\$	63,467	\$	51,580
	41,724		38,083		36,675
	-		-		-
	(45,154)		(32,757)		-
	237,034		(84,452)		94,497
	(9,109)		(8,655)		(8,144)
	285,221		(24,314)		174,608
	1,098,818		1,123,132		948,524
\$	1,384,039	\$	1,098,818	\$	1,297,740
\$	30,363,171	\$	28,848,841	\$	27,147,409
	4.56%		3.81%		4.14%

CITY OF PHARR, TEXAS
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information: There were no benefit changes during the year.

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

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Non-Major Governmental Funds Combining Financial Statements

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

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

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

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

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

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

Pharr Housing Finance Corporation – Created to account financial activities to carry out the purpose of the Texas Housing Finance Corporation Act, Chapter 394.

Capital Improvement – This fund accounts for governmental construction in process.

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

TIRZ No. 1& 2- These Funds account for tax collections from City of Pharr and Hidalgo County for geographical areas designated as Reinvestment Zones.

City of Pharr, Texas
Balance Sheet - Governmental Funds
September 30, 2023

	Special Revenue Funds		
	Hotel/Motel	Asset Sharing	Parkland Dedication
ASSETS:			
1010 Cash and Cash Equivalents	\$ 371,598	\$ 644,999	\$ 38,359
1143 Taxes Receivable, Net	-	-	-
1150 Accounts Receivable, Net	287,086	-	-
1160 Notes Receivable - EDC	-	-	-
1300 Due from Other Funds	-	47,632	-
1621 Restricted Cash with Fiscal Agent	-	-	-
1623 Restricted Intergovernmental Receivable	-	-	-
TOTAL ASSETS	\$ 658,684	\$ 692,631	\$ 38,359
LIABILITIES:			
2010 Accounts Payable	\$ -	\$ 131,170	\$ -
2012 Accrued Interest	-	-	-
2080 Due to Other Funds	-	-	-
TOTAL LIABILITIES	-	131,170	-
DEFERRED INFLOWS OF RESOURCES:			
2601 Deferred Property Taxes	-	-	-
2604 Deferred Accounts	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES:			
Restricted for:			
3005 General Government	-	-	-
3006 Debt Service	-	-	-
3008 Paving and Drainage	-	-	-
3009 Tourism	658,684	-	-
3010 Public Safety	-	561,462	-
3410 Parkland	-	-	38,359
3415 Community Development	-	-	-
3425 Economic Development	-	-	-
3600 Unassigned	-	-	-
TOTAL FUND BALANCES	658,684	561,462	38,359
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 658,684	\$ 692,631	\$ 38,359

Special Revenue Funds							
Paving & Drainage		Community Development	Grants	General Capital Improvements	TIRZ No. 1	TIRZ No. 2	
\$	974,703	\$ 983,862	\$ -	\$ -	\$ 3,382,723	\$	2,945,749
	-	-	-	-	-		-
	118,780	248,455	-	367,510	958,094		394,065
	-	57,289	-	-	-		-
	-	63,661	-	-	-		-
	-	-	-	1,043,523	-		-
	-	-	1,629,519	-	-		-
\$	1,093,484	\$ 1,353,267	\$ 1,629,519	\$ 1,411,033	\$ 4,340,817	\$	3,339,814
\$	-	\$ 372,716	\$ 170,069	107,842	\$ -	\$	-
	-	-	-	1,076,532	-		-
	-	441,213	1,469,047	-	10,000		548,061
	-	813,929	1,639,116	1,184,374	10,000		548,061
	-	-	-	-	-		-
	106,922	57,754	-	-	958,094		394,065
	106,922	57,754	-	-	958,094		394,065
	-	-	-	-	-		-
	-	-	(9,596)	-	-		-
	986,561	-	-	-	-		-
	-	-	-	-	-		-
	-	-	-	-	-		-
	-	481,584	-	-	-		-
	-	-	-	-	3,372,723		2,397,688
	-	-	-	226,660	-		-
	986,561	481,584	(9,596)	226,660	3,372,723		2,397,688
\$	1,093,484	\$ 1,353,267	\$ 1,629,519	1,411,033	\$ 4,340,817	\$	3,339,814

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City of Pharr, Texas
Balance Sheet - Governmental Funds
September 30, 2023

EXHIBIT H-1 (Continued)

	Pharr Housing Finance Corp	Total Nonmajor Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
ASSETS:				
1010 Cash and Cash Equivalents	\$ 118	\$ 9,342,112	\$ 10,800,947	\$ 20,143,059
1143 Taxes Receivable, Net	-	-	427,575	427,575
1150 Accounts Receivable, Net	-	2,373,991	-	2,373,991
1160 Notes Receivable - EDC	-	57,289	-	57,289
1300 Due from Other Funds	-	111,293	1,750,000	1,861,293
1621 Restricted Cash with Fiscal Agent	-	1,043,523	-	1,043,523
1623 Restricted Intergovernmental Receivable	-	1,629,519	-	1,629,519
TOTAL ASSETS	\$ 118	\$ 14,557,728	\$ 12,978,522	\$ 27,536,250
LIABILITIES:				
2010 Accounts Payable	\$ -	\$ 781,796	\$ 660	\$ 782,456
2012 Accrued Interest	-	1,076,532	-	1,076,532
2080 Due to Other Funds	877,467	3,345,789	-	3,345,789
TOTAL LIABILITIES	877,467	5,204,117	660	5,204,777
DEFERRED INFLOWS OF RESOURCES:				
2601 Deferred Property Taxes	-	-	77,601	77,601
2604 Deferred Accounts	-	1,516,835	-	1,516,835
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,516,835	77,601	1,594,436
FUND BALANCES:				
Restricted for:				
3005 General Government	-	(9,596)	-	(9,596)
3006 Debt Service	-	-	12,900,261	12,900,261
3008 Paving and Drainage	-	986,561	-	986,561
3009 Tourism	-	658,684	-	658,684
3010 Public Safety	-	561,462	-	561,462
3410 Parkland	-	38,359	-	38,359
3415 Community Development	-	481,584	-	481,584
3425 Economic Development	-	5,770,411	-	5,770,411
3600 Unassigned	(877,348)	(650,689)	-	(650,689)
TOTAL FUND BALANCES	(877,348)	7,836,776	12,900,261	20,737,037
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 118	\$ 14,557,728	\$ 12,978,522	\$ 27,536,250

City of Pharr, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2023

Special Revenue Funds			
	Hotel/Motel	Asset Sharing	Parkland Dedication
REVENUES:			
Taxes:			
5110 Property Taxes	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-
5180 Other Taxes	876,463	-	-
5300 Intergovernmental	-	465,843	-
Fees and Charges:			
5402 Other Charges and Fees	-	-	16,618
5610 Investment Earnings	-	18,376	7,639
5700 Other Revenue	37,217	-	-
TOTAL REVENUES	913,680	484,218	24,257
EXPENDITURES:			
Current:			
100 General Government	-	-	-
200 Public Safety	-	723,550	-
310 Highway and Streets	-	-	-
500 Culture and Recreation	-	-	-
Debt Service:			
710 Principal on Debt	-	-	-
720 Interest on Debt	-	-	-
723 Bond Issuance Cost	-	-	-
TOTAL EXPENDITURES	-	723,550	-
Excess(Deficiency) of Revenues Over(Under)			
Expenditures	913,680	(239,332)	24,257
OTHER FINANCING SOURCES (USES)			
7911 Issuance of Debt	-	-	-
7915 Transfers In	-	-	-
8911 Transfers Out	(1,531,600)	-	(250,000)
8916 Other Contributions	(68,400)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,600,000)	-	(250,000)
Net Change in Fund Balances	\$ (686,320)	\$ (239,332)	\$ (225,743)
3600 Fund Balance - Beginning	\$ 1,345,004	\$ 800,793	\$ 264,103
3700 Prior Period Adjustment	-	-	-
3900 Fund Balance - Ending	\$ 658,684	\$ 561,462	\$ 38,359

Special Revenue Funds					
Paving & Drainage	Community Development	Grants	General Capital Improvements	TIRZ No. 1	TIRZ No. 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	617,400	412,200
-	-	-	-	-	-
-	957,795	2,777,338	4,396,278	-	-
1,206,329	-	-	-	-	-
27,597	9,555	-	-	57,868	52,233
-	-	-	-	-	-
1,233,926	967,350	2,777,338	4,396,278	675,268	464,433
-	536,147	-	120,010	-	-
-	41,716	2,777,338	389,238	-	-
51,981	1,269	-	6,720,587	-	-
-	-	-	222,082	-	-
-	295,000	-	1,118,351	-	-
-	83,662	-	89,765	-	-
-	-	-	-	-	-
51,981	957,795	2,777,338	8,660,033	-	-
1,181,945	9,555	-	(4,263,756)	675,268	464,433
-	-	-	-	-	-
-	-	-	17,008,244	-	-
(1,045,500)	-	-	(12,522,629)	-	-
-	-	-	-	-	-
(1,045,500)	-	-	4,485,615	-	-
\$ 136,445	\$ 9,555	\$ -	\$ 221,860	\$ 675,268	\$ 464,433
\$ 857,437	\$ 472,029	\$ 27	\$ (276,277)	\$ 2,697,455	\$ 1,933,255
(7,320)	-	(9,624)	281,077	-	-
\$ 986,561	\$ 481,584	\$ (9,596)	\$ 226,660	\$ 3,372,723	\$ 2,397,688

City of Pharr, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2023

EXHIBIT H - 2 (Continued)

		Pharr Housing Finance Corp	Total Nonmajor Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
5110	Property Taxes	\$ -	\$ -	\$ 6,065,539	\$ 6,065,539
5120	General Sales and Use Taxes	-	1,029,600	-	1,029,600
5180	Other Taxes	-	876,463	-	876,463
5300	Intergovernmental	-	8,597,254	-	8,597,254
Fees and Charges:					
5402	Other Charges and Fees	-	1,222,947	-	1,222,947
5610	Investment Earnings	2	173,270	167,081	340,351
5700	Other Revenue	-	37,217	-	37,217
	TOTAL REVENUES	2	11,936,750	6,232,620	30,106,121
EXPENDITURES:					
Current:					
100	General Government	-	656,157	-	656,157
200	Public Safety	-	3,931,842	-	3,931,842
310	Highway and Streets	-	6,773,838	-	6,773,838
500	Culture and Recreation	-	222,082	-	222,082
Debt Service:					
710	Principal on Debt	-	1,413,351	3,501,968	4,915,319
720	Interest on Debt	-	173,427	2,597,605	2,771,032
723	Bond Issuance Cost	-	-	115,000	115,000
	TOTAL EXPENDITURES	-	13,170,698	6,214,573	32,555,969
Excess(Deficiency) of Revenues Over(Under) Expenditures					
		2	(1,233,948)	18,047	(1,215,901)
OTHER FINANCING SOURCES (USES)					
7911	Issuance of Debt	-	-	15,116,582	15,116,582
7915	Transfers In	-	17,008,244	836,800	17,845,044
8911	Transfers Out	-	(15,349,729)	(5,860,400)	(21,210,129)
8916	Other Contributions	-	(68,400)	(11,083)	(79,483)
	TOTAL OTHER FINANCING SOURCES (USES)	-	1,590,115	10,081,899	11,672,014
Net Change in Fund Balances					
		\$ 2	\$ 356,168	\$ 10,099,946	\$ 10,456,114
3600	Fund Balance - Beginning	\$ (877,351)	\$ 7,216,475	\$ 2,800,315	\$ 10,016,790
3700	Prior Period Adjustment	-	264,133	-	264,133
3900	Fund Balance - Ending	\$ (877,348)	\$ 7,836,776	\$ 12,900,261	\$ 20,737,037

City of Pharr, Texas
Internal Service Funds
Combining Statement of Net Position
September 30, 2023

	City Garage Fund	Health Insurance Fund	Total
ASSETS:			
Current Assets:			
1010 Cash and Cash Equivalents	\$ 56,216	\$ 2,139	\$ 58,355
1410 Inventories	41,401	-	41,401
Total Current Assets	97,617	2,139	99,756
Noncurrent Assets:			
Capital Assets			
1730 Buildings (net of depreciation)	292,683	-	292,683
Total Capital Assets	292,683	-	292,683
Total Noncurrent Assets	292,683	-	292,683
TOTAL ASSETS	\$ 390,301	\$ 2,139	\$ 392,440
LIABILITIES:			
Current Liabilities:			
2010 Accounts Payable	\$ 19,567	\$ -	\$ 19,567
2030 Compensated Absences Payable	36,263	-	36,263
2080 Due to Other Funds	125	-	125
2190 Escrow Accounts	-	105,257	105,257
Total Current Liabilities	55,955	105,257	161,212
TOTAL LIABILITIES	55,955	105,257	161,212
NET POSITION			
4001 Net Investment in Capital Assets	292,683	-	292,683
3890 Unrestricted	41,663	(103,118)	(61,456)
TOTAL NET POSITION	334,346	(103,118)	231,227
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 390,301	\$ 2,139	\$ 392,440

City of Pharr, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the year ended September 30, 2023

		City Garage Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:				
5403	Garage Repairs	\$ 1,017,785	\$ -	\$ 1,017,785
5404	Claims	-	8,355,881	8,355,881
	Total Operating Revenues	<u>1,017,785</u>	<u>8,355,881</u>	<u>9,373,666</u>
OPERATING EXPENSES:				
6101	Personnel Services	196,181	-	196,181
6301	Contractual Services	817,204	-	817,204
6601	Supplies and Materials	4,105	-	4,105
6800	Depreciation	14,467	-	14,467
6801	Self-Insurance Claims	-	8,504,340	8,504,340
	Total Operating Expenses	<u>1,031,956</u>	<u>8,504,340</u>	<u>9,536,296</u>
OPERATING INCOME (LOSS)		<u>(14,171)</u>	<u>(148,459)</u>	<u>(162,630)</u>
Income (Loss) Before Capital Contributions and Transfers		\$ (14,171)	\$ (148,459)	\$ (162,630)
7958	Transfers In	3,800	-	3,800
	Total Contributions and Transfers	<u>3,800</u>	<u>-</u>	<u>3,800</u>
	Net Change in Fund Balances	<u>\$ (10,371)</u>	<u>\$ (148,459)</u>	<u>\$ (158,830)</u>
3890	Net Position - Beginning	\$ 344,717	\$ 137,117	\$ 481,834
3700	Prior Period Adjustment	-	(91,776)	(91,776)
3900	Total Net Position - Ending	<u>\$ 334,346</u>	<u>\$ (103,118)</u>	<u>\$ 231,227</u>



REPORT ON INTERNAL CONTROL AND COMPLIANCE

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Raul Hernandez & Company, P.C.

Certified Public Accountants

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pharr, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Pharr, Texas's basic financial statements, and have issued our report thereon dated December 18, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pharr, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pharr, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pharr, Texas's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pharr, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pharr's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Pharr's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

December 18, 2024

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd., Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE AND THE STATE OF TEXAS GRANT MANAGEMENT STANDARDS**

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited City of Pharr, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Texas *Grants Management Standards* that could have a direct and material effect on each of City of Pharr, Texas' major federal and state programs for the year ended September 30, 2023. City of Pharr, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Pharr, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit in compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas *Grant Management Standards* ("TxGMS"). Our responsibilities under those standards and the Uniform Guidance and the TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Pharr, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with each major federal and state program. Our audit does not provide a legal determination of City of Pharr, Texas's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Pharr, Texas's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Pharr, Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and the TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about City of Pharr, Texas's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and the TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Pharr, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Pharr, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Pharr, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the TxGMS. Accordingly, this report is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
December 18, 2024

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued

UNMODIFIED

Internal control over financial reporting:

One or more material weaknesses identified?

 YES X NONE REPORTED

One or more significant deficiencies identified that are not considered to be material weaknesses?

 X YES NONE REPORTED

Noncompliance material to financial statements noted?

 YES X NONE REPORTED

2. Federal and State Awards

Internal control over major programs:

• One or more material weakness identified?

 YES X NONE REPORTED

• One or more significant deficiencies identified that are not considered to be material weaknesses?

 YES X NONE REPORTED

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

UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?

 YES X NO

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal and State Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants Cluster
20.205	Highway Planning and Construction
21.027	Coronavirus State and Local Fiscal Recovery Funds (COVID-19 and Victims of Crime -SB8)
N/A	Methodist Healthcare Ministries of South Texas, Inc.

Dollar threshold used to distinguish between type A and type B programs:

<u>Federal</u>	<u>State</u>
\$ 750,000	\$ 750,000

Auditee qualified as low-risk auditee?

 YES X NO

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I – FINANCIAL STATEMENT FINDINGS

Reference Number	2023-001 Monthly Account Analysis and Year-End Closing
Criteria:	Controls relative to timely close-out of financial statements at year-end should be in place to provide management with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state and local reporting deadlines.
Condition Found:	A significant amount of time lapsed after year-end, before the financial statements were closed-out. The general ledger required many audit adjustments and reclassifications to both current and prior period adjustments. Preparation of the year-end adjusting journal entries, capital asset schedules, long-term debt schedules, accounts receivables for all funds, accounts payable reconciliations, procurement, cash reconciliations, P-Cards, recording of receipts, collections, review of state outstanding checks, inventory, and reconciliation of several significant areas were not timely. The City overspent in several budgeted expenditure functions within the year resulting in an continuing operating loss for the General Fund and an current year operating loss for the PEDC.
Context:	These conditions were noted in performing our standard audit procedures.
Effect:	Management assessments and financial decisions, and internal and external financial reporting may be inaccurate because of inaccurate planning and improperly maintained general ledgers.
Cause:	Timely financial statements were not available during the year and at year-end. The City provided us with incorrect year-end trial balances multiple times and this further delayed the audit.
Recommendation:	The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements are prepared and available for management use, as well as for audit purposes.
Repeat Finding from Prior Year(s):	N/A
Views of Responsible Officials:	See management's corrective action plan.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number	2022-001 Compliance with Public Funds Investment Act
Criteria:	Cities must comply with Government Code 2256, also known as the Public Funds Investment Act (PFIA). Among other requirements, the PFIA requires the following: Sec 2256.005(e) requires the governing body of an investing entity to review its investment strategies not less than annually. The governing body shall adopt by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategy. Sec 2256.023 requires that not less than quarterly the investment officer prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by the PFIA. The PFIA outlines the information required to be included in the quarterly reports.
Condition Found:	We noted the City did not comply with the provisions included in Sec 2256.005(e) and 2256.023 of the PFIA. An investment policy was not presented to the city commission for review and approval annually as required. As of September 30, 2022, the latest investment policy had been approved in 2019. We requested from management all 4 quarterly investment reports presented to the city commission for the fiscal year ended September 30, 2022. Management was unable to provide 2 of the 4 quarterly investment reports, nor any other evidence such as minutes to city commission meetings that would indicate those two reports were presented to the city commission as required.
Context:	Condition noted was identified in testing for compliance with the Public Funds Investment Act.
Effect:	The City was not in compliance with the Public Funds Investment Act.
Cause:	Controls were not suitably designed to ensure compliance with all the provisions of the PFIA.
Recommendation:	We recommend the City review Government Code 2256, Public Funds Investment Act, and implement controls to ensure compliance with its requirements. Controls may include calendar reminders to ensure the investment policy is presented to review and approval to the City Commission annually and investment reports on a quarterly basis.
Status of Prior Year Finding:	We consider this finding to be resolved at September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-002

Schedule of Expenditures of Federal Awards

Criteria:

The Code of Federal Regulations 2 CFR 200.510(b) requires the City to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the City's financial statements and must include the total awards expended. In complying with this requirement, controls should be suitably designed to ensure the SEFA is complete and accurate.

Condition Found:

We noted the SEFA for the fiscal year ended September 30, 2022, was not accurate. The following errors were noted:

- One federal program included expenditures that had been incurred in the previous fiscal year and thus should not have been reported in the current year.
- One federal program did not list the name of the federal award, the ALN, or the pass-through entity identifying number. Only the total amount expended was included.
- Eight federal programs included an incorrect pass-through entity identifying number.

Context:

Condition was identified in auditing the SEFA for accuracy. For the one federal program that included prior year expenditures in the current year, this error was identified in reviewing supporting documentation for expenditures incurred as this program was originally selected as a major program for testing.

Effect:

An inaccurate SEFA may result in incorrect information reported to the federal government through the federal audit clearinghouse as part of the single audit reporting package. Additionally, errors in the SEFA results in inefficiencies in the audit process as errors may result, as it did in this case, in incorrect major program determination which then required additional audit work to reassess major program determination and reselection of major programs of testing.

Cause:

For errors in grant award titles, ALN, and pass-through entity identifying numbers, controls are not suitably designed to ensure this information is complete and accurate. For the error in reporting prior year expenditures in the current year, certain costs were not posted to the general ledger in the proper period (i.e., not posted in the period incurred, but rather in period in which reimbursement request was submitted).

Recommendation:

We recommend management review and strengthen controls over the preparation of the SEFA to ensure all costs are reported in the proper period and all pass-through identifying numbers and ALNs are correct and accurate. This process should include a thorough review of the SEFA by an individual other than the preparer including reconciling balances to the general ledger and tracing grant numbers to the respective grant agreements. This review and approval should be documented with a signature from the reviewer as evidence that the review was completed.

Status of Prior Year Finding:

We consider this finding to be resolved as of September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-003 P-Card Usage and Related Internal Controls

Criteria: As a best practice, P-cards should be used in certain situations such as low-value purchases (office supplies, maintenance, and repair items, etc.) for urgent or time sensitive purchases provided that supporting documentation and explanation for purchases is maintained, and for City travel expenses. The City's P-card policy outlines certain cardholder responsibilities that cardholders must abide by.

Condition Found: We noted P-card monthly limits vary significantly among employees with certain employees having a monthly limit of \$10,000 or greater, with the largest monthly limit being \$500,000. Purchases that require such limits should be procured through the City's purchasing department and payments to vendors be processed through the normal accounts payable process. A random sample of 20 P-card transactions were selected for review. The random sample included transactions from 17 different P-card holders. We noted the following:

1. For department directors, the P-card applications were signed and approved by the department directors themselves with no other secondary approval noted.
2. One instance was noted where an employee completed and submitted a P-card application, but no approval was noted from a supervisor or department director.
3. The City's policy outlines the cardholder's responsibility to ensure sales taxes are not charged. For 3 of 20 transactions reviewed, we noted sales taxes were paid on purchases made.
4. The City's policy outlines the cardholder's responsibility to ensure all Receipts are obtained, signed, and reconciled against weekly reports. For 3 of 20 transactions reviewed, supporting documentation for the transactions such as an invoice or receipt from the vendor could not be provided.

Context: Condition noted was identified in reviewing P-Card policies as well as testing a random sample of 20 P-Card transactions during the fiscal year ended September 30, 2022.

Effect: The large volume of P-card transactions, the number of users and the high monthly Pcard limits may create opportunities for unauthorized purchases. In may also create an opportunity to circumvent the City's procurement and accounts payable policies and procedures.

Cause: The lack of supervisor approvals on P-card applications may create an opportunity for unauthorized users to obtain P-cards. Additionally, the cardholder responsibilities outlined in the City's P-card policy are not effective controls as they rely on cardholders to abide by the policy and charges for expenditures that do not comply with the policy are still paid.

Recommendation: We recommend a comprehensive review of P-cards be performed by management to include evaluating whether all current P-card holders need a P-card and whether the limits assigned to each are reasonable. This process should evaluate risk, and controls should be strengthened over the P-card usage. Additionally, we recommend P-card users be trained to ensure all are educated over processes and procedures.

Status of Prior Year Finding: See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-004 Large Cash Transaction

Criteria:	The city has processes, procedures, and internal controls for the processing of vendor payments through the City's accounts payable process. The city should consistently apply these processes, procedures, and internal controls to mitigate the risk of management override of controls.
Condition Found:	The City issued a check for \$80,000 to a city employee for the purpose of cashing the check and using the cash to pay a vendor and for petty cash related to Hub Fest 2023. This transaction did not follow the standard accounts payable process as the vendor was paid in cash rather than by check.
Context:	Condition was noted through inquiry with management.
Effect:	Not consistently applying the established accounts payable processes may result in opportunities for management to override controls. Additionally, the use of large sums of cash increases risk as follows: • The use of large sums of cash increases the risk of misappropriation, as cash transactions are inherently less traceable than checks or electronic payments. • Cash transactions often lack the level of accountability provided by checks or electronic payment methods, making it easier for unauthorized individuals to handle cash funds without proper Scrutiny. • Employees carrying large sums of cash are exposed to the risk of theft, robbery, or harm which could have serious consequences to their well-being.
Cause:	Vendor requested cash payment the day of the event.
Recommendation:	We recommend all vendor payments follow the City's established processes, procedures and internal controls associated with the accounts payable process. We recommend the city limit its use of cash for vendor payments, particularly for those for large amounts.

Status of Prior Year Finding: We consider this finding to be resolved as of September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-005 Inventory

Criteria:	An inventory listing should be maintained to support the general ledger balances. The listing should include all inventory items on hand as of the balance sheet date and, at a minimum, should include the department responsible, fund, descriptions of items, quantities on hand, unit costs, and total values. Periodic physical inventories should be conducted, and the results reconciled to the inventory listing and general ledger to ensure completeness and accuracy for financial reporting purposes.
Condition Found:	The City does not have a comprehensive inventory listing to support the general ledger balances reported at September 30, 2022.
Context:	Condition was noted as part of standard audit procedures over inventory. At September 30, 2022, the city reported \$2.1 million in inventory.
Effect:	The lack of a reconciled inventory listing increases the likelihood of errors and inaccuracies in financial reporting, potentially leading to misstatements in the City's financial statements.
Cause:	The city did not maintain a comprehensive listing of inventory to support the general ledger balance at September 30, 2022. Additionally, no physical inventories are performed.
Recommendation:	We recommend the city maintain a detailed listing of inventory to include the department responsible, fund, descriptions of items, quantities on hand, unit costs, and total values. The detail listing should be reconciled to the general ledger to ensure proper balances are reported. We also recommend periodic physical inventories be performed by personnel who are not directly responsible for the inventory management to ensure accuracy.

Status of Prior Year Finding: See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-006 Encumbrances

Criteria:	When a purchase order is issued, an encumbrance is created as a form of budgetary control to track the reservation of funds for such purchases and to track balances available and spent under each purchase order. The city should maintain a complete and accurate listing of encumbrances.
Condition Found:	The City's encumbrance report maintained on InCode, the City's accounting software, is not complete and accurate.
Context:	Condition was noted in testing encumbrances.
Effect:	Maintaining an incomplete and inaccurate encumbrance report hinders the City's ability to effectively monitor and control budgetary commitments.
Cause:	It is our understanding that outstanding encumbrances at the end of a fiscal year should be manually rolled forward into the new fiscal year. The finance department was unaware this process was needed and thus certain encumbrances from prior periods may not have been brought forward into the current fiscal year.
Recommendation:	We recommend the city maintain a complete and accurate encumbrance report and provide training to personnel responsible for updating the maintaining encumbrance information.
Status of Prior Year Finding:	See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-007 Outstanding Checks in Bank Accounts

Criteria: As part of the monthly preparation and review of bank reconciliations, the City should review and investigate old outstanding checks that remain uncleared for long periods of time and dispose of such balances by either contacting the recipients and re-issuing their checks to them or by escheating the funds to the State as unclaimed property.

Condition Found: As of September 30, 2022, we noted many checks had been outstanding for more than one year. The following is a summary by account:

	Number of <u>Checks</u>	<u>Total Dollar Amount</u>
Payroll Trust & Agency Account	26	\$ 7,262
Pooled Cash Account	2,615	474,314
Pooled Cash 70 Account	<u>532</u>	<u>51,844</u>
	<u>3,173</u>	<u>\$ 533,420</u>

Context: Condition was identified as part of our review of bank reconciliations at September 30, 2022.

Effect: Not taking steps periodically to dispose of old outstanding checks will result in the number of outstanding checks continuing to grow.

Cause: No follow-up was conducted on old outstanding checks.

Recommendation: We recommend controls be strengthened by including a step in the bank reconciliation review process for reviewing old outstanding checks and taking steps to dispose of those items whether by re-issuing checks to recipients or by escheating the funds the State as unclaimed property. We recommend this process be conducted no less than annually.

Status of Prior Year Finding: See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-008 Warrants Receivables

Criteria: The city reports warrant receivables associated with fees charged by the municipal court, such as traffic tickets. At the end of the fiscal year-end, the finance department obtains a report from the municipal court of the total outstanding warrants receivables and adjusts the warrants receivables balance on the general ledger. Controls should be suitably designed to ensure the warrants receivable balance and warrants revenues are accounted for properly and reported accurately.

Condition Found: In reviewing activity in the warrants receivable account, we noted no collections on this balance were reflected in the general ledger. Upon inquiry with the City's finance department, we noted this has been the case for years and the receivable balance continues to grow each year. Upon further inquiry, it was noted the reports used to adjust the receivable balance were not the correct report and collections were not properly being considered. As a result, warrants receivable at September 30, 2022, were significantly overstated.

Context: Condition noted was identified in reviewing warrants receivable and inquiring about such balances.

Effect: The use of an incorrect report resulted in the warrants receivable balance being materially misstated. An adjustment was needed to decrease the warrants receivable balance by \$7.3 million and the allowance for uncollectible by \$6.7 million.

Cause: Internal controls are not suitably designed to ensure the warrants receivable balance and related revenue are stated fairly.

Recommendation: We recommend the city strengthen controls to ensure warrants receivable are properly accounted for and reported accurately. The warrants receivable balance should be reviewed monthly rather than at the fiscal year-end and balances collected should be reconciled against revenue and receivables.

Status of Prior Year Finding: We consider this finding to be resolved at September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-009 Fund Balance Classifications

Criteria:	GASB Statement No. 54 establishes fund balance classifications that comprise the hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Fund balance classifications should be reported in the correct classifications (nonspendable, restricted, committed, assigned and unassigned).
Condition Found:	We noted instances where fund balance classifications were not properly reported in the current year draft financial statements and in the prior year annual financial report. For example, bond funds to be used for capital projects were reported as assigned rather than restricted. A committed fund balance was reported for funds internally set aside by the finance department as a rainy-day fund. This did not meet the definition of committed fund balance. Additionally, we noted the City's general ledger does not have separate accounts for each fund balance classification.
Context:	Condition was identified in reviewing fund balances for proper classification.
Effect:	Incorrect fund balance classification results in misstated financial statements.
Cause:	There appears to be a lack of understanding for the fund balance classifications and what should be included in each. Additionally, the City does not account for fund balance in the different fund balance classification throughout the year as separate general ledger accounts are not maintained. This is only done at the fiscal year end for the purposes of presentation in the annual financial report.
Recommendation:	We recommend fund balance classifications be reviewed to ensure they are properly reported as required under GASB Statement No. 54. We also recommend the City consider establishing separate general ledger accounts to ensure adjustments are made throughout the year.

Status of Prior Year Finding: We consider this finding to be resolved at September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-010 Procurement

Criteria:	Texas Government Code Section 2269.207 states that a governmental entity shall select a construction manager-agent on the basis of demonstrated competence and qualifications in the same manner that an architect or engineer is selected under Section 2254.004. Under Section 2254.004, the city is required to make a selection based on the most highly qualified provider for those services on the basis of demonstrated competence and qualifications. This process should be documented. Additionally, the City's Purchasing and Procedures Manual, Chapter IX, Procurement of Professional Services, outlines the City's requirement for procuring such services including the requirement for a formal solicitation for statements of qualification, an evaluation criteria and selection procedures.
Condition Found:	We requested procurement documentation for a construction management company including 1.) RFQ advertisement, 2.) solicitation packet outlining scope of work and bidder requirements, 3.) RFQ packets received from vendors, 4.) RFQ rank showing the selection process, 5.) listing of individuals who participated in the evaluation committee, 6.) city commission meeting minutes showing city commission approval, and 7.) copy of executed contract. Of these items, the city was only able to provide evidence of city commission approval and the executed contract. No evidence could be provided to support compliance with the City's policy or with the provisions of Texas Government Code 2254.004.
Context:	Condition was identified in reviewing processes and procedures related to internal controls over the purchasing process.
Effect:	The city did not comply with Texas Government Code 2269.207 and 2254.004. Texas Government Code Section 2254.005 states that any contract entered into, or arrangements made in violation of this subchapter is void as against public policy.
Cause:	The City did not follow its purchasing policies and procedures manual nor state law.
Recommendation:	We recommend internal controls be strengthened to ensure all contracts entered into have been properly procured in compliance with the City's purchasing policies and applicable procurement state statutes. For example, individuals involved in the approval of agenda items related to purchasing should ensure that a proper procurement method was used as part of that approval process.
Status of Prior Year Findings:	See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-011 Capital Asset Additions – Infrastructure

Criteria:	Certain subdivision utility infrastructure is conveyed to the city and added to the City's capital assets subledger. Appropriate supporting documentation should be maintained for all capital asset additions. Supporting documentation should provide evidence that the asset was conveyed to the city as well as support for the value of the assets.
Condition Found:	We noted no documentation is maintained to show the subdivision utility infrastructure assets were conveyed to the City. Additionally, no documentary evidence is maintained to support the value of these assets added to the City's capital assets subledger.
Context:	Condition was identified as part of capital asset additions testing.
Effect:	The lack of documentation to support these capital asset additions is a deficiency in internal controls and provides for opportunities for errors or fraud, including overstating capital asset values added to the City's capital assets subledgers.
Cause:	Management was unable to provide supporting documentation. It is unclear how the value of these assets is determined when posting to the general ledger.
Recommendation:	We recommend appropriate supporting documentation is maintained to provide evidence that the assets are conveyed to the city and to support the value of the assets booked to the City's capital assets subledgers.

Status of Prior Year Finding: See current year finding 2023-001.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2022-012 Collateral for Public Funds

Criteria:	Texas Government Code 2257, Collateral for Public Funds, requires public funds to be secured by collateral. The City's investment policy requires the depository bank to maintain no less than 103% of the City's deposits maintained by the financial institution.
Condition Found:	We haphazardly selected the months of November 2021, March 2022, and July 2022 as well as September 2022 (fiscal year end) for review. Of the 4 months reviewed, we noted deposits were undercollateralized for 2 months for one of the City's banks.
Context:	Condition was identified as part of pledged securities review.
Effect:	The lack of sufficient pledged collateral to secure all of the City's deposits may expose the City to risk of loss in the event a bank was to become insolvent.
Cause:	It is unclear why adequate collateral was not maintained by the City's banks. For one of the instances noted, we reviewed audit evidence showing the City's finance department internally identified the deficiency and contacted the bank for explanation and correction.
Recommendation:	We recommend the city implement internal controls to ensure pledged securities are monitored on a monthly basis to ensure all of the City's deposits are fully collateralized as required by Texas Government Code 2257.
Status of Prior Year Finding: We consider this finding to be resolved at September 30, 2023.	

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALN 97.067 - HOMELAND SECURITY GRANTS PROGRAM (HSGP)

Reference Number 2022-013 Payroll Costs

Criteria:	The Homeland Security Grants program (Operation Stone Garden) allows funds to be used for operational overtime costs associated with law enforcement activities, in support of border law enforcement agencies for increased border security enhancement. Internal controls should be in place to ensure such overtime costs are accurately tracked to ensure reimbursement is requested only for allowable costs and allowable activities.
Condition Found:	Internal controls are not suitably designed to ensure overtime costs charged to the programs are correct and accurate. A sample of 40 payroll transactions were selected for testing and the following inaccuracies were noted. One instance was noted where an employee worked 10 overtime hours performing Operation Stone Garden eligible activities, however, 16 overtime hours were charged to the program. One instance was noted where an employee worked 12.5 overtime hours performing Operation Stone Garden eligible activities, however, only 5.5 overtime hours were charged to the program. One instance was noted where an employee worked 8 overtime hours performing Operation Stone Garden eligible activities, however, the employee timesheet reflected 11.75 hours.
Context:	Condition was noted in conducting testing for internal controls over compliance and compliance. A random sample of 40 payroll transactions were selected for testing.
Effect:	Ineffective internal controls related to the tracking of overtime hours result in incorrect reimbursement requests submitted for reimbursement. Such errors may result in ineligible costs charged to the program.
Questioned Costs:	None reported.
Cause:	Controls are not suitably designed to ensure Operation Stone Garden hours are accurately tracked.
Recommendation:	We recommend the city strengthen internal controls related to the tracking of Operation Stone Garden overtime costs. As part of the process for requesting reimbursement, we recommend all supporting documentation be reviewed including employee timesheets, daily activity report summaries, OPSG overtime submission forms and reimbursement request forms.

Status of Prior Year Finding: We consider this finding to be resolved at September 30, 2023.

CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALN 21.027 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (CSLFRF)

Reference Number 2022-014 Program Costs

Criteria:	Internal controls should be suitably designed to ensure only eligible costs are charged to the program. Only eligible costs should be charged to the program.
Condition Found:	The City elected to use the standard allowance for revenue loss as allowed under the CSLFRF. The city elected to apply EMS payroll costs as costs as such costs used to support public health as allowed under CSLFRF. The city identified the payroll costs applied to the program for an amount equal to the revenue loss claimed and provided a detail for sample selection and testing. In testing internal controls over compliance and compliance, we noted one employee in the sample selected was a library employee during the pay period tested rather than EMS.
Context:	Condition was noted in conducting testing for internal controls over compliance and compliance over allowable costs and allowable activities in a random sample of 40 payroll transactions. Sample size was expanded to 71 and no other exceptions were noted.
Effect:	The effect of this matter results in unallowed costs.
Questioned Costs:	None reported.
Cause:	The employee was a library employee and later transferred to the EMS department in March 2022. The employee was erroneously included in the listing of EMS employees for the fiscal year ended September 30, 2022, in the list of costs claimed to the program.
Recommendation:	We recommend the city implement controls to ensure all costs identified as having been charged to the program are allowable.

Status of Prior Year Finding: We consider this finding to be resolved at September 30, 2023.



Pharr



MAYOR Ambrosio Hernandez, MD

COMMISSIONERS Michael Pacheco | Roberto "Bobby" Carrillo | Ramiro Caballero, MD | Daniel Chavez | Ricardo Medina | Itza Flores

Corrective Action for Financial Statement Findings

Reference Number 2023-001 Monthly Account Analysis and Year – End Closing

Corrective Action: The City of Pharr's Finance Department and City Management will review internal controls related to this area to ensure timely financial statements are prepared and available for management, use, as well as for audit purposes.

Proposed Completion Date: 09/30/2025

Name of contact person: Jamison Merrick – Finance Director

Contact: Jamison.merrick@pharr-tx.gov

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Direct Programs:			
Community Development Block Grant	14.218	B-14-MC-48-0507	14/15 \$ -
Community Development Block Grant	14.218	B-16-MC-48-0507	16/17 \$ 64,531.48
Community Development Block Grant	14.218	B-18-MC-48-0507	18/19 \$ -
Community Development Block Grant	14.218	B-19-MC-48-0507	19/20 \$ 1,269.42
Community Development Block Grant	14.218	B-20-MC-48-0507	20/21 \$ -
Community Development Block Grant	14.218	B-21-MC-48-0507	21/22 \$ 384,125.18
Community Development Block Grant	14.218	B-22-MC-48-0507	22/23 \$ 346,250.97
Community Development Block Grant-COVID19 (CARES ACT 2020)	14.218	B-20-MC-48-0507	\$ 119,804.62
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 916,081.67
U.S. DEPARTMENT OF JUSTICE			
Passed Through Direct Programs:			\$ 43,538.08
VID-19 Response Project-TX Office of the Governor – Criminal Justice Division (CJD) CV Conavirus Emergency Supplemental Fundi	16.034	2020-VD-BX-0107	\$ -
Total U.S. DEPARTMENT OF JUSTICE			\$ 43,538.08
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Direct Programs:			
Operation Task Force	16.922	112SA1599	\$ 68,999.73
Total U.S. DEPARTMENT OF THE TREASURY			\$ 68,999.73
U.S. DEPARTMENT OF JUSTICE			
Passed Through Direct Programs Texas Office of the Governor-Criminal Justice Division (CJD)			
Human Trafficking Liaison Grant	16.575	15POVC-21-GG-00600-ASSI	\$ 44,927.86
Crime Victims Liaison Grant	16.575	2021-CS-21027	\$ 86,202.74
Domestic Violence Coordinator Project	16.575		\$ -
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS21GG03396UHPX	\$ 496,360.17
Bulletproof Vest Partnership Program	16.607		\$ 21,001.52
	16.378		\$ -
Total Passed Through Texas Office of the Governor-Criminal Justice Division (CJD)			\$ 648,492.29
Federal Highway Administration			
Highway Planning and Construction			
Highway Planning and Construction (TX DOT Grant)	20.205		\$ 1,037,337.95
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
Passed Through Texas Department of Transportation (TXDOT)			
STEP - Commercial Motor Vehicle (CMV)	20.600	2023-PharrPD-S-CMV-00043	\$ 12,832.31
STEP - Commercial Motor Vehicle (CMV)			\$ 179.19
STEP - Comprehensive Grant	20.600	2023-PharrPD-S-1YG-00137	\$ 15,635.54
STEP - Impaired Driving Mobilization (IDM)	20.616	2023-PharrPD-IDM-0023	\$ 14,731.62
Click it or Ticket	20.614	2023-PharrPD-CIOT-00053	\$ 4,458.52
Click it or Ticket	20.614		\$ -
Total Passed Through Texas Department of Transportation (TXDOT)			\$ 47,837.18
U.S. DEPARTMENT OF HOMELAND SECURITY GRANTS DIVISION (HSGD), FEDERAL EMERGENCY MANAGEMENT AGENCY			
U.S. DEPARTMENT OF HOMELAND SECURITY (DHS)-FEMA			
(4) 2019 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2019-FF-01465	\$ 470,150.87
Total U.S. DEPARTMENT OF HOMELAND SECURITY (DHS)-FEMA			\$ 470,150.87
Total U.S. DEPARTMENT OF HOMELAND SECURITY, FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through Texas Governor's Office Division of Emergency Management:			
Operation Stonegarden Grant Program	97.067	EMW-2019-SS-00034-S01	\$ 366,447.29
Pharr Fire Department Regional Hazardous Materials Response Team	97.067	EMW-2019-SS-00034-S01	\$ -
Total Passed Through Texas Office of the Governor-Homeland Security Grants Division (HSGD)			\$ 366,447.29
U.S. DEPARTMENT OF THE TREASURY			
American Recovery Act Plan (ARPA)	21.019	746001875	\$ 7,329,687.85
Equipment			
Outreach Consulting			
Teampharr.net- Construction			
Transfer Out- CIP			
TOTAL U.S. DEPARTMENT OF THE TREASURY			
TEXAS WATER DEVELOPMENT BOARD (TWDB) FIF LOAN & LOAN FORGIVENESS			
Clean Water State Revolving Fund	66.458		\$ -
Drinking Water State Revolving Fund	66.468		\$ 162,445.50
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,091,018.41

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TEXAS PARKS & WILDLIFE DEPARTMENT Article VI Northside Library & Wellness Center	N/A		\$ 43,978
TEXAS DEPARTMENT OF MOTOR VEHICLES South Texas Auto Theft Enforcement Task Force	N/A	608-21-0310100	\$ 78,013.56
TEXAS OFFICE OF THE ATTORNEY GENERAL (5) Victims Coordinator Liaison Grant (VCLG)	N/A	C-00039	\$ 42,000.00
TEXAS GOVERNOR'S OFFICE DIVISION OF EMERGENCY MANAGEMENT (6) BL-Local Border Security Program (LBSP) EMS Border Security Enhanc. Project Pharr Body-Cameras Project	N/A N/A N/A	2023-BL-ST-0016 2022-BF-ST-0010 2022-BC-ST-0020	\$ 187,867.20 \$ 77,368.75 \$ 18,159.60
TEXAS WATER DEVELOPMENT BOARD (TWDB) FIF Grant & Loan Flood Infrastructure (FIF)	N/A	G10001383	\$ -
MHM GRANT	N/A	N/A	\$ 535,040.40
LIBRARY ARCHIVES GRANT	N/A	N/A	\$ 4,389.56
TOTAL EXPENDITURES OF STATE PROGRAMS			\$ 986,816.77

CITY OF PHARR, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

1. General Statement

The accompanying Schedule of Expenditures of Federal and State Awards (Schedule) presents the activity of all the federal and state award activity of the City of Pharr, Texas, under programs of the federal government and the State of Texas for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. The City's reporting entity is defined in Note I.B. to the City's basic financial statements. All federal and State awards received directly from Federal and State agencies and federal and state awards passed through state agencies are included on the Schedule. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of City of Pharr, Texas.

2. Summary of Significant Accounting Policies

The federal and state grant funds were accounted for in the Grant Fund, a governmental fund type, and in an enterprise fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With the governmental fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measureable and available, and expenditures in the accounting period in which the fund liability is incurred, if measureable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Federal and State grant funds are generally considered earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. Indirect Cost Rate

The City has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

4. Relationship to Federal Financial Status Reports

Amounts reported on the Schedule may not agree with the amounts reported in the related Federal financial status reports filed with grantor agencies, because of the effect of accruals made in the Schedule.

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