



CITY OF PHARR, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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CERTIFIED PUBLIC ACCOUNTANTS

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SEPTEMBER 30, 2025

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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

Opinion

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 the City of Pharr, Texas, as of and for the year ended September 30, 2025, 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, 2025, 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 Opinion

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, during the year ended September 30, 2025, the City of Pharr, Texas adopted new accounting standards issued by the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Discretely Presented Component Unit

As discussed in the notes to the financial statements, during the year ended September 30, 2025, the Public Facility Corporation – Jackson Place Apartments, a discretely presented component unit of the City, sold its only operating asset and used the proceeds primarily to retire all outstanding debt and obligations. As a result of this transaction, the component unit had no remaining assets or liabilities as of year-end. Our opinion is 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' Responsibilities 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 *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 schedule of expenditures of federal and state awards, 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 March 20, 2026, 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
March 20, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Pharr Management's Discussion and Analysis

As management of the City of Pharr, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Pharr for the fiscal year ended September 30, 2025.

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 \$171,516,181.
- 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 \$162,567,479. The majority of the business-type activities' net position is unrestricted.
- The General Fund's assets exceeded its liabilities by over \$3,461,043. The general fund showed an increase in revenues of \$2,974,920, primarily due to an increase in fees & charges and property tax collections. Sales taxes showed an increase of 4%, and property taxes went up by 12%, but the City experienced an increase of \$5,412,266 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.
- The City reports the Public Facility Corporation – Jackson Place Apartments as a discretely presented component unit established to own and operate a multifamily housing development.

During fiscal year 2025, the component unit sold its only operating asset on December 20, 2024, for approximately \$32.5 million. Proceeds were used primarily to repay approximately \$29.4 million of outstanding debt and to pay related transaction costs. As a result, no net cash proceeds were retained, and the transaction generated a loss on disposal of approximately \$1.07 million.

Following the sale, all capital assets and related debt were eliminated, leaving the component unit with no remaining assets, liabilities, or net position at September 30, 2025. Accordingly, the component unit's 2025 financial statements are not comparable to prior years. Although it remains legally in existence, it no longer conducts operations, and its future activity will depend on decisions of its governing board.

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 similar to a private-sector business.

City of Pharr Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

The Statement of Net Position presents information on all the City's assets and liabilities and deferred outflows and inflows 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).

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 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.

City of Pharr Management's Discussion and Analysis

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 Debt Service 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.

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, ambulance 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.

City of Pharr
Management's Discussion and Analysis

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.

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)
	2025	2024	2025	2024	2025	2024	
Current Assets	\$ 59,740,905	\$ 68,158,765	\$ 104,900,377	\$ 117,278,272	\$ 164,641,282	\$ 185,437,037	\$ (20,795,755)
Capital Assets, Net	271,351,053	270,693,190	191,903,625	179,386,695	463,254,678	450,079,885	13,174,793
Total Assets	331,091,958	338,851,955	296,804,002	296,664,967	627,895,960	635,516,922	(7,620,962)
Deferred Outflows of Resources	3,955,368	5,766,188	1,039,885	1,281,359	4,995,253	7,047,547	(2,052,294)
Total assets and deferred outflows of resources	335,047,326	344,618,143	297,843,887	297,946,326	632,891,213	642,564,469	(9,673,256)
Current and Other Liabilities	22,210,853	25,629,087	20,789,932	21,238,691	43,000,785	46,867,778	(3,866,993)
Long-Term Liabilities	138,440,053	156,005,303	115,792,654	122,397,386	252,232,707	278,402,689	(26,169,982)
Total Liabilities	160,650,906	181,634,390	134,582,586	143,636,077	295,233,492	325,270,467	(30,036,975)
Deferred Inflows of Resources	2,880,239	1,095,176	693,822	245,335	3,574,061	1,340,511	2,233,550
Net Invested in Capital Assets	144,829,163	125,363,887	83,506,595	74,572,297	228,335,758	199,936,184	28,399,574
Restricted	38,324,717	39,131,439	-	-	38,324,717	39,131,439	(806,722)
Unrestricted	(11,637,699)	(2,606,749)	79,060,884	79,492,617	67,423,185	76,885,868	(9,462,683)
Total Net Position	171,516,181	161,888,577	162,567,479	154,064,914	334,083,660	315,953,491	18,130,169
Total Liabilities, deferred inflows of resources and net position	\$ 335,047,326	\$ 344,618,143	\$ 297,843,887	\$ 297,946,326	\$ 632,891,213	\$ 642,564,469	\$ (9,673,256)

The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources reported on the government-wide Statement of Net Position of \$334,047,326 as of September 30, 2025. The total governmental increase of \$18,130,169 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 \$144,829,163 for governmental activities and \$83,506,595 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 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.

**City of Pharr
Management's Discussion and Analysis**

A portion of the City's net position, \$38,324,717 represents resources subject to external restrictions on how they may be used. Fiscal year 2024-2025 shows a negative unrestricted net position of (\$11,637,699) mainly due to an increase in general government expenditures, the Loss on Sale of the Component Unit and an increase in capital assets.

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:

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>		<u>Increase (Decrease)</u>
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	
Revenues:							
Program Revenues							
Charges for Services	\$ 17,889,678	\$ 17,249,206	\$ 50,672,841	\$ 45,707,847	\$ 68,562,519	\$ 62,957,053	\$ 5,605,466
Operating Grants and Contributions	9,807,935	13,010,919	-	-	9,807,935	13,010,919	(3,202,984)
Capital Grants and Contributions	-	-	-	-	-	-	-
General Revenues							
Property Taxes	41,415,815	37,675,794	-	-	41,415,815	37,675,794	3,740,021
Sales Tax	30,838,496	29,828,389	-	-	30,838,496	29,828,389	1,010,107
Other Taxes	3,569,099	3,945,850	-	-	3,569,099	3,945,850	(376,751)
Other Revenues	3,250,639	3,652,339	8,571,348	4,510,237	11,821,987	8,162,576	3,659,411
Total Revenues	<u>106,771,662</u>	<u>105,362,497</u>	<u>59,244,189</u>	<u>50,218,084</u>	<u>166,015,851</u>	<u>155,580,581</u>	<u>10,435,270</u>
Expenses:							
General Government	36,887,957	25,654,927	-	-	36,887,957	25,654,927	11,233,030
Public safety	37,953,846	36,915,756	-	-	37,953,846	36,915,756	1,038,090
Highway and Streets	8,315,816	4,457,757	-	-	8,315,816	4,457,757	3,858,059
Health and Welfare	711,022	3,729,898	-	-	711,022	3,729,898	(3,018,876)
Culture and Recreation	11,724,902	17,621,115	-	-	11,724,902	17,621,115	(5,896,213)
Economic development	4,927,499	5,537,733	-	-	4,927,499	5,537,733	(610,234)
Interest on long-term debt	5,445,597	6,135,867	-	-	5,445,597	6,135,867	(690,270)
Loss on Sale of Component Unit	1,833,137	-	-	-	1,833,137	-	1,833,137
Utility Services	-	-	19,385,951	18,261,867	19,385,951	18,261,867	1,124,084
Pharr EMS	-	-	7,104,649	7,825,183	7,104,649	7,825,183	(720,534)
TeamPharr.net	-	-	5,443,163	4,818,163	5,443,163	4,818,163	625,000
Toll Brigade	-	-	6,503,624	6,429,512	6,503,624	6,429,512	74,112
Tierra del sol golf course	-	-	1,553,428	1,426,948	1,553,428	1,426,948	126,480
Total Expenses	<u>107,799,776</u>	<u>100,053,053</u>	<u>39,990,815</u>	<u>38,761,673</u>	<u>147,790,591</u>	<u>138,814,726</u>	<u>8,975,865</u>
Increase in net position before transfers	<u>(1,028,114)</u>	<u>5,309,444</u>	<u>19,253,374</u>	<u>11,456,411</u>	<u>18,225,260</u>	<u>16,765,855</u>	<u>1,459,405</u>
Contributions	-	245,089	-	-	-	245,089	(245,089)
Transfers	<u>11,458,116</u>	<u>7,799,137</u>	<u>(11,698,960)</u>	<u>(8,017,537)</u>	<u>(240,844)</u>	<u>(218,400)</u>	<u>(22,444)</u>
Change in Net Position	<u>10,430,002</u>	<u>13,353,670</u>	<u>7,554,414</u>	<u>3,438,874</u>	<u>17,984,416</u>	<u>16,792,544</u>	<u>1,191,872</u>
Net Position Beginning	<u>161,888,576</u>	<u>152,347,675</u>	<u>154,064,914</u>	<u>146,704,738</u>	<u>315,953,490</u>	<u>299,052,413</u>	<u>16,901,077</u>
Adjustments and Restatements	<u>(802,398)</u>	<u>(3,812,769)</u>	<u>948,151</u>	<u>3,921,302</u>	<u>145,753</u>	<u>108,533</u>	<u>37,220</u>
Net Position Ending	<u>\$ 171,516,181</u>	<u>\$ 161,888,576</u>	<u>\$ 162,567,479</u>	<u>\$ 154,064,914</u>	<u>\$ 314,083,660</u>	<u>\$ 315,953,490</u>	<u>\$ 18,130,170</u>

Business-Type Activities

There was an increase in revenues for most Business-Type funds, however, an increase in operating expenses was also reflected.

City of Pharr
Management's Discussion and Analysis

Capital Assets and Debt Administration

The City of Pharr's capital assets for its governmental and business-type activities amount to \$463,254,678. This investment in capital assets includes water rights, lease assets (GASB No. 87 and 96), 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 \$12.9 million or 3%.

	<u>Governmental</u>		<u>Activities</u>		<u>Business-Type</u>		<u>Totals</u>		<u>Increase (Decrease)</u>
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	
Right-to-use Lease Assets	\$ 708,735	\$ 2,042,352	2,471,882	3,004,101	\$ 3,180,617	\$ 5,046,453	\$ (1,865,836)		
Subscription Assets	27,000	58,043			27,000	58,043	(31,043)		
Land (Including Water Rights)	27,036,155	27,036,155	14,647,338	14,647,338	41,683,493	41,683,493	-		
Building and System Improvements	61,362,437	62,983,936	11,963,053	12,714,978	73,325,490	75,698,914	(2,373,424)		
Other Improvements	51,979,031	53,965,855	8,505,060	9,287,223	60,484,091	63,253,078	(2,768,987)		
Machinery and Equipment	7,236,887	8,037,354	8,116,741	9,162,929	15,353,628	17,200,283	(1,846,655)		
Infrastructure	25,553,746	25,344,305	98,950,101	100,009,987	124,503,847	125,354,292	(850,445)		
Construction in progress	97,447,063	91,488,733	47,249,449	30,560,143	144,696,512	122,048,876	22,647,637		
Total Capital Assets	\$ 271,351,053	\$ 270,956,733	191,903,625	179,386,698	\$ 463,254,678	\$ 450,343,431	\$ 12,911,247		

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 \$231.01 million. The details of the change in debt from last fiscal year are as indicated:

	<u>Governmental</u>		<u>Increase (Decrease)</u>
	<u>2025</u>	<u>2024</u>	
Certificates of Obligation	\$ 107,135,000	\$ 112,230,000	\$ (5,095,000)
Capital Equipment Loans	5,182,092	7,990,401	(2,808,309)
Notes Payable	11,190,000	15,539,789	(4,349,789)
Total Long-Term Debt	123,507,092	135,760,190	(12,253,098)
	<u>Business-Type</u>		<u>Increase (Decrease)</u>
	<u>2025</u>	<u>2024</u>	
Bonds Payable	102,253,000	108,597,000	(6,344,000)
Capital Equipment Loans	5,263,961	6,540,356	(1,276,395)
Total Long-Term Debt	107,516,961	115,137,356	(7,620,395)
Total Long-Term Debt	\$ 231,024,053	\$ 250,897,546	\$ (19,873,493)

City of Pharr
Management's Discussion and Analysis

Long-Term Debt (Continued)

Long-term debt for governmental activities decreased by \$12.2 million. The decrease in long-term debt is mainly due to debt repayments made during the fiscal year.

Long-term debt for Business-Type activities decreased by \$7.62 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 of 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, 2025:

<u>Description</u>	<u>Amount</u>
Net Pension Liability	18,820,251
Pension Expense	4,868,892
OPEB Liability	1,398,325
OPEB Expense	74,989

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.

City of Pharr
Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- The 2025–2026 fiscal year's budget reflects continued growth in the City's tax base while maintaining a conservative revenue position and prioritizing investments in personnel and organizational capacity needed to support a growing community.
- In the 2024-2025 fiscal year, the Utility Fund adopted rate adjustments from the recently completed water and wastewater rate study. This results in a structured five-year rate adjustment plan, implemented annually each June. These adjustments are designed to ensure long-term financial sustainability and to support critical capital improvements to the City's water and wastewater systems.
- TeamPharr.net has entered its second full year of operations. The customer base continues to expand and currently serves more than 50% of identified residential accounts within the City. In the 2025-2026 fiscal year, the broadband utility will expand its marketing strategy to include small business and enterprise customers.
- The Pharr International Bridge remains a primary revenue generator for the City's General Fund. Several major capital projects are nearing completion and will significantly enhance operational capacity and efficiency. The Twin Span Bridge Expansion will increase total lanes to eight, effectively doubling throughput capacity. Additionally, the DAP 16 projects — including new cold storage and dry storage loading docks and a state-of-the-art agricultural inspection laboratory — will strengthen Pharr's competitive position as a premier port of entry. These projects are expected to be completed in the 2025-2026 fiscal year.
- The City's proposed revenues for the 2025-2026 fiscal year are \$88,015,820, which represents an increase of approximately \$4,311,920 from the current year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 22,254,840	\$ 49,566,465	\$ 71,821,305
Taxes Receivable, Net	3,432,355	-	3,432,355
Accounts Receivable, Net	14,323,573	12,258,106	26,581,679
Due from Other Funds	7,579,610	(7,585,862)	(6,252)
Due from Others	476,476	-	476,476
Inventories	27,380	544,994	572,374
Land Available for Sale	3,353,679	-	3,353,679
Permanently Restricted:			
Restricted Asset -Cash and Cash Equivalents	5,826,958	48,300,674	54,127,632
Restricted Asset - Cash with Fiscal Agent	1,336,115	1,816,000	3,152,115
Restricted Asset - Intergovernmental Receivable	1,129,919	-	1,129,919
Capital Assets:			
Land	27,036,155	14,647,338	41,683,493
Infrastructure, Net	25,553,747	98,950,102	124,503,849
Buildings, Net	61,362,435	11,963,053	73,325,488
Improvements other than Buildings, Net	51,979,031	8,505,060	60,484,091
Machinery and Equipment, Net	7,236,887	8,116,741	15,353,628
Right-to-Use Lease Assets, Net	708,735	2,471,882	3,180,617
SBITA Assets, Net	27,000	-	27,000
Construction in Progress	97,447,063	47,249,449	144,696,512
Total Assets	<u>331,091,958</u>	<u>296,804,002</u>	<u>627,895,960</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	-	32,581	32,581
Deferred Outflow Related to Pension Plan	3,638,976	951,065	4,590,041
Deferred Outflow Related to OPEB	215,180	56,239	271,419
Deferred Outflow Related to TESRS	101,212	-	101,212
Total Deferred Outflows of Resources	<u>3,955,368</u>	<u>1,039,885</u>	<u>4,995,253</u>
LIABILITIES			
Accounts Payable	6,239,917	5,373,955	11,613,872
Accrued Liabilities	1,389,398	781,150	2,170,548
Accrued Interest Payable	557,786	1,007,271	1,565,057
Unearned Revenues	213,500	4,703,049	4,916,549
Escrow Accounts	2,588,687	137,507	2,726,194
Noncurrent Liabilities:			
Due Within One Year:			
Due Within One Year	11,221,565	8,787,000	20,008,565
Due in More Than One Year:			
Debt Due in More Than One Year	122,103,513	109,603,328	231,706,841
Net Pension Liability	14,920,660	3,899,591	18,820,251
Net OPEB Liability	1,108,590	289,735	1,398,325
Net TESRS Liability	307,290	-	307,290
Total Liabilities	<u>160,650,906</u>	<u>134,582,586</u>	<u>295,233,492</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	2,235,939	584,374	2,820,313
Deferred Inflow Related to OPEB	418,768	109,448	528,216
Deferred Inflow Related to TESRS	225,532	-	225,532
Total Deferred Inflows of Resources	<u>2,880,239</u>	<u>693,822</u>	<u>3,574,061</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets	144,829,163	83,506,595	228,335,758
Restricted:			
Restricted for Capital Outlay	1,258,822	-	1,258,822
Restricted for Debt Service	17,464,581	-	17,464,581
Restricted for Economic Development	14,372,935	-	14,372,935
Restricted for Other Purposes	5,228,379	-	5,228,379
Unrestricted	(11,637,699)	79,060,884	67,423,185
Total Net Position	<u>\$ 171,516,181</u>	<u>\$ 162,567,479</u>	<u>\$ 334,083,660</u>

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

CITY OF PHARR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 36,887,956	\$ 8,625,575	\$ 6,529,633
Public Safety	37,953,846	1,940,766	3,278,302
Highways and Streets	8,315,816	6,677,442	-
Health and Welfare	711,022	-	-
Culture and Recreation	11,724,902	645,895	-
Economic Development and Assistance	4,927,499	-	-
Interest on Debt	5,445,597	-	-
Loss on Sale of Component Unit	1,833,137	-	-
Total Governmental Activities	107,799,775	17,889,678	9,807,935
BUSINESS-TYPE ACTIVITIES:			
Utility	19,385,951	18,381,863	-
EMS	7,104,649	5,045,241	-
TeamPharr.Net	5,443,163	5,526,075	-
Toll Bridge	6,503,624	20,774,581	-
Tierra Del Sol Golf Course	1,553,428	945,081	-
Total Business-Type Activities	39,990,815	50,672,841	-
TOTAL PRIMARY GOVERNMENT	\$ 147,790,590	\$ 68,562,519	\$ 9,807,935
Component Units:			
Greater Pharr Chamber of Commerce	\$ 332,703	\$ 165,578	\$ -
PHFC Jackson Place Apartments	1,774,000	564,169	-
TOTAL COMPONENT UNITS	\$ 2,106,703	\$ 729,747	\$ -

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- General Sales and Use Taxes
- Franchise Tax
- Other Taxes
- Grants and Contributions
- Miscellaneous Revenue
- Investment Earnings
- Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Adjustments and Restatements

Restated Beginning Net Position

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Pharr Chamber of Commerce	PHFC Jackson Apartments
\$ (21,732,748)	\$ -	\$ (21,732,748)	\$ -	\$ -
(32,734,778)	-	(32,734,778)	-	-
(1,638,374)	-	(1,638,374)	-	-
(711,022)	-	(711,022)	-	-
(11,079,007)	-	(11,079,007)	-	-
(4,927,499)	-	(4,927,499)	-	-
(5,445,597)	-	(5,445,597)	-	-
(1,833,137)	-	(1,833,137)	-	-
<u>(80,102,162)</u>	<u>-</u>	<u>(80,102,162)</u>	<u>-</u>	<u>-</u>
-	(1,004,088)	(1,004,088)	-	-
-	(2,059,408)	(2,059,408)	-	-
-	82,912	82,912	-	-
-	14,270,957	14,270,957	-	-
-	(608,347)	(608,347)	-	-
-	10,682,026	10,682,026	-	-
<u>(80,102,162)</u>	<u>10,682,026</u>	<u>(69,420,136)</u>	<u>-</u>	<u>-</u>
-	-	-	(167,125)	-
-	-	-	-	(1,209,831)
-	-	-	(167,125)	(1,209,831)
32,760,975	-	32,760,975	-	-
8,654,840	-	8,654,840	-	-
30,838,496	-	30,838,496	-	-
2,690,893	-	2,690,893	-	-
878,206	-	878,206	-	-
809,790	-	809,790	-	-
1,731,618	5,976,061	7,707,679	1,102	7,714,517
709,231	2,595,287	3,304,518	7,537	-
11,458,116	(11,698,960)	(240,844)	218,400	22,444
<u>90,532,165</u>	<u>(3,127,612)</u>	<u>87,404,553</u>	<u>227,039</u>	<u>7,736,961</u>
<u>10,430,003</u>	<u>7,554,414</u>	<u>17,984,417</u>	<u>59,914</u>	<u>6,527,130</u>
<u>161,888,576</u>	<u>154,064,914</u>	<u>315,953,490</u>	<u>236,259</u>	<u>(6,527,130)</u>
<u>(802,398)</u>	<u>948,151</u>	<u>145,753</u>	<u>45,546</u>	<u>-</u>
<u>161,086,178</u>	<u>155,013,065</u>	<u>316,099,243</u>	<u>281,805</u>	<u>(6,527,130)</u>
<u>\$ 171,516,181</u>	<u>\$ 162,567,479</u>	<u>\$ 334,083,660</u>	<u>\$ 341,719</u>	<u>\$ -</u>

CITY OF PHARR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Economic Development Corp II, Inc.	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ (7,494,732)	\$ 6,679,903	\$ 12,418,571
Taxes Receivable	2,682,299	-	750,056
Accounts Receivable, Net	7,862,436	1,556,567	-
Notes Receivable, Net	-	1,038,499	-
Due from Other Funds	15,992,266	-	-
Due from Others	476,476	-	-
Land Available for Sale	-	3,353,679	-
Restricted Cash with Fiscal Agent	-	5,543,927	-
Restricted Asset - Cash with Fiscal Agent	864,255	-	-
Restricted Asset - Intergovernmental Receivable	-	-	-
Total Assets	<u>\$ 20,383,000</u>	<u>\$ 18,172,575</u>	<u>\$ 13,168,627</u>
LIABILITIES			
Accounts Payable	\$ 3,878,068	\$ 110,809	\$ -
Accrued Liabilities	1,389,398	-	-
Due to Other Funds	4,412,215	4,118,284	-
Unearned Revenues	-	-	-
Escrow Accounts	412,642	-	-
Total Liabilities	<u>10,092,323</u>	<u>4,229,093</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	2,682,299	-	750,056
Deferred Revenue - Accounts	801,962	123,589	-
Deferred Resource - Warrants	3,345,373	-	-
Total Deferred Inflows of Resources	<u>6,829,634</u>	<u>123,589</u>	<u>750,056</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Noncurrent Advances	-	3,353,679	-
Restricted Fund Balance:			
Public Safety	-	-	-
Tourism	-	-	-
Parkland	-	-	-
Paving and Drainage	-	-	-
Retirement of Long-Term Debt	-	5,046,010	12,418,571
Economic Development	-	5,420,204	-
Unassigned Fund Balance	3,461,043	-	-
Total Fund Balances	<u>3,461,043</u>	<u>13,819,893</u>	<u>12,418,571</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,383,000</u>	<u>\$ 18,172,575</u>	<u>\$ 13,168,627</u>

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

Other Funds	Total Governmental Funds
\$ 11,991,304	\$ 23,595,046
-	3,432,355
3,866,071	13,285,074
-	1,038,499
2,075,446	18,067,712
-	476,476
-	3,353,679
283,031	5,826,958
471,860	1,336,115
1,129,919	1,129,919
<u>\$ 19,817,631</u>	<u>\$ 71,541,833</u>
\$ 2,208,926	\$ 6,197,803
-	1,389,398
1,949,480	10,479,979
213,500	213,500
1,670,476	2,083,118
<u>6,042,382</u>	<u>20,363,798</u>
-	3,432,355
3,251,614	4,177,165
-	3,345,373
<u>3,251,614</u>	<u>10,954,893</u>
-	3,353,679
848,050	848,050
961,776	961,776
64,874	64,874
1,258,822	1,258,822
-	17,464,581
8,952,731	14,372,935
(1,562,618)	1,898,425
<u>10,523,635</u>	<u>40,223,142</u>
<u>\$ 19,817,631</u>	<u>\$ 71,541,833</u>

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CITY OF PHARR, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	\$	40,223,142
The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net position.		(1,658,757)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		124,637,294
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 including the 2025 capital outlays and debt principal payments is to increase (decrease) net position.		22,246,015
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$15,375,845), a deferred resource inflow in the amount of (\$2,304,152), and a deferred resource outflow in the amount of \$3,749,990. This resulted in an increase/(decrease) in net position by (\$13,930,007).		(13,517,623)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of (\$15,375,845), a deferred resource inflow in the amount of (\$2,304,152), and a deferred resource outflow in the amount of \$3,749,990. This resulted in an increase/(decrease) in net position by (\$13,930,007).		(1,312,178)
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(10,048,126)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		10,946,414
Net Position of Governmental Activities	\$	171,516,181

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

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Economic Development Corp II, Inc.	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 28,490,571	\$ -	\$ 8,654,841
General Sales and Use Taxes	23,095,885	7,742,611	-
Franchise Tax	2,690,893	-	-
Other Taxes	188,466	-	-
Licenses and Permits	868,723	-	-
Intergovernmental Revenue and Grants	72,000	-	-
Charges for Services	3,271,143	-	-
Charges for Services - Brush	1,254,533	-	-
Charges for Services - Other	1,111,893	-	-
Fines	608,497	-	-
Investment Earnings	119,348	256,087	142,571
Sponsorships	-	196,859	-
Other Revenue	1,359,253	306,714	-
Total Revenues	<u>63,131,205</u>	<u>8,502,271</u>	<u>8,797,412</u>
EXPENDITURES:			
Current:			
General Government	29,057,012	-	-
Public Safety	31,991,790	-	-
Public Works	4,649,280	-	-
Health and Welfare	711,022	-	-
Culture and Recreation	8,839,432	-	-
Economic Development and Assistance	-	4,927,499	-
Debt Service:			
Principal on Debt	2,469,887	1,645,000	5,738,160
Interest on Debt	379,965	2,411,295	2,864,302
Loss on Sale of Component Unit	1,833,137	-	-
Total Expenditures	<u>79,931,525</u>	<u>8,983,794</u>	<u>8,602,462</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,800,320)</u>	<u>(481,523)</u>	<u>194,950</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	100	-
Transfers In	16,292,725	-	298,833
Transfers Out	(5,253,040)	(1,525,000)	-
Other (Uses)	-	-	(3,350)
Total Other Financing Sources (Uses)	<u>11,039,685</u>	<u>(1,524,900)</u>	<u>295,483</u>
Net Change in Fund Balances	<u>(5,760,635)</u>	<u>(2,006,423)</u>	<u>490,433</u>
Fund Balance - October 1 (Beginning)	11,131,271	14,668,849	12,278,112
Adjustments and Restatements	(1,909,593)	1,157,467	(349,974)
Restated and/or Adjusted Beginning Fund Balance	<u>9,221,678</u>	<u>15,826,316</u>	<u>11,928,138</u>
Fund Balance - September 30 (Ending)	<u>\$ 3,461,043</u>	<u>\$ 13,819,893</u>	<u>\$ 12,418,571</u>

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

Other Funds	Total Governmental Funds
\$ 1,337,700	\$ 38,483,112
-	30,838,496
-	2,690,893
689,740	878,206
-	868,723
10,348,866	10,420,866
-	3,271,143
-	1,254,533
1,332,687	2,444,580
-	608,497
191,225	709,231
-	196,859
25,377	1,691,344
<u>13,925,595</u>	<u>94,356,483</u>
6,113,166	35,170,178
3,971,074	35,962,864
1,822,788	6,472,068
-	711,022
83,378	8,922,810
-	4,927,499
2,364,843	12,217,890
96,919	5,752,481
-	1,833,137
<u>14,452,168</u>	<u>111,969,949</u>
<u>(526,573)</u>	<u>(17,613,466)</u>
98,140	98,240
4,791,113	21,382,671
(3,146,658)	(9,924,698)
-	(3,350)
<u>1,742,595</u>	<u>11,552,863</u>
<u>1,216,022</u>	<u>(6,060,603)</u>
<u>9,371,159</u>	<u>47,449,391</u>
<u>(63,546)</u>	<u>(1,165,646)</u>
<u>9,307,613</u>	<u>46,283,745</u>
<u>\$ 10,523,635</u>	<u>\$ 40,223,142</u>

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CITY OF PHARR, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	(6,060,603)
The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.		(1,444,203)
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 2025 capital outlays and debt principal payments is to increase (decrease) the change in net position.		22,160,984
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2024 caused the change in the ending net position to increase in the amount of \$3,638,085. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$2,938,252). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$909,628. The result of these changes is to increase/(decrease) the change in net position by \$1,197,079.		1,609,461
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2024 caused the change in the ending net position to increase in the amount of \$58,145. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$60,223). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by \$12,695. The result of these changes is to increase/(decrease) the change in net position by (\$10,617).		10,617
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(10,048,126)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		4,201,873
Change in Net Position of Governmental Activities	\$	10,430,003

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

CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities	
	Utility	EMS
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ (1,940,776)	\$ (130,254)
Restricted Assets - Current:		
Restricted Cash and Cash Equivalents	48,300,674	-
Restricted Cash with Fiscal Agent	166,000	-
Accounts Receivable, Net	3,236,251	2,614,243
Due from Other Funds	-	-
Inventories	203,718	144,670
Total Current Assets	<u>49,965,867</u>	<u>2,628,659</u>
Noncurrent Assets:		
Capital Assets:		
Land	12,043,127	785,224
Infrastructure, Net	80,021,496	-
Buildings, Net	6,904,829	1,914,523
Improvements other than Buildings, Net	6,975,311	33,306
Machinery and Equipment, Net	2,930,008	3,346,985
Right-to-Use Lease Assets	43,053	2,426,928
Construction in Progress	11,882,793	-
Total Noncurrent Assets	<u>120,800,617</u>	<u>8,506,966</u>
Total Assets	<u>170,766,484</u>	<u>11,135,625</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge for Refunding	32,581	-
Deferred Outflow Related to Pension Plan	372,536	374,206
Deferred Outflow Related to OPEB	22,029	22,128
Total Deferred Outflows of Resources	<u>427,146</u>	<u>396,334</u>

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

- Enterprise Funds				Governmental Activities
TeamPharr,Net	Toll Bridge	Tierra Del Sol Golf Course	Total Enterprise Funds	Total Internal Service Funds
\$ 789,844	\$ 50,892,178	\$ (44,527)	\$ 49,566,465	\$ (1,340,206)
-	-	-	48,300,674	-
-	1,650,000	-	1,816,000	-
5,366,618	1,032,359	8,635	12,258,106	-
37,173	-	-	37,173	-
-	176,186	20,420	544,994	27,380
6,193,635	53,750,723	(15,472)	112,523,412	(1,312,826)
-	819,645	999,342	14,647,338	-
-	18,928,606	-	98,950,102	-
-	2,919,567	224,134	11,963,053	263,542
-	224,773	1,271,670	8,505,060	-
25,463	1,697,824	116,461	8,116,741	-
-	1,901	-	2,471,882	-
-	35,366,656	-	47,249,449	-
25,463	59,958,972	2,611,607	191,903,625	263,542
6,219,098	113,709,695	2,596,135	304,427,037	(1,049,284)
-	-	-	32,581	-
-	137,034	67,289	951,065	-
-	8,103	3,979	56,239	-
-	145,137	71,268	1,039,885	-

CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities	
	Utility	EMS
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,698,801	71,926
Due to Other Funds	4,379,821	360,676
Accrued Interest Payable	160,005	-
Unearned Revenues	3,068,246	-
Escrow Accounts	137,262	245
Debt Due Within One Year	5,391,795	420,145
Other Current Liabilities	781,150	-
Total Current Liabilities	<u>15,617,080</u>	<u>852,992</u>
Noncurrent Liabilities:		
Debt Due In More Than One Year	43,964,774	2,292,400
Net Pension Liability	1,527,486	1,534,332
Net OPEB Liability	113,491	113,999
Total Noncurrent Liabilities	<u>45,605,751</u>	<u>3,940,731</u>
Total Liabilities	<u>61,222,831</u>	<u>4,793,723</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan	228,902	229,928
Deferred Inflow Related to OPEB	42,871	43,063
Total Deferred Inflows of Resources	<u>271,773</u>	<u>272,991</u>
NET POSITION		
Net Investment in Capital Assets and Lease Assets	74,829,943	6,072,629
Unrestricted	34,869,083	392,616
Total Net Position	<u>\$ 109,699,026</u>	<u>\$ 6,465,245</u>

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

- Enterprise Funds				Governmental Activities
TeamPharr.Net	Toll Bridge	Tierra Del Sol Golf Course	Total Enterprise Funds	Total Internal Service Funds
130,536	3,296,297	176,395	5,373,955	42,114
2,767,050	73,002	42,486	7,623,035	8,123
-	847,266	-	1,007,271	-
-	1,586,370	48,433	4,703,049	-
-	-	-	137,507	505,569
8,179	2,946,202	20,679	8,787,000	13,417
-	-	-	781,150	-
2,905,765	8,749,137	287,993	28,412,967	569,223
24,537	63,285,528	36,089	109,603,328	40,250
-	561,871	275,902	3,899,591	-
-	41,746	20,499	289,735	-
24,537	63,889,145	332,490	113,792,654	40,250
2,930,302	72,638,282	620,483	142,205,621	609,473
-	84,199	41,345	584,374	-
-	15,770	7,744	109,448	-
-	99,969	49,089	693,822	-
25,463	-	2,578,560	83,506,595	263,542
3,263,333	41,116,581	(580,729)	79,060,884	(1,922,299)
\$ 3,288,796	\$ 41,116,581	\$ 1,997,831	\$ 162,567,479	\$ (1,658,757)

CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities	
	Utility	EMS
OPERATING REVENUES:		
Garage Repairs	\$ -	\$ -
Claims	-	-
Water Sales	10,269,375	-
Sewer Sales	7,928,913	-
Tap Fees	183,575	-
Toll Fees	-	-
Golf Services	-	-
Internet Services	-	-
EMS	-	5,045,241
Lease Revenue	-	-
Other Revenue	347,592	587,895
Total Operating Revenues	<u>18,729,455</u>	<u>5,633,136</u>
OPERATING EXPENSES:		
Personnel Services	4,769,637	4,276,497
Contractual Services	4,628,473	1,003,577
Supplies	2,924,609	176,004
Depreciation	6,574,582	1,530,510
Debt Service	-	-
Total Operating Expenses	<u>18,897,301</u>	<u>6,986,588</u>
Operating Income (Loss)	<u>(167,846)</u>	<u>(1,353,452)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Earnings	155,200	2,492
Interest Expense - Nonoperating	<u>(488,650)</u>	<u>(118,061)</u>
Total Nonoperating Revenue (Expenses)	<u>(333,450)</u>	<u>(115,569)</u>
Income (Loss) Before Contributions & Transfers	(501,296)	(1,469,021)
Capital Contributions	4,196,220	-
Nonoperating Transfers In	830,042	370,425
Transfers Out	<u>(1,466,208)</u>	<u>-</u>
Change in Net Position	<u>3,058,758</u>	<u>(1,098,596)</u>
Total Net Position - October 1 as Previously Reported	106,077,155	7,563,841
Adjustments and Restatements	563,113	-
Adjusted or Restated Beginning Net Position	<u>106,640,268</u>	<u>7,563,841</u>
Total Net Position - September 30 (Ending)	<u>\$ 109,699,026</u>	<u>\$ 6,465,245</u>

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

Enterprise Funds				Governmental Activities
TeamPharr.Net	Toll Bridge	Tierra Del Sol Golf Course	Total Enterprise Funds	Total Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 864,166
-	-	-	-	7,245,770
-	-	-	10,269,375	-
-	-	-	7,928,913	-
-	-	-	183,575	-
-	20,774,581	-	20,774,581	-
-	-	945,081	945,081	-
5,526,075	-	-	5,526,075	-
-	-	-	5,045,241	-
-	207,607	-	207,607	-
-	590,375	46,372	1,572,234	-
5,526,075	21,572,563	991,453	52,452,682	8,109,936
1,501,514	1,705,011	843,169	13,095,828	243,957
2,875,745	1,494,400	191,066	10,193,261	644,824
1,059,030	126,849	208,610	4,495,102	-
6,874	1,093,018	308,653	9,513,637	14,467
-	-	-	-	8,651,034
5,443,163	4,419,278	1,551,498	37,297,828	9,554,282
82,912	17,153,285	(560,045)	15,154,854	(1,444,346)
21,897	2,414,811	887	2,595,287	-
-	(2,084,346)	(1,930)	(2,692,987)	-
21,897	330,465	(1,043)	(97,700)	-
104,809	17,483,750	(561,088)	15,057,154	(1,444,346)
-	-	-	4,196,220	-
1,111,458	17,139,363	418,348	19,869,636	143
-	(30,102,388)	-	(31,568,596)	-
1,216,267	4,520,725	(142,740)	7,554,414	(1,444,203)
2,072,529	36,210,818	2,140,571	154,064,914	(214,554)
-	385,038	-	948,151	-
2,072,529	36,595,856	2,140,571	155,013,065	(214,554)
\$ 3,288,796	\$ 41,116,581	\$ 1,997,831	\$ 162,567,479	\$ (1,658,757)

CITY OF PHARR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities	
	Utility	EMS
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 18,729,455	\$ 5,633,136
Cash Payments to Employees for Services	(4,522,322)	(4,387,015)
Cash Payments for Other Operating Expenses	(7,369,498)	(1,468,490)
Net Cash Provided by (Used for) Operating Activities	<u>6,837,635</u>	<u>(222,369)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer In	830,042	370,425
Operating Transfer Out	(1,466,208)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(636,166)</u>	<u>370,425</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(4,196,220)	-
Principal and Interest Paid on Long-Term Debt	(4,547,892)	(376,808)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(8,744,112)</u>	<u>(376,808)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	155,200	2,492
Net Increase (Decrease) in Cash and Cash Equivalents	(2,387,443)	(226,260)
Cash and Cash Equivalents at Beginning of Year	<u>48,913,341</u>	<u>96,006</u>
Cash and Cash Equivalents at End of Year	<u>\$ 46,525,898</u>	<u>\$ (130,254)</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss)	\$ (167,846)	\$ (1,353,452)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	6,574,582	1,530,510
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	(885,424)	(60)
Decrease (Increase) in Inventories	(99,359)	(91,968)
Increase (Decrease) in Accounts Payable	660,900	(196,881)
Increase (Decrease) in Payroll Liabilities	247,315	(110,518)
Increase (Decrease) in Interfund Payables	507,467	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 6,837,635</u>	<u>\$ (222,369)</u>

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

				Governmental Activities -
		Tierra Del Sol Golf Course	Total Enterprise Funds	Total Internal Service Funds
TeamPharr.Net	Toll Bridge			
\$ 5,526,075	\$ 21,572,563	\$ 991,453	\$ 52,452,682	\$ 8,109,936
(1,471,848)	(1,638,327)	(823,233)	(12,842,745)	-
(4,450,045)	(2,874,548)	(244,668)	(16,407,249)	(9,073,357)
(395,818)	17,059,688	(76,448)	23,202,688	(963,421)
1,111,458	17,483,750	418,348	20,214,023	143
-	(30,102,388)	-	(31,568,596)	-
1,111,458	(12,618,638)	418,348	(11,354,573)	143
-	(13,987,482)	(307,111)	(18,490,813)	-
-	(4,326,428)	(130,215)	(9,381,343)	-
-	(18,313,910)	(437,326)	(27,872,156)	-
21,897	2,414,811	887	2,595,287	-
737,537	(11,458,049)	(94,539)	(13,428,754)	(963,278)
52,307	64,000,227	50,012	113,111,893	(376,928)
\$ 789,844	\$ 52,542,178	\$ (44,527)	\$ 99,683,139	\$ (1,340,206)
\$ 82,912	\$ 17,153,285	\$ (560,045)	\$ 15,154,854	\$ (1,444,346)
6,874	1,093,018	308,653	9,513,637	14,467
(1,380,511)	(106,960)	3,611	(2,369,344)	-
-	(90,883)	-	(282,210)	(13,482)
(169,780)	(1,072,595)	136,648	(641,708)	467,283
29,666	66,684	19,936	253,083	12,657
1,035,021	17,139	14,749	1,574,376	-
\$ (395,818)	\$ 17,059,688	\$ (76,448)	\$ 23,202,688	\$ (963,421)

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 established 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, 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 States 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, Pharr Economic Development Corporation II, Inc., and the 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 No. 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 No. 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 of 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 considered a blended component unit due to its relationship with the primary government, PEDC board members cannot 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 and 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 into 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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.
- *Debt Service Fund* – the City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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 nonspendable 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 THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 cost 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 with a useful life of more than 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

Right-to-use lease assets and SBITA assets are depreciated/amortized using the straight line method over the term of the respective agreements.

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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. The liability for compensated absences includes vacation leave earned but not used and sick leave that is more likely than not to be paid upon retirement. The liability is recorded in the government-wide financial statements.

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 fund balance classifications 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. 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. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

15. 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 measured at the 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.

16. 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.

17. GASB Statement No. 100

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, was adopted effective July 1, 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

18. Implementation of New Standards

GASB Statement No. 101, *Compensated Absences*

In the current fiscal year, the City implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not paid in cash or settled through noncash means. A liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – should not be recognized until the leave commences. A liability for specific types of compensated absences should not be recognized until the leave is used.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and for all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosure*

In the current fiscal year, the City implemented GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to the financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

During the year ended September 30, 2025, expenditures exceeded appropriations as follows:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
City Manager/City Clerk	\$ (15,289)
Finance	(133,793)
IT	(108,793)
Office of Strategic Excellence	(49,114)
Human Resources	(125,652)
Non-Departmental	(1,776,848)
Special Events	(276,331)
Public Safety Communications	(119,427)
Public Works	(157,280)
Principal on Debt	(1,526,687)
Interest on Debt	(262,765)

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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

At September 30, 2025, the following Funds had deficit fund balances: Grants fund had a deficit fund balance of (\$9,596), General Capital Improvements Fund had a deficit fund balance of (\$665,179), Pharr Housing Finance Corp Fund had a deficit fund balance of (\$887,843), and the Health Insurance Fund had a deficit fund balance of (\$2,019,085).

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2025 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$129,101,052 and the bank balance was \$131,742,092. The City's cash deposits at September 30, 2025 and during the period ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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, 2025, 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 \$123,479,404
- c. The highest combined balances of cash accounts amounted to \$113,693,027 and occurred during February 2025.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000 during September 2025.

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, 2025, amounted to \$57,279,747 with \$3,152,115 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 establishes 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025.

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, 2025, were as follows:

Description	Governmental Activities			Business-Type Activities					Total Business-Type
	General	Other	Total	Utility	Fiber	BMS	Bridge	Golf	
Property Tax	\$ 2,999,246	\$ 4,032,092	\$ 7,031,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Warrants	9,424,039	-	9,424,039	-	-	-	-	-	-
Sales Tax	3,718,486	1,283,478	5,001,964	-	-	-	-	-	-
Accounts	1,253,385	818,109	2,071,493	5,667,339	9,599,469	5,366,618	1,032,358	8,634	21,674,418
Other	-	484,846	484,846	-	-	-	-	-	-
Gross Receivables	17,395,155	6,618,525	24,013,680	5,667,339	9,599,469	5,366,618	1,032,358	8,634	21,674,418
Less: Allowance for Uncollectible	(6,935,219)	(361,034)	(7,296,253)	(2,431,088)	(6,985,226)	-	-	-	(9,416,314)
Total Receivables, Net	\$ 10,459,935	\$ 6,257,492	\$ 16,717,427	\$ 3,236,251	\$ 2,614,243	\$ 5,366,618	\$ 1,032,358	\$ 8,634	\$ 12,258,104

2. Notes Receivable for the Pharr Economic Development Corporation as of September 30, 2025, were as follows:

Description	Outstanding Balance	Increases	Decreases	Outstanding Balance
	As of 10/1/2024			As of 9/30/2025
Reyes Garza, 05/13/2012, for the amount of \$27,021 at an interest rate of 6.00% with maturity on April 13, 2027.	\$ 1,044,996	\$ -	\$ (97,923)	\$ 947,073
Trancasa, 02/15/18, for the amount of \$600,000 at an interest rate of 6.00% with maturity on March 15, 2026.	232,428	-	(141,001)	91,427
Total Notes Receivable	\$ 1,277,424	\$ -	\$ (238,925)	\$ 1,038,499

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

B. Receivables (Continued)

3. Leases Receivable for the Business-Type Activities as of September 30, 2025, were as follows:

Description	Cost	Accumulated Depreciation	Book Value
Cold Storage	\$ 1,058,726	\$ (594,164)	\$ 464,562
UETA	218,244	(119,501)	98,742
TABC	2,424,536	(2,424,536)	-
Total Leases Receivable, Net	\$ 3,701,506	\$ (3,138,201)	\$ 563,304

C. Payables

Payables for the City on September 30, 2025, were as follows:

Description	Governmental Activities		Business-Type Activities				Total Business-Type	Total
	Governmental	Utility	EMS	TeamPharr, Net	Bridge	Golf		
Vendors	\$ 6,239,917	\$ 1,698,801	\$ 71,926	\$ 130,536	\$ 3,296,297	\$ 176,395	\$ 5,373,955	\$ 11,613,872
Due to Other Funds	7,579,610	4,379,821	360,676	2,767,050	73,002	72,486	7,653,035	15,232,645
Accrued Liabilities	1,389,398	160,005	-	-	847,266	-	1,007,271	2,396,669
Customer Deposits	-	781,150	-	-	-	-	781,150	781,150
Total Payables	\$ 15,208,925	\$ 7,019,777	\$ 432,602	\$ 2,897,586	\$ 4,216,565	\$ 248,881	\$ 14,815,411	\$ 30,024,336

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
CDBG	\$ 194,431	\$ -
Grant Fund	801,735	-
ARPA Fund	-	1,968,975
Utility	4,294,375	-
Fiber Optic	2,767,050	37,173
PEDC	4,118,284	-
EMS	360,676	-
City Garage	8,123	-
Bridge	73,002	-
PHFC	877,467	-
Golf	42,486	-
Asset Sharing	-	54,822
Chamber	-	6,252
Total General Fund	<u>13,537,629</u>	<u>2,067,222</u>
PEDC Fund:		
General Fund	-	4,118,284
Total PEDC Fund	<u>-</u>	<u>4,118,284</u>
Asset Sharing Fund:		
General Fund	54,822	-
Grant Fund	21,025	-
Total Asset Sharing Fund	<u>75,847</u>	<u>-</u>
Grants Fund:		
General Fund	-	801,735
Asset Sharing Fund	-	21,025
Total Grants Fund	<u>-</u>	<u>822,760</u>
Paving and Drainage		
Utility	85,446	-
Total Paving and Drainage	<u>85,446</u>	<u>-</u>
PHFC Fund:		
General Fund	-	877,467
Total PHFC Fund	<u>-</u>	<u>877,467</u>
CDBG Fund:		
General Fund	-	194,431
Total CDBG Fund	<u>-</u>	<u>194,431</u>
ARPA Fund:		
General Fund	1,968,975	-
Total ARPA Fund	<u>1,968,975</u>	<u>-</u>
City Garage Fund (Internal Service):		
General Fund	-	8,123
Total City Garage Fund	<u>-</u>	<u>8,123</u>
Total Interfund Balances, Governmental Funds	<u>\$ 15,667,897</u>	<u>\$ 8,088,287</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

D. Interfund Balances (Continued)

The City's business-type activities as of September 30, 2025, are as follows:

	Due From Other Funds	Due To Other Funds
Utility Fund:		
General Fund	\$ -	\$ 4,294,374
Paving and Drainage	-	85,446
Total Utility Fund	-	4,379,820
EMS Fund:		
General Fund		360,676
Total EMS Fund	-	360,676
TeamPharr.Net Fund		
General Fund	37,173	2,767,050
Total TeamPharr.Net Fund	37,173	2,767,050
Toll Bridge Fund:		
General Fund		73,002
Total Toll Bridge Fund	-	73,002
Golf Course Fund:		
General Fund		42,486
Total Golf Course Fund	-	42,486
Total Interfund Balances, Business-Type Activities	\$ 37,173	\$ 7,623,035

The City's component Unit activities as of September 30, 2025, are as follows:

Component Units		
Chamber of Commerce		
General Fund	6,252	-
Total Chamber of Commerce	6,252	-
Total Component Units	\$ 6,252	\$ -

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, was as follows:

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 27,036,155	\$ -	\$ -	\$ 27,036,155
Construction in Progress	91,488,733	5,958,330	-	97,447,063
Total Capital assets, not being depreciated	<u>118,524,888</u>	<u>5,958,330</u>	<u>-</u>	<u>124,483,218</u>
Capital Asset being depreciated and amortized:				
Buildings	83,590,529	-	-	83,590,529
Infrastructure	92,213,992	1,966,410	-	94,180,402
Improvements Other Than Building	71,516,570	1,443,574	-	72,960,144
Machinery and Equipment	39,978,938	984,102	-	40,963,040
Right-to-use Lease assets, Equipment	4,980,931	225,076	-	5,206,007
Right-to-use Subscription Assets	230,114	-	(68,465)	161,649
Total capital assets, being depreciated and amortized	<u>292,511,074</u>	<u>4,619,162</u>	<u>(68,465)</u>	<u>297,061,771</u>
Less accumulated depreciation and amortization for:				
Buildings	(20,606,593)	(1,621,499)	-	(22,228,092)
Infrastructure	(66,869,687)	(1,756,969)	-	(68,626,656)
Improvements Other Than Building	(17,550,715)	(3,430,398)	-	(20,981,113)
Machinery and Equipment	(31,941,584)	(1,784,569)	-	(33,726,153)
Right-to-use Lease assets, Equipment	(2,938,579)	(1,423,648)	(135,045)	(4,497,272)
Right-to-use Subscription Assets	(172,071)	(31,043)	68,465	(134,649)
Total accumulated depreciation and amortization	<u>(140,079,230)</u>	<u>(10,048,126)</u>	<u>(66,580)</u>	<u>(150,193,936)</u>
Total capital assets being depreciated and amortized, net	152,431,844	(5,428,964)	(135,045)	146,867,835
Governmental activities capital assets, net	<u>\$ 270,956,732</u>	<u>\$ 529,366</u>	<u>\$ (135,045)</u>	<u>\$ 271,351,053</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, was as follows:

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land (including Water Rights)	\$ 14,647,338	\$ -	\$ -	\$ 14,647,338
Construction in Progress	30,560,143 *	16,689,306	-	47,249,449
Total Capital assets, not being depreciated	<u>45,207,481</u>	<u>16,689,306</u>	<u>-</u>	<u>61,896,787</u>
Capital Asset being depreciated and amortized:				
Buildings	34,748,600	-	-	34,748,600
Infrastructure	171,498,390	4,196,220	-	175,694,610
Improvements Other Than Building	17,145,910	307,111	-	17,453,021
Machinery and Equipment	30,467,692	837,928	-	31,305,620
Right-to-use Lease assets, Equipment	4,664,912	-	-	4,664,912
Total capital assets, being depreciated and amortized	<u>258,525,504</u>	<u>5,341,259</u>	<u>-</u>	<u>263,866,763</u>
Less accumulated depreciation and amortization for:				
Buildings	(22,033,622)	(751,925)	-	(22,785,547)
Infrastructure	(71,488,403)	(5,256,106)	-	(76,744,509)
Improvements Other Than Building	(7,858,687)	(1,089,274)	-	(8,947,961)
Machinery and Equipment	(21,304,764)	(1,884,115)	-	(23,188,879)
Right-to-use Lease assets, Equipment	(1,660,812)	(532,218)	-	(2,193,030)
Total accumulated depreciation and amortization	<u>(124,346,288)</u>	<u>(9,513,638)</u>	<u>-</u>	<u>(133,859,926)</u>
Total capital assets being depreciated and amortized, net	134,179,216	(4,172,379)	-	130,006,837
Business-Type activities capital assets, net	<u>\$ 179,386,698</u>	<u>\$ 12,516,927</u>	<u>\$ -</u>	<u>\$ 191,903,625</u>

* Construction in progress totaling \$2,479,199 for LS-Rehabilitation and \$302,250 for Program Management was placed into service in fiscal year 2026 and will be reclassified to the appropriate capital asset categories in that same fiscal year..

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, was as follows:

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Component Unit - Discretely Presented Chamber				
Capital Asset being depreciated:				
Machinery and Equipment	\$ 35,848	\$ -	\$ -	35,848
Total capital assets, being depreciated	<u>35,848</u>	<u>-</u>	<u>-</u>	<u>35,848</u>
Less accumulated depreciation for:				
Machinery and Equipment	(34,237)	(1,611)	-	(35,848)
Total accumulated depreciation	<u>(34,237)</u>	<u>(1,611)</u>	<u>-</u>	<u>(35,848)</u>
Total capital assets being depreciated, net	1,611	(1,611)	-	-
Component Unit, capital assets, net	<u>\$ 1,611</u>	<u>\$ (1,611)</u>	<u>\$ -</u>	<u>\$ -</u>

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Component Unit - Discretely Presented JPA				
Capital Assets, not being depreciated:				
Land	\$ 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>
Capital Asset being depreciated:				
Buildings	26,502,558	-	(26,502,558)	-
Machinery and Equipment	153,683	-	(153,683)	-
Total capital assets, being depreciated	<u>26,656,241</u>	<u>-</u>	<u>(26,656,241)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings	(2,944,729)	-	2,944,729	-
Machinery and Equipment	(153,683)	-	153,683	-
Total accumulated depreciation	<u>(3,098,412)</u>	<u>-</u>	<u>3,098,412</u>	<u>-</u>
Total capital assets being depreciated, net	23,557,829	-	(23,557,829)	-
Component Unit, capital assets, net	<u>\$ 25,057,829</u>	<u>\$ -</u>	<u>\$ (25,057,829)</u>	<u>\$ -</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025:

	Balance 10/1/2023	Balance 10/1/2024	Adjustment/ Increase	Adjustment/ Decrease	Balance 9/30/2025	Due in One Year
Governmental Activities						
Certificates of Obligation	\$ 112,230,000	\$ 112,230,000	\$ -	\$ (5,095,000)	\$ 107,135,000	\$ 5,265,000
CDBG Section 108 Note Payable	2,065,000	2,065,000	-	(2,065,000)	-	-
Tax Notes Payable	13,474,789	13,474,789	-	(2,284,789)	11,190,000	2,065,000
Unamortized Premium/(Discount)	3,262,582	3,262,582	-	(247,785)	3,014,797	247,785
Capital Equipment Loans/Leases	7,990,401	7,990,401	-	(2,808,309)	5,182,092	1,942,984
Accrued Compensated Balances	5,856,309	5,856,309	787,014	-	6,643,323	1,660,830
Accrued Compensated Balances PEDC	177,006	177,006	-	(17,141)	159,865	39,966
Net Pension Liability - TMRS	19,635,762	19,635,762	-	(4,715,102)	14,920,660	-
Net Pension Liability - TESRS	760,214	760,214	-	(452,924)	307,290	-
Other Post Employment Benefits	1,148,046	1,148,046	-	(39,456)	1,108,590	-
<i>Total Governmental Activities</i>	<u>166,600,110</u>	<u>166,600,110</u>	<u>787,014</u>	<u>(17,725,506)</u>	<u>149,661,618</u>	<u>11,221,565</u>
Business-Type Activities						
Revenue Bonds Payable	102,427,000	102,427,000	-	(4,389,000)	98,038,000	4,532,000
Refunding Revenue Bonds Payable	6,170,000	6,170,000	-	(1,955,000)	4,215,000	2,055,000
Unamortized Premium/(Discount)	11,195,163	11,195,163	-	(970,605)	10,224,558	970,605
Financing Arrangements	6,540,358	6,540,358	-	(1,276,397)	5,263,961	1,067,192
Accrued Compensated Absences	598,743	598,743	50,064	-	648,807	162,202
Net Pension Liability	4,398,690	4,398,690	-	(499,099)	3,899,591	-
Other Post Employment Benefits	257,180	257,180	32,555	-	289,735	-
<i>Total Business-Type Activities</i>	<u>\$ 131,587,135</u>	<u>\$ 131,587,135</u>	<u>\$ 82,620</u>	<u>\$ (9,090,101)</u>	<u>\$ 122,579,654</u>	<u>\$ 8,787,000</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

G. Long-Term Obligations (Continued)

Long-term bonded and revenue supported obligations outstanding on September 30, 2025, 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	\$ 2,235,000
2016 Certificate of Obligation	2016	14,290,000	Annual	1.13% - 3.60%	190,000 - 1,035,000	2/15/2036	10,595,000
2017 Certificate of Obligation	2017	17,240,000	Annual	1.45% - 2.79%	355,000 - 2,640,000	8/15/2031	11,115,000
2018 Certificate of Obligation	2018	16,440,000	Annual	2.08% - 3.52%	70,000 - 1,440,000	8/15/2038	12,570,000
2020 Certificate of Obligation	2020	2,500,000	Annual	3.00%	890,000 - 2,625,000	8/15/2039	17,645,000
2021 Certificate of Obligation	2021	54,615,000	Annual	4.50% - 4.06%	1,645,000 - 3,740,000	8/15/2046	52,970,000
<i>Tax Notes Payable</i>							
2023 LSNB Tax Note	2023	15,115,000	Annual	4.00%	1,940,000 - 2,415,000	8/15/2030	11,190,000
Business-Type Activities							
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	\$ 2,120,000
Revenue Bonds - NADBANK	2007B	10,000,000	Annual	3.75%	385,000 - 685,000	9/1/2027	1,350,000
Revenue Bonds - DWSR	2013	8,725,000	Annual	0% - 2.71%	255,000 - 400,000	9/1/2042	5,630,000
Revenue Bonds - DWSR	2015	1,762,000	Annual	0.59% - 4.10%	72,000 - 117,000	9/1/2035	1,000,000
Revenue Bonds - CWSR	2020A	18,150,000	Annual	0.03% - 0.22%	115,000 - 780,000	9/1/2049	17,265,000
Revenue Bonds - CWSR	2020B	13,880,000	Annual	0.04% - 0.32%	115,000 - 590,000	9/1/2049	12,995,000
Revenue Bonds - CT&IBR	2021	37,425,000	Annual	3.00% - 5.00%	1,395,000 - 2,850,000	8/15/2041	34,580,000
Revenue Bonds - CT&WR	2021	3,157,000	Annual	0.00%	105,000 - 106,000	8/15/2051	2,733,000
Revenue Bonds - CT&IBR	2021	20,945,000	Annual	2.00% - 2.80%	580,000 - 1,355,000	8/15/2046	20,365,000
<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	\$ 4,215,000

1. Bonds Payable

Debt service requirements of bonds payable on September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
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
Thereafter	42,975,000	9,913,594	84,681,000	18,569,185	127,656,000	28,482,779
Total	\$ 54,165,000	\$ 16,004,729	\$ 102,253,000	\$ 25,978,120	\$ 156,418,000	\$ 41,982,849

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

G. Long-Term Obligations (Continued)

2. Tax Notes Payable

Year Ending September 30,	Governmental Activities	
	Principal	Interest
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	<u>\$ 11,190,000</u>	<u>\$ 1,377,800</u>

3. PEDC Bonds Payable

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2026	\$ 1,690,000	\$ 2,224,500
2027	1,745,000	2,173,530
2028-2032	9,630,000	9,952,211
2033-2037	11,585,000	7,994,624
2038-2042	14,325,000	5,266,070
2043-2046	13,995,000	1,663,413
Total	<u>\$ 52,970,000</u>	<u>\$ 29,274,348</u>

The following schedules summarize the changes in Component Unit Activities' long-term obligations during the year ended September 30, 2025:

	Balance 10/1/2024	Increase	Decrease	Balance 9/30/2025	Due in One Year
Component Unit Activities					
Notes Payable	\$ 29,293,243	-	(29,293,243)	-	\$ -

Component Activities	Original Issuance	Payment Installments	Interest Rates	Installments	Maturity Date	Current Balance
Notes Payable						
CTI Capital	\$ 34,600,000	Monthly	4.88%	187,504	5/14/2046	\$ -

During the fiscal year ended September 30, 2025, the discretely presented component unit, Pharr Housing Finance Corporation – Jackson Place Apartments, sold the apartment complex and related property to an unrelated third party. Proceeds from the sale were used to retire all outstanding long-term debt associated with the property. As a result, the Component Unit reported no long-term obligations outstanding as of September 30, 2025.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, 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.	\$ 314,348	\$ -	\$ 314,348
\$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	108,236	-	108,236
\$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.	205,982	32,458	238,440
\$4,262,100 lease payable, due in monthly installments of \$58,945 including interest, through February 1, 2031; interest 4.46%. All funds used to purchase genral fund equipment and utility fund equipment.	1,950,288	1,447,906	3,398,194
\$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.	4,831	589	5,421

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, is comprised of the following:

<u>Governmental Activities</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Payment Installments</u>	<u>Interest Rates</u>	<u>Installments</u>	<u>Maturity Date</u>	<u>Current Balance</u>
<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	\$ -

During the fiscal year ended September 30, 2025, the City paid off all outstanding long-term debt. As a result, no long-term obligations remained outstanding as of September 30, 2025.

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, 2025, are reflected in the long-term obligations schedule. The liability for compensated absences includes vacation leave earned but not used and sick leave that is more likely than not to be paid upon retirement. The liability is recorded in the government-wide financial statements.

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, 2025, 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, 2025, is \$1,179,150.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

H. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2025, consisted of the following:

Governmental Activities:	Transfers In	Transfers Out
General Fund:		
Hotel	\$ 787,325	\$ -
ARPA Fund	-	1,968,975
Capital Projects	-	2,544,297
Parkland	126,775	
Paving and Drainage	774,858	-
Utility	636,167	-
Golf	-	418,348
Bridge	12,592,600	-
Debt Service	-	298,833
Health Insurance Fund	-	143
PEDC	1,375,000	-
Total General Fund	<u>16,292,725</u>	<u>5,230,596</u>
Capital Projects Fund:		
General Fund	2,544,297	-
Hotel	60,775	-
Paving & Drainage	217,067	-
Total Capital Projects Fund	<u>2,822,138</u>	<u>-</u>
Debt Service Fund:		
General Fund	298,833	-
Total Debt Service Fund	<u>298,833</u>	<u>-</u>
Hotel/Motel Fund		
General Fund	-	787,325
Capital Projects	-	60,775
Total Hotel/Motel Fund	<u>-</u>	<u>848,100</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

H. Interfund Transfers (Continued)

Paving & Drainage Fund:		
General Fund	-	774,858
Capital Projects	-	217,067
Total Paving & Drainage Fund	-	<u>991,925</u>
PEDC		
General Fund	-	1,375,000
Total PEDC	-	<u>1,375,000</u>
Parkland Fund		
General Fund	-	126,775
Total Parkland Fund	-	<u>126,775</u>
ARPA Fund		
General Fund	1,968,975	1,111,458
Total ARPA Fund	<u>1,968,975</u>	<u>1,111,458</u>
Governmental - Total Interfund Transfers	<u>\$ 21,382,671</u>	<u>\$ 9,683,854</u>

Component Unit Transfers

<u>Governmental Activities:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Hotel	\$ -	\$ 68,400
PHFC Jackson Apartments	-	22,444
PEDC	-	150,000
Total General Fund	<u>-</u>	<u>240,844</u>
Component Unit:		
Pharr Chamber of Commerce:		
Hotel	68,400	-
PEDC	<u>150,000</u>	-
Total Pharr Chamber of Commerce	218,400	-
PHFC Jackson Apartments:		
General Fund	<u>22,444</u>	-
Total PHFC Jackson Apartments	22,444	-
Total Component Unit Transfers	<u>\$ 240,844</u>	<u>\$ 240,844</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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:		
General Fund	\$ -	\$ 12,592,600
EMS	-	370,425
Bridge	17,139,363	17,139,363
Total Toll Bridge Fund	<u>17,139,363</u>	<u>30,102,388</u>
Utility Fund:		
General Fund	-	636,167
Utility Fund	830,042	830,042
Debt Service	-	-
Total Utility Fund	<u>830,042</u>	<u>1,466,208</u>
EMS Fund:		
Toll Bridge	370,425	-
General Fund	-	-
Total EMS Fund	<u>370,425</u>	<u>-</u>
TeamPharr.Net Fund		
ARPA Fund	1,111,458	-
Total TeamPharr.Net Fund	<u>1,111,458</u>	<u>-</u>
Golf Course Fund:		
General Fund	418,348	-
Total Golf Course Fund	<u>418,348</u>	<u>-</u>
Health Insurance Fund		
General Fund	143	-
Total Health Insurance Fund:	<u>143</u>	<u>-</u>
Business-Type - Total Interfund Transfers		
	<u>\$ 19,869,779</u>	<u>\$ 31,568,596</u>

I. Leases

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 THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

The City continued as partially self-funded through the end of 2025 working with United Healthcare as the third-party administrator and Lone Star Insurance Services as the agent of record. Throughout 2024, the City continued to fund its fixed costs for administration fees and stop loss premium along with medications via International RX while paying claims weekly to United Healthcare. The City continued to pay a majority of the employees’ insurance premiums and a percentage of the employees’ dependents.

Coverage Type	Monthly Cost to Employee	Monthly cost to City	Total Monthly Cost
Employee Only	\$ 16.97	\$ 422.10	\$ 439.07
Employee and Spouse	\$ 239.62	\$ 628.17	\$ 867.79
Employee and Child(ren)	\$ 221.42	\$ 611.35	\$ 832.77
Employee and Family	\$ 458.05	\$ 830.38	\$ 1,288.43

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

C. Pension Plan

Pension Plans: The City provides for two pension plans; one is a defined benefit cash-balance plan administered through Texas Municipal Retirement System (TMRS) and one has a special funding situation administered by Texas Emergency Services Retirement System (TESRS). Both plans are described in detail below. Aggregate amounts for both pension plans are as follows:

	TMRS	TESRS	TOTAL
Pension liability	\$ 7,218,576	\$ 307,290	\$ 7,525,866
Deferred outflows of resources	4,861,460	101,212	4,962,672
Deferred inflows of resources	3,348,529	225,532	3,574,061
Pension Expense	8,731,507	182,970	8,914,477

1. Plan Description

The City of Pharr, Texas participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the member's benefit is calculated based on the sum of the Member's contributions with interest, the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

Description	Plan Year 2024	Plan Year 2025
Employee Deposit Rate	7.00%	7.00%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% of Repeating	100% of Repeating
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

C. Pension Plan (Continued)

Employee Covered by Benefits Terms.

As of the December 31, 2024, valuation and measurement date, the following employees were covered by the terms of the benefits:

Description	2024
Inactive employees or beneficiaries currently receiving benefits	312
Inactive employees entitled to but not yet receiving benefits	481
Active employees	806
Total participants	1,599
 Covered Payroll	 \$ 43,495,248

3. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both 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 city’s contribution rate is based on the liabilities created from the benefit plan option selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Pharr were required to contribute 7.00% of their annual compensation during the fiscal year. The contribution rates for the City of Pharr were 12.62% and 13.14% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$5,949,209 and were equal to the required contributions.

4. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2024, 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 in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

C. Pension Plan (Continued)

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. The assumptions were adopted 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

C. Pension Plan (Continued)

4. Net Pension Liability (Continued)

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 Member and employer contributions will be made at the rates specified in 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 current active and inactive Members. 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	\$ 137,097,595	\$ 113,063,143	\$ 24,034,452
Changes for the year:			
Service cost	6,733,064	-	6,733,064
Interest	9,281,757	-	9,281,757
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,011,250)	-	(1,011,250)
Changes of assumptions	-	-	-
Contributions - employer	-	5,490,662	(5,490,662)
Contributions - employee	-	3,045,534	(3,045,534)
Net investment income	-	11,758,679	(11,758,679)
Benefit payments, including refunds of employee contributions	(5,913,224)	(5,913,224)	-
Administrative expense	-	(75,343)	75,343
Other changes	-	(1,762)	1,762
Net changes	9,090,347	14,304,546	(5,214,199)
Balance at 12/31/2024	<u>\$ 146,187,942</u>	<u>\$ 127,367,689</u>	<u>\$ 18,820,253</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 40,799,641	\$ 18,820,253	\$ 853,245

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, 2025, the City recognized pension expense of \$4,868,892.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 132,238	\$ 1,325,116
Changes in actuarial assumptions	4,735	10,170
Difference between projected and actual investment earnings (net of current year amortization)	-	1,485,028
Contributions subsequent to the measurement date	4,453,069	-
Total	\$ 4,590,042	\$ 2,820,314

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

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

\$4,453,069 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2026	\$ (341,914)
2027	838,214
2028	(2,153,736)
2029	(1,025,905)
2030	-
Thereafter	-

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

1. Plan Description (Continued)

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	246	
Inactive employees entitled to but not yet receiving benefits	70	
Active employees	806	
Total	1,122	

Contributions

Employees for the City of Pharr were required to contribute 0.09% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.21% in calendar year 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$101,832 and were equal to the required contributions.

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)
2025	0.21%	0.09%
2024	0.24%	0.09%
2023	0.22%	0.08%
2022	0.18%	0.10%
2021	0.18%	0.10%

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

3. OPEB Liability

The Other Post-Employment Benefits (OPEB) was measured as of December 31, 2024, 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, 2024, actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85% per year - including inflation
Discount rate*	4.08%
Retiree's share of benefit related costs	\$0

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.*

Administrative Expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates – service retirees – 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates – 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. 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 statute. Based on that assumption, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

3. OPEB Liability (Continued)

Total OPEB Liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2023	\$ 1,405,225
Changes for the year:	
Service cost	73,942
Interest	53,633
Change of benefit terms	-
Difference between expected and actual experience	(15,904)
Changes of assumptions	(79,424)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(39,146)
Administrative expense	-
Other changes	-
Net changes	(6,899)
Balance at 12/31/2024	\$ 1,398,326

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	\$ 1,679,180	\$ 1,398,326	\$ 1,179,202

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

3. OPEB Liability (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2025, the City recognized OPEB expense in the amount of \$74,989.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 56,493
Changes in actuarial assumptions	200,251	471,723
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	<u>71,168</u>	<u>-</u>
Total	<u>\$ 271,419</u>	<u>\$ 528,216</u>

\$71,168 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended September 30,	
2026	\$ (45,155)
2027	(55,259)
2028	(88,916)
2029	(100,673)
2030	(29,487)
Thereafter	(8,475)

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

D. Texas Emergency Services Retirement System

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by TESRS and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2025, there were 244 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2025, the TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	4,188
Terminated members entitled to, but not yet receiveing benefits	1,764
Active participants	3,301

Pension Plan Fiduciary Net Position

Detailed information about the TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary Information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees (the "Board") authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percentage increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

D. Texas Emergency Services Retirement System (Continued)

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

According to the state law governing the System through August 31, 2025, the state was required to contribute an amount necessary to make the System "actuarially sound" each year, which could not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

During the regular 2025 session of the Texas Legislature SB 2065 by Huffman was passed and signed into law. It removed the statutory limit on the annual state contributions to the System, previously one-third of all contributions to the System by governing bodies of participating departments in a year. The state, beginning September 1, 2025, is required to contribute an actuarially determined amount. The amended state law provides for amortization of the August 31, 2024 unfunded actuarial accrued liability by August 31, 2055, a 30-year period. Actuarial gains and losses recognized in subsequent actuarial valuations are to be amortized over 15 years or the remainder of the initial 30-year period, whichever is the longer period.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to fifteen years of credit for prior service per member. Prior service must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2025, the money-weighted rate of return on pension plan investments was 13.25%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

E. Texas Emergency Services Retirement System (Continued)

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the measurement year ending August 31, 2025, total contributions (dues, prior service, and interest on prior service financing) of \$34,800 were paid by the City. The State appropriated \$72,185 for the measurement year ending August 31, 2025 to the plan as a whole.

Actuarial Assumptions

The TPL in the August 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	N/A
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP- 2021. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.58%) and by adding expected inflation (2.5%). In addition, the final 7% assumption was selected by rounding down.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities		
Large cap domestic	20%	5.73%
Small/mid cap domestic	10%	6.32%
Developed international	15%	6.77%
Emerging markets	5%	6.85%
Global infrastructure	5%	6.63%
Real Estate	10%	4.00%
Multi asset income	5%	3.50%
Fixed Income	30%	1.80%
Cash	0%	0.00%
<u>Total</u>	<u>100.0%</u>	
Weighted Average		4.60%

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

E. Texas Emergency Services Retirement System (Continued)

Discount Rate:

The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the August 31, 2025 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 28 years. Because of the 28-year amortization period of the UAAL, the System's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's total OPEB liability	\$ 487,622	\$ 307,290	\$ 161,404

Pension Liability, Pension Expense, and Deferred Outflows/Deferred Inflows of Resources Related to Pensions:

At September 30, 2025, the City reported a liability of \$307,290 for its proportionate share of TESRS NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$ 307,290
State's proportionate share that is associated with the City*	<u>72,185</u>
	<u>\$ 379,475</u>

*Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.

At September 30, 2025, the employer's proportion of the collective NPL was 0.632 percent, which was a decrease of 0.076 percent from its proportion measured as of September 30, 2024.

CITY OF PHARR, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

E. Texas Emergency Services Retirement System (Continued)

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the measurement year ended August 31, 2025, the City recognized pension expense of \$223,990. On- behalf revenues and expenses were immaterial and not recognized by the City.

At August 31, 2024, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 18,284
Changes in actuarial assumptions	92,516	187,147
Difference between projected and actual investment earnings (net of current year amortization)	8,696	20,101
Contributions paid to TESRS subsequent to the measurement date	-	-
Total	\$ 101,212	\$ 225,532

The contributions paid to TESRS subsequent to the measurement date of the NPL but before the end of the City's reporting period will be recognized as a reduction of the NPL in the subsequent fiscal year.

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

Year ended September 30,	
2026	\$ (5,537)
2027	(91,372)
2028	(17,132)
2029	(10,278)
Total	(124,319)

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

F. 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.

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, 2025.

3. Construction Commitments

The city has entered various significant construction commitments that are currently underway. As of September 30, 2025, 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	\$ 1,993,134	\$ -	\$ 6,866
Total Administration	2,000,000	1,993,134	-	6,866
<i>Public Safety</i>				
Fire Station	5,000,000	1,264,890	-	3,735,110
Total Public Safety	5,000,000	1,264,890	-	3,735,110
<i>Parks</i>				
Maintenance Building	1,000,000	172,494	-	827,506
Total Parks	1,000,000	172,494	-	827,506
<i>Streets</i>				
Pharr Tri-City Pedestrian Walkway	2,461,000	1,823,792	-	637,208
Anaya Road	655,000	329,887	-	325,113
Railroad Crossing Replanking	500,000	497,703	-	2,297
Moore Road to Veterans	1,800,000	859,580	614,813	325,607
Total Streets	5,416,000	3,510,962	614,813	1,290,225
Total Commitments - Governmental Activities	<u>\$ 13,416,000</u>	<u>\$ 6,941,480</u>	<u>\$ 614,813</u>	<u>\$ 5,859,707</u>

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

F 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	\$ 705,650	\$ -	\$ 3,176,350
Lift Station Elimination	8,241,168	1,689,716	2,765,572	3,785,880
South Region Interceptor	3,077,700	1,184,116	307,852	1,585,732
Raw Water Reservoir	4,454,600	580,951	-	3,873,649
Water Treatment Plant Upgrade	1,700,000	1,383,100	-	316,900
Waste Water Treat Headworks	787,000	466,286	18,101	302,613
Total Utility	<u>22,142,468</u>	<u>6,009,819</u>	<u>3,091,525</u>	<u>13,041,124</u>
<i>Bridge</i>				
Bridge Expansion	45,000,000	16,036,478	5,233,574	23,729,948
FY 16 DAP	14,141,300	3,814,838	3,437,864	6,888,598
Commercial Vehicle Parking Area	14,056,900	1,917,559	4,926,343	7,212,998
Total Bridge	<u>73,198,200</u>	<u>21,768,875</u>	<u>13,597,781</u>	<u>37,831,544</u>
Total Commitments - Business-Type	<u>95,340,668</u>	<u>27,778,694</u>	<u>16,689,306</u>	<u>50,872,668</u>
Total Commitments	<u>\$ 108,756,668</u>	<u>\$ 34,720,174</u>	<u>\$ 17,304,119</u>	<u>\$ 56,732,375</u>

G. 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

G. Land available for sale (Continued)

The summary of land available for sale as of September 30, 2025, is shown on the following table:

Description	9/30/2024	Added/ (Removed)	Adjustment	Gain/(Loss) on Appraised Value	9/30/2025
Jackson Development Project	\$ 1,240,000	\$ -	\$ -	\$ -	\$ 1,240,000
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	\$ 3,353,679	\$ -	\$ -	\$ -	\$ 3,353,679

H. Related Party

None.

J. Tax Abatements

The City of Pharr 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.

Abatements as of September 30, 2025, are as follows:

<u>PROGRAM COMMITMENT TO</u>	<u>AMOUNT PENDING</u>	<u>OBLIGATOR</u>	<u>PURPOSE</u>	<u>LENGTH OF TIME</u>
City of Pharr	Varies	TIRZ #1	Infrastructure Development	26 Years
City of Pharr	Varies	TIRZ #2	Infrastructure Development	10 Years
Campero Legacy Properties	Varies*	City & PEDC	Commercial Development	5 Years
Pharr Town Center	Varies**	City of Pharr	Commercial Development	10 Years
CarMax	\$ 11,755	PEDC	Commercial Development	2 Years
Top Golf	Varies***	PEDC	Commercial Development	12 Years
HP Developers LLC	\$ 372,500	PEDC	Commercial Development	8 Years
Center Medical Ridge LLC	\$ 60,000	PEDC	Commercial Development	5 Years
Majestic/KVS Partners LLC	\$ 1,712,919	PEDC	Infrastructure Development	4 Years
Southern Roots	\$ 40,000.00	PEDC	Commercial Development	5 Years
American Legion Post 101	\$ 75,000.00	PEDC	Infrastructure Development	3 Years
Texas NH Management	\$ 254,257	PEDC	Commercial Development	7 Years
Total	\$ 2,526,431			

- * City and PEDC will reimburse a portion of the property taxes each year
- ** City will reimburse 25% of sales tax received for 10 years
- *** PEDC will reimburse 50% of total sales tax collected
- **** PEDC will reimburse 50% of property taxes collected

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

IV. OTHER INFORMATION (Continued)

L. Restatement of Beginning Balances

Beginning net position and fund balances have been restated to correct prior period amounts related to the clearance of certain liabilities, receivables, and deferred revenue balances. The net effect of these adjustments was an increase of \$145,753 to government-wide net position and a decrease of \$1,165,646 to governmental fund balances. Business-type activities increased by \$948,151. These restatements had no impact on current year results.

	9/30/2024 As Previously Reported	Error Correction	9/30/2024 As Restated
Net Position: Government-Wide Statements			
Governmental Activities	\$ 161,888,577	\$ (802,398)	\$ 161,086,179
Business-Type Activities	154,064,914	948,151	155,013,065
Total Primary Government	315,953,491	145,753	316,099,244
Fund Balances: Governmental Funds			
Major Funds			
General Fund	\$ 11,131,271	(1,909,593)	9,221,678
Economic Development Fund	14,668,849	1,157,467	15,826,316
Debt Service Fund	12,278,112	(349,974)	11,928,138
Nonmajor Funds	9,731,149	(63,546)	9,667,603
Total Governmental Funds	\$ 47,809,381	\$ (1,165,646)	\$ 46,643,735
Fund Balances: Proprietary Fund			
Business-Type Activities	\$ 154,064,914	948,151	155,013,065
Total Governmental Funds	\$ 154,064,914	\$ 948,151	\$ 155,013,065

M. DISCRETELY PRESENTED COMPONENT UNIT – JACKSON PLACE APARTMENTS

The City of Pharr, Texas (the “City”) reports the Public Facility Corporation – Jackson Place Apartments (the “Corporation”) as a discretely presented component unit. During the fiscal year ended September 30, 2025, the Corporation sold its apartment complex on December 20, 2024, for approximately \$32.46 million.

Sale proceeds were used primarily to repay approximately \$29.36 million of outstanding debt and to pay commissions and other closing costs. As a result, no net cash proceeds were retained. The transaction resulted in a loss on disposal of approximately \$1.07 million.

Following the sale, all capital assets and related debt were eliminated, and the Corporation had no remaining assets or liabilities as of year-end. Although the Corporation remains legally in existence, it no longer conducts operations, and its future activity is dependent on decisions of its governing board.

CITY OF PHARR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

K. Subsequent Events

To report subsequent events, management has considered events occurring through March 20, 2026, the date the report was available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PHARR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 29,455,700	\$ 29,455,700	\$ 28,490,571	\$ (965,129)
General Sales and Use Taxes	22,676,300	22,676,300	23,095,885	419,585
Franchise Tax	2,770,100	2,770,100	2,690,893	(79,207)
Other Taxes	211,900	211,900	188,466	(23,434)
Licenses and Permits	1,844,500	1,844,500	868,723	(975,777)
Intergovernmental Revenue and Grants	96,900	96,900	72,000	(24,900)
Charges for Services	2,901,300	2,901,300	3,271,143	369,843
Charges for Services - Brush	1,130,200	1,130,200	1,254,533	124,333
Charges for Services - Other	1,048,100	1,048,100	1,111,893	63,793
Fines	689,500	389,500	608,497	218,997
Investment Earnings	27,500	27,500	119,348	91,848
Other Revenue	488,800	488,800	1,359,253	870,453
Total Revenues	63,340,800	63,040,800	63,131,205	90,405
EXPENDITURES:				
Current:				
City Manager/City Clerk	2,620,100	2,620,100	2,635,389	(15,289)
Finance	1,175,900	1,185,900	1,319,693	(133,793)
Purchasing	440,200	44,200	349,107	(304,907)
IT	3,052,700	3,052,700	3,161,493	(108,793)
Media	991,500	991,500	972,633	18,867
Grants	558,700	558,700	557,418	1,282
Office of Strategic Excellence (OSE)	465,900	474,400	523,514	(49,114)
Human Resources	934,500	934,600	1,060,252	(125,652)
Development Services	923,700	923,700	871,764	51,936
Engineering	1,134,200	1,134,200	1,105,132	29,068
Code Enforcement	1,560,800	1,550,700	1,535,338	15,362
Non-Departmental	6,275,300	11,021,950	12,798,798	(1,776,848)
Special Events	1,695,600	1,890,150	2,166,481	(276,331)
Police	16,665,700	16,665,700	15,976,096	689,604
Municipal Court	675,800	675,800	617,087	58,713
Fire Protection	13,712,600	13,712,600	12,234,230	1,478,370
Public Safety Communications	3,258,000	3,044,950	3,164,377	(119,427)
Public Works	4,492,000	4,492,000	4,649,280	(157,280)
Health and Welfare	882,300	882,300	714,444	167,856
Library	1,656,800	1,656,800	1,577,708	79,092
Parks	7,322,700	7,322,700	7,258,302	64,398
Debt Service:				
Principal on Debt	933,200	943,200	2,469,887	(1,526,687)
Interest on Debt	117,200	117,200	379,965	(262,765)
Loss on Sale of Component Unit	-	-	1,833,137	(1,833,137)
Total Expenditures	71,545,400	75,896,050	79,931,525	(4,035,475)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,204,600)	(12,855,250)	(16,800,320)	(3,945,070)
OTHER FINANCING SOURCES (USES):				
Issuance of Bonds	3,261,500	3,261,500	-	(3,261,500)
Transfers In	17,101,600	17,101,600	16,292,725	(808,875)
Transfers Out	(12,158,500)	(7,411,850)	(5,253,040)	2,158,810
Total Other Financing Sources (Uses)	8,204,600	12,951,250	11,039,685	(1,911,565)
Net Change in Fund Balances	-	96,000	(5,760,635)	(5,856,635)
Fund Balance - October 1 (Beginning)	11,131,271	11,131,271	11,131,271	-
Adjustments and Restatements	-	-	(1,909,593)	(1,909,593)
Fund Balance - September 30 (Ending)	\$ 11,131,271	\$ 11,227,271	\$ 3,461,043	\$ (7,766,228)

CITY OF PHARR, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
A. Total Pension Liability			
Service Cost	\$ 6,733,064	\$ 6,230,076	\$ 6,149,282
Interest (on the Total Pension Liability)	9,281,757	8,724,041	8,028,121
Changes of Benefit Terms		1,808,026	-
Difference between Expected and Actual Experience	(1,011,250)	(815,013)	37,652
Changes of Assumptions		7,667	-
Benefit Payments, Including Refunds of Employee Contributions	(5,913,224)	(6,358,371)	(5,148,741)
Net Change in Total Pension Liability	\$ 9,090,347	\$ 9,596,426	\$ 9,066,314
Total Pension Liability - Beginning	137,097,595	127,501,169	118,434,855
Total Pension Liability - Ending	\$ 146,187,942	\$ 137,097,595	\$ 127,501,169
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 5,490,662	\$ 4,995,619	\$ 5,312,216
Contributions - Employee	3,045,534	2,890,028	2,974,839
Net Investment Income	11,758,679	11,588,162	(7,630,390)
Benefit Payments, Including Refunds of Employee Contributions	(5,913,224)	(6,358,371)	(5,148,741)
Administrative Expense	(75,343)	(73,646)	(66,010)
Other	(1,762)	(515)	78,770
Net Change in Plan Fiduciary Net Position	\$ 14,304,546	\$ 13,041,277	\$ (4,479,316)
Plan Fiduciary Net Position - Beginning	113,063,143	100,021,866	104,501,182
Plan Fiduciary Net Position - Ending	\$ 127,367,689	\$ 113,063,143	\$ 100,021,866
C. Net Pension Liability	\$ 18,820,253	\$ 24,034,452	\$ 27,479,303
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.13%	82.47%	78.45%
E. Covered Payroll	\$ 43,495,248	\$ 41,286,120	\$ 42,496,767
F. Net Pension Liability as a Percentage of Covered Payroll	43.27%	58.21%	64.66%

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.

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	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
\$ 5,640,448	\$ 3,749,532	\$ 3,734,670	\$ 3,533,893	\$ 3,320,128	\$ 3,146,078	\$ 2,746,650
7,442,313	6,184,172	5,838,306	5,493,822	5,161,419	4,880,163	4,587,828
12,390,200	-	-	-	-	-	-
357,274	(80,063)	(204,752)	(231,976)	677,911	(278,776)	435,455
-	-	(213,606)	-	-	-	2,330,292
(4,882,879)	(4,217,477)	(3,858,744)	(3,726,672)	(3,736,864)	(3,598,628)	(3,484,627)
\$ 20,947,356	\$ 5,636,164	\$ 5,295,874	\$ 5,069,067	\$ 5,422,594	\$ 4,148,837	\$ 6,615,598
97,487,499	91,851,335	86,555,461	81,486,304	76,673,830	72,524,993	65,909,395
\$ 118,434,855	\$ 97,487,499	\$ 91,851,335	\$ 86,555,371	\$ 82,096,424	\$ 76,673,830	\$ 72,524,993
\$ 2,907,748	\$ 2,437,328	\$ 2,442,368	\$ 2,312,486	\$ 2,174,506	\$ 1,683,200	\$ 1,649,708
2,725,135	2,170,945	2,167,600	2,021,401	1,903,877	1,800,699	1,702,972
11,974,498	6,454,440	11,294,135	(2,238,218)	9,059,762	4,148,172	90,733
(4,882,879)	(4,217,477)	(3,858,744)	(3,726,672)	(3,736,864)	(3,598,628)	(3,484,627)
(55,392)	(41,761)	(63,813)	(43,261)	(46,957)	(46,857)	(55,265)
379	(1,629)	(1,917)	(2,260)	(2,380)	(2,525)	(2,730)
\$ 12,669,489	\$ 6,801,846	\$ 11,979,629	\$ (1,676,524)	\$ 9,351,944	\$ 3,984,061	\$ (99,209)
91,831,699	85,029,853	73,050,224	74,726,749	65,374,805	61,390,744	61,489,953
\$ 104,501,188	\$ 91,831,699	\$ 85,029,853	\$ 73,050,225	\$ 74,726,749	\$ 65,374,805	\$ 61,390,744
\$ 13,933,667	\$ 5,655,800	\$ 6,821,482	\$ 13,505,146	\$ 7,369,675	\$ 11,299,025	\$ 11,134,249
88.24%	94.20%	92.57%	84.40%	91.02%	85.26%	84.65%
\$ 38,872,833	\$ 31,013,497	\$ 30,363,171	\$ 28,848,841	\$ 27,417,409	\$ 25,724,265	\$ 24,328,166
35.84%	18.24%	22.47%	46.81%	26.88%	43.92%	45.77%

CITY OF PHARR, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2025

	2025	2024	2023
Actuarially Determined Contribution	\$ 5,949,209	\$ 5,017,057	\$ 5,029,316
Contributions in Relation to the Actuarially Determined Contributions	(5,949,209)	(5,017,057)	(5,029,316)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 46,666,015	\$ 42,453,200	\$ 41,179,621
Contributions as a Percentage of Covered Payroll	12.75%	11.82%	12.21%

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.

	2022	2021	2020	2019	2018	2017	2016
\$	2,674,066	\$ 2,777,930	\$ 2,489,627	\$ 2,154,807	\$ 2,134,021	\$ 2,175,593	\$ 2,092,448
	(2,674,066)	(2,777,930)	(2,489,627)	(2,154,807)	(2,134,021)	(2,175,593)	(2,092,448)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	38,377,631	\$ 35,342,627	\$ 31,617,123	\$ 30,363,171	\$ 28,848,841	\$ 27,147,409	\$ 25,724,265
	6.97%	7.86%	7.87%	7.10%	7.40%	8.01%	8.13%

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CITY OF PHARR, TEXAS
 NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10 mortality tables, with 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
Total OPEB Liability			
Service Cost	\$ 73,942	\$ 57,801	\$ 123,241
Interest on the Total OPEB Liability	53,633	52,014	34,838
Changes of Benefit Terms		-	-
Difference between Expected and Actual Experience	(15,904)	(14,055)	6,279
Changes of Assumptions	(79,424)	70,572	(690,389)
Benefit Payments*	(39,146)	(33,029)	(42,497)
Net Change in Total OPEB Liability	(6,899)	133,303	(581,086)
Total OPEB Liability - Beginning	1,405,225	1,271,922	1,853,008
Total OPEB Liability - Ending	\$ 1,398,326	\$ 1,405,225	\$ 1,271,922
Covered Payroll	\$ 43,495,248	\$ 41,286,120	\$ 42,496,767
Total OPEB Liability as a Percentage of Covered Payroll	3.21%	3.40%	2.99%

*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 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
\$	128,280	\$ 80,635	\$ 60,726	\$ 63,467	\$ 51,580
	34,527	39,042	41,724	38,083	36,675
	-	-	-	-	-
	(13,348)	(43,780)	(45,154)	(32,757)	-
	60,787	231,003	237,034	(84,452)	94,497
	(38,873)	(9,304)	(9,109)	(8,655)	(8,144)
	171,373	297,596	285,221	(24,314)	174,608
	1,681,635	1,384,039	1,098,818	1,123,132	773,916
\$	<u>1,853,008</u>	<u>\$ 1,681,635</u>	<u>\$ 1,384,039</u>	<u>\$ 1,098,818</u>	<u>\$ 948,524</u>
\$	38,872,833	\$ 31,013,497	\$ 30,363,171	\$ 28,848,841	\$ 27,147,409
	4.77%	5.42%	4.56%	3.81%	4.14%

CITY OF PHARR, TEXAS
 NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Valuation Date: Actuarially determined contribution rates are calculated as of December

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	3.60% to 11.85% including inflation
Investment Rate of Return	4.08%
Retirement Age	N/A
Mortality	<p>Mortality rates - service retirees: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Mortality rates - 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.</p>

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

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF PHARR, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2025

	Hotel/Motel	Asset Sharing	Parkland Dedication
ASSETS			
Cash and Cash Equivalents	\$ 673,167	\$ 1,110,551	\$ 64,874
Accounts Receivable, Net	288,609	-	-
Due from Other Funds	-	21,025	-
Restricted Cash with Fiscal Agent	-	-	-
Restricted Asset - Cash with Fiscal Agent	-	-	-
Restricted Asset - Intergovernmental Receivable	-	-	-
Total Assets	\$ 961,776	\$ 1,131,576	\$ 64,874
LIABILITIES			
Accounts Payable	\$ -	\$ 228,704	\$ -
Due to Other Funds	-	54,822	-
Unearned Revenues	-	-	-
Escrow Accounts	-	-	-
Total Liabilities	-	283,526	-
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Accounts	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted Fund Balance:			
Public Safety	-	848,050	-
Tourism	961,776	-	-
Parkland	-	-	64,874
Paving and Drainage	-	-	-
Economic Development	-	-	-
Unassigned Fund Balance	-	-	-
Total Fund Balances	961,776	848,050	64,874
Total Liabilities, Deferred Inflows & Fund Balances	\$ 961,776	\$ 1,131,576	\$ 64,874

Paving and Drainage	Community Development	Grants	ARPA Fund	General Capital Improvements	TIRZ No. 1	TIRZ No. 2	Pharr Housing Finance Corp
\$ 1,160,210	\$ 598,184	\$ (88,950)	\$ -	\$ 250	\$ 5,021,403	\$ 3,461,991	\$ (10,376)
34,967	211,757	-	-	100,925	1,951,699	1,278,114	-
85,446	-	-	1,968,975	-	-	-	-
-	-	-	283,031	-	-	-	-
-	-	-	-	471,860	-	-	-
-	-	1,129,919	-	-	-	-	-
<u>\$ 1,280,623</u>	<u>\$ 809,941</u>	<u>\$ 1,040,969</u>	<u>\$ 2,252,006</u>	<u>\$ 573,035</u>	<u>\$ 6,973,102</u>	<u>\$ 4,740,105</u>	<u>\$ (10,376)</u>
\$ -	\$ 143,038	\$ 17,440	\$ 1,666,816	\$ 152,928	\$ -	\$ -	\$ -
-	194,431	822,760	-	-	-	-	877,467
-	3,135	210,365	-	-	-	-	-
-	-	-	585,190	1,085,286	-	-	-
-	340,604	1,050,565	2,252,006	1,238,214	-	-	877,467
21,801	-	-	-	-	1,951,699	1,278,114	-
<u>21,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,951,699</u>	<u>1,278,114</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,258,822	-	-	-	-	-	-	-
-	469,337	-	-	-	5,021,403	3,461,991	-
-	-	(9,596)	-	(665,179)	-	-	(887,843)
<u>1,258,822</u>	<u>469,337</u>	<u>(9,596)</u>	<u>-</u>	<u>(665,179)</u>	<u>5,021,403</u>	<u>3,461,991</u>	<u>(887,843)</u>
<u>\$ 1,280,623</u>	<u>\$ 809,941</u>	<u>\$ 1,040,969</u>	<u>\$ 2,252,006</u>	<u>\$ 573,035</u>	<u>\$ 6,973,102</u>	<u>\$ 4,740,105</u>	<u>\$ (10,376)</u>

CITY OF PHARR, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 11,991,304	\$ 11,991,304
Accounts Receivable, Net	3,866,071	3,866,071
Due from Other Funds	2,075,446	2,075,446
Restricted Cash with Fiscal Agent	283,031	283,031
Restricted Asset - Cash with Fiscal Agent	471,860	471,860
Restricted Asset - Intergovernmental Receivable	1,129,919	1,129,919
Total Assets	<u>\$ 19,817,631</u>	<u>\$ 19,817,631</u>
LIABILITIES		
Accounts Payable	\$ 2,208,926	\$ 2,208,926
Due to Other Funds	1,949,480	1,949,480
Unearned Revenues	213,500	213,500
Escrow Accounts	1,670,476	1,670,476
Total Liabilities	<u>6,042,382</u>	<u>6,042,382</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Accounts	3,251,614	3,251,614
Total Deferred Inflows of Resources	<u>3,251,614</u>	<u>3,251,614</u>
FUND BALANCES		
Restricted Fund Balance:		
Public Safety	848,050	848,050
Tourism	961,776	961,776
Parkland	64,874	64,874
Paving and Drainage	1,258,822	1,258,822
Economic Development	8,952,731	8,952,731
Unassigned Fund Balance	<u>(1,562,618)</u>	<u>(1,562,618)</u>
Total Fund Balances	<u>10,523,635</u>	<u>10,523,635</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,817,631</u>	<u>\$ 19,817,631</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Hotel/Motel	Asset Sharing	Parkland Dedication
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	689,740	-	-
Intergovernmental Revenue and Grants	-	405,346	-
Charges for Services - Other	-	-	45,086
Investment Earnings	-	26,657	614
Other Revenue	4,366	20,807	3
Total Revenues	<u>694,106</u>	<u>452,810</u>	<u>45,703</u>
EXPENDITURES:			
Current:			
City Manager/City Clerk	-	-	-
Public Safety	-	778,691	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Total Expenditures	<u>-</u>	<u>778,691</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>694,106</u>	<u>(325,881)</u>	<u>45,703</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	-	-
Transfers In	-	-	-
Transfers Out	(916,500)	-	(126,775)
Total Other Financing Sources (Uses)	<u>(916,500)</u>	<u>-</u>	<u>(126,775)</u>
Net Change in Fund Balance	(222,394)	(325,881)	(81,072)
Fund Balance - October 1 (Beginning)	1,184,170	1,173,931	145,946
Adjustments and Restatements	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 961,776</u>	<u>\$ 848,050</u>	<u>\$ 64,874</u>

Paving and Drainage	Community Development	Grants	ARPA Fund	General Capital Improvements	TIRZ No. 1	TIRZ No. 2	Pharr Housing Finance Corp
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 831,900	\$ 505,800	\$ -
-	-	-	-	-	-	-	-
-	2,747,337	2,872,958	3,710,298	612,927	-	-	-
1,287,601	-	-	-	-	-	-	-
7,388	8,322	-	-	-	86,547	61,695	2
-	-	-	-	-	-	-	201
<u>1,294,989</u>	<u>2,755,659</u>	<u>2,872,958</u>	<u>3,710,298</u>	<u>612,927</u>	<u>918,447</u>	<u>567,495</u>	<u>203</u>
-	668,485	-	4,343,958	1,036,723	32,000	32,000	-
-	28,226	2,872,958	-	291,199	-	-	-
26,736	-	-	-	1,796,052	-	-	-
-	-	-	-	83,378	-	-	-
-	2,065,000	-	-	299,843	-	-	-
-	95,078	-	-	1,841	-	-	-
<u>26,736</u>	<u>2,856,789</u>	<u>2,872,958</u>	<u>4,343,958</u>	<u>3,509,036</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
<u>1,268,253</u>	<u>(101,130)</u>	<u>-</u>	<u>(633,660)</u>	<u>(2,896,109)</u>	<u>886,447</u>	<u>535,495</u>	<u>203</u>
-	-	-	-	98,140	-	-	-
-	-	-	1,968,975	2,822,138	-	-	-
<u>(991,925)</u>	<u>-</u>	<u>-</u>	<u>(1,111,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(991,925)</u>	<u>-</u>	<u>-</u>	<u>857,517</u>	<u>2,920,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
276,328	(101,130)	-	223,857	24,169	886,447	535,495	203
1,064,842	493,215	(9,596)	(223,857)	(630,898)	4,134,956	2,926,496	(888,046)
(82,348)	77,252	-	-	(58,450)	-	-	-
<u>\$ 1,258,822</u>	<u>\$ 469,337</u>	<u>\$ (9,596)</u>	<u>\$ -</u>	<u>\$ (665,179)</u>	<u>\$ 5,021,403</u>	<u>\$ 3,461,991</u>	<u>\$ (887,843)</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 1,337,700	\$ 1,337,700
Other Taxes	689,740	689,740
Intergovernmental Revenue and Grants	10,348,866	10,348,866
Charges for Services - Other	1,332,687	1,332,687
Investment Earnings	191,225	191,225
Other Revenue	25,377	25,377
Total Revenues	<u>13,925,595</u>	<u>13,925,595</u>
EXPENDITURES:		
Current:		
City Manager/City Clerk	6,113,166	6,113,166
Public Safety	3,971,074	3,971,074
Public Works	1,822,788	1,822,788
Culture and Recreation	83,378	83,378
Debt Service:		
Principal on Debt	2,364,843	2,364,843
Interest on Debt	96,919	96,919
Total Expenditures	<u>14,452,168</u>	<u>14,452,168</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(526,573)</u>	<u>(526,573)</u>
OTHER FINANCING SOURCES (USES):		
Sale of Real and Personal Property	98,140	98,140
Transfers In	4,791,113	4,791,113
Transfers Out	<u>(3,146,658)</u>	<u>(3,146,658)</u>
Total Other Financing Sources (Uses)	<u>1,742,595</u>	<u>1,742,595</u>
Net Change in Fund Balance	1,216,022	1,216,022
Fund Balance - October 1 (Beginning)	9,371,159	9,371,159
Adjustments and Restatements	<u>(63,546)</u>	<u>(63,546)</u>
Fund Balance - September 30 (Ending)	<u>\$ 10,523,635</u>	<u>\$ 10,523,635</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2025

	City Garage Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 173,310	\$ (1,513,516)	\$ (1,340,206)
Inventories	27,380	-	27,380
Total Current Assets	<u>200,690</u>	<u>(1,513,516)</u>	<u>(1,312,826)</u>
Noncurrent Assets:			
Capital Assets:			
Buildings, Net	263,542	-	263,542
Total Noncurrent Assets	<u>263,542</u>	<u>-</u>	<u>263,542</u>
Total Assets	<u>464,232</u>	<u>(1,513,516)</u>	<u>(1,049,284)</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	42,114	-	42,114
Due to Other Funds	8,123	-	8,123
Escrow Accounts	-	505,569	505,569
Debt Due Within One Year	13,417	-	13,417
Total Current Liabilities	<u>63,654</u>	<u>505,569</u>	<u>569,223</u>
Noncurrent Liabilities:			
Debt Due In More Than One Year	40,250	-	40,250
Total Noncurrent Liabilities	<u>40,250</u>	<u>-</u>	<u>40,250</u>
Total Liabilities	<u>103,904</u>	<u>505,569</u>	<u>609,473</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets	263,542	-	263,542
Unrestricted	96,786	(2,019,085)	(1,922,299)
Total Net Position	<u>\$ 360,328</u>	<u>\$ (2,019,085)</u>	<u>\$ (1,658,757)</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	City Garage Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:			
Garage Repairs	\$ 864,166	\$ -	\$ 864,166
Claims	-	7,245,770	7,245,770
Total Operating Revenues	<u>864,166</u>	<u>7,245,770</u>	<u>8,109,936</u>
OPERATING EXPENSES:			
Personnel Services	243,957	-	243,957
Contractual Services	644,824	-	644,824
Depreciation	14,467	-	14,467
Debt Service	-	8,651,034	8,651,034
Total Operating Expenses	<u>903,248</u>	<u>8,651,034</u>	<u>9,554,282</u>
Income (Loss) Before Transfers	(39,082)	(1,405,264)	(1,444,346)
Nonoperating Transfers In	-	143	143
Change in Net Position	<u>(39,082)</u>	<u>(1,405,121)</u>	<u>(1,444,203)</u>
Total Net Position - October 1 (Beginning)	<u>399,410</u>	<u>(613,964)</u>	<u>(214,554)</u>
Total Net Position - September 30 (Ending)	<u>\$ 360,328</u>	<u>\$ (2,019,085)</u>	<u>\$ (1,658,757)</u>

CITY OF PHARR, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	City Garage Fund	Health Insurance Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 864,166	\$ 7,245,770	\$ 8,109,936
Cash Payments for Other Operating Expenses	(846,399)	(8,226,958)	(9,073,357)
Net Cash Provided by (Used for) Operating Activities	<u>17,767</u>	<u>(981,188)</u>	<u>(963,421)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer In	-	143	143
Net Increase (Decrease) in Cash and Cash Equivalents	17,767	(981,045)	(963,278)
Cash and Cash Equivalents at Beginning of the Period	<u>155,543</u>	<u>(532,471)</u>	<u>(376,928)</u>
Cash and Cash Equivalents at End of the Period	<u>\$ 173,310</u>	<u>\$ (1,513,516)</u>	<u>\$ (1,340,206)</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ (39,082)	\$ (1,405,264)	\$ (1,444,346)
Adjustments to Reconcile Operating Income			
to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	14,467	-	14,467
Effect of Increases and Decreases in Current			
Assets and Liabilities:			
Decrease (Increase) in Inventories	(13,482)	-	(13,482)
Increase (Decrease) in Accounts Payable	43,207	424,076	467,283
Increase (Decrease) in Payroll Liabilities	12,657	-	12,657
Net Cash Provided by (Used for)	<u>17,767</u>	<u>(981,188)</u>	<u>(963,421)</u>
Operating Activities	<u>\$ 17,767</u>	<u>\$ (981,188)</u>	<u>\$ (963,421)</u>

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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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 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 the City of Pharr, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Pharr, Texas's basic financial statements, and have issued our report thereon dated March 20, 2026.

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. However, we identified a deficiency in internal control that we consider to be a material weakness, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2025-01.

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 require 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

March 20, 2026

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's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Texas *Grant 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, 2025. 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, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit 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 judgment 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 federal or 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 federal or 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 federal or 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
March 20, 2026

**CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that were not considered material weakness?	No
Material noncompliance to financial statements noted?	No

2. Federal/State Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified that were not considered to be material weaknesses?	No
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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a) or Texas Grant Management Standards?	No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
State N/A	Methodist Healthcare Ministries of South Texas, Inc.

Dollar threshold used to distinguish between Type A and Type B programs:	Federal/State \$1,000,000
Auditee qualified as low-risk auditee?	Yes

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION I – FINANCIAL STATEMENT FINDINGS

Reference Number **2025-001 Financial Reporting and Internal Control Deficiencies (Repeat Finding)**

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting to ensure that financial statements are complete, accurate, and prepared in accordance with accounting principles generally accepted in the United States of America. Such controls should include timely recording of transactions, proper review and approval processes, and monitoring of budget-to-actual results.

Condition Found: Deficiencies in internal controls over financial reporting, consistent with the prior year, continue to exist. The City required a significant number of audit adjustments to present materially accurate financial statements.

Specifically:

- The internal service fund lacked approximately nine months of financial activity postings, resulting in incomplete financial information.
- Numerous posting errors were identified across multiple funds.
- The General Fund incurred over expenditures, as reflected by negative budget variances in Exhibit G-1.
- The General Fund reported a significant loss in Exhibit C-3.
- The loss on the sale of a component unit was not recorded.

Cause: The deficiencies are attributable to inadequate internal control procedures over financial reporting, including a lack of timely posting of financial activity, insufficient review and reconciliation processes, inadequate monitoring of budget-to-actual results, and weaknesses in identifying and recording significant or non-routine transactions.

Effect: As a result of these deficiencies, the financial statements were not materially accurate prior to audit adjustments, there is an increased risk that material misstatements may not be prevented, or detected and corrected, on a timely basis, and management relies on the audit process to identify and correct errors. These conditions indicate a reasonable possibility of material misstatement and, therefore, constitute a material weakness in internal control over financial reporting.

Recommendation: We recommend the City strengthen its internal controls over financial reporting by ensuring all financial activity is recorded timely and completely, implementing formal review and reconciliation procedures, monitoring budget-to-actual variances on a regular basis, establishing procedures to identify and properly record significant and non-routine transactions, and enhancing year-end closing processes to reduce reliance on audit adjustments.

Views of Responsible Officials: See management's corrective action plan.

SECTION II – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

NONE

**CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Reference Number: 2024-001

Finding Title: Monthly Account Analysis and Year-End Closing

Status: Not Corrected (Repeated as Finding 2025-01)

Controls over timely financial reporting and year-end closing were not operating effectively. The financial statements were not closed timely, and the general ledger required numerous audit adjustments and reclassifications. Key processes, including reconciliations, recording of transactions, and preparation of schedules, were not performed timely. The City also overspent in certain budgeted functions, resulting in operating losses.

This finding has not been corrected and continues in the current year, as reflected in Finding 2025-001. Deficiencies in financial reporting processes, including delays in recording activity, inadequate review procedures, and reliance on audit adjustments, remain.

Corrective action has not been fully implemented

**CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Corrective Action for Financial Statement Findings

Reference Number 2025-001 Financial Reporting and Internal Control Deficiencies

Corrective Action: Management agrees with the finding and will implement corrective actions to improve financial reporting processes, including strengthening review procedures, ensuring timely posting of transactions, and improving oversight of financial activity.

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, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
<u>Passed through the Office of the Governor - Criminal Justice Division</u>			
Human Trafficking Liaison Grant	16.575	15POVC-23-GG-00468-ASSI	45,000
Crime Victims Liaison Grant	16.575	15POVC-23-GG-00468-ASSI	89,832
BulletProof Vest Partnership Program	16.607		34,647
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS21GG03396UHPX	308,692
<i>Total Passed through the Office of the Governor - Criminal Justice Division</i>			<u>478,171</u>
<u>Other U.S. Department of Justice</u>			
Equitable Sharing Program - US Marshal Service (SO)	16.922	112SA1599	67,232
<i>Total Other U.S. Department of Justice</i>			<u>67,232</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>545,403</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed through the Office of the Governor-Homeland Security Grants Division</u>			
Operation Stonegarden Grant Program	97.067	EMW-2023-SS-00025	325,566
<i>Total Passed through the Office of the Governor-Homeland Security Grants Division</i>			<u>325,566</u>
<u>Passed through the Office of the Governor-Homeland Security Grants Division-Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER) 2019	97.083	EMW-2019-FF-01465	17,672
<i>Total Passed through the Office of the Governor-Homeland Security Grants Division-Federal Emergency Management Agency</i>			<u>17,672</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>343,238</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<u>Pass through the Texas Department of Transportation</u>			
Highway Planning and Construction	20.205		612,927
STEP - Commercial Motor Vehicle (CMV)	20.600	2023-PharrPD-S-CMV-00043	13,431
STEP - Comprehensive Grant	20.600	2023-PharrPD-S-1YG-00137	14,540
Click it or Ticket	20.616	2023-PharrPD-CIOT-00053	4,145
<i>Total Passed through the Texas Department of Transportation</i>			<u>645,042</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>645,042</u>
U.S. DEPARTMENT OF TREASURY			
<u>Passed through the Texas Division of Emergency Management</u>			
Coronavirus Relief Fund	21.019	746001875	726,504
<i>Total Passed through the Texas Division of Emergency Management</i>			<u>726,504</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>726,504</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<u>Passed through the Texas Water Development Board</u>			
Clean Water State Revolving Fund	66.468		1,500
<i>Total Passed through the Texas Water Development Board</i>			<u>1,500</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>1,500</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed through the Texas Department of Agriculture</u>			
Community Development Block Grant - CDBG FY 17/18	14.218	B-18-MC-48-0507	340,146
Community Development Block Grant - CDBG FY 18/19	14.218	B-19-MC-48-0507	146,349
Community Development Block Grant - CDBG FY 19/20	14.218	B-20-MC-48-0507	281,744
Community Development Block Grant - CDBG FY 20/21	14.218	B-21-MC-48-0507	249,879
Community Development Block Grant - CDBG FY 21/22	14.218	B-22-MC-48-0507	536,095
Community Development Block Grant - CDBG FY 22/23	14.218	B-23-MC-48-0507	360,174
Community Development Block Grant - CDBG FY 23/24	14.218	B-24-MC-48-0507	535,845
Community Development Block Grant - CDBG FY 24/25	14.218	B-25-MC-48-0507	373,879
<i>Total Passed through the Texas Department of Agriculture</i>			<u>2,824,112</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,824,112</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Direct Program</u>			
Urban & Community Forestry Program (Inflation Reduction Act)	10.664	CO-24-188	365,791
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>365,791</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,451,589</u>

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE</i>	<i>Pass-Through Entity Identifying Number</i>	<i>State Expenditures</i>
TEXAS OFFICE OF THE GOVERNOR		
<i>Passed through Office of the Governor - Homeland Security Grant Division</i>		
BD-Operation Lone Star Grant Program	2024-BD-ST-0001	152,526
BF-Border Zone Fire Department (BZFD)	2025-BF-ST-0001	82,500
BL-Local Border Security Program (LBSP)	2025-BL-ST-0016	189,985
<i>Total Passed through Office of the Governor - Homeland Security Grant Division</i>		<u>425,012</u>
<i>Passed through Office of the Attorney General-Grants Division</i>		
Victim Corrdinator & Liaison Grant - (VCLG)	C-00039	47,667
<i>Total Passed through Office of the Attorney General - Grants Division</i>		<u>47,667</u>
<i>Passed through Office of the Attorney General-Criminal Justice Division</i>		
BG-Rifle Resistant Body Armor Grant Program (BAGP)	2025-BG-ST-0025	21,025
<i>Total Passed through Office of the Attorney General - Criminal Justice Division</i>		<u>21,025</u>
TOTAL TEXAS OFFICE OF THE GOVERNOR		<u>493,703</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES		
<i>Direct Program</i>		
Alzheimer's Disease and Related Dementias	HHS001445500001	108,915
TOTAL TEXAS DEPARTMENT STATE HEALTH SERVICES		<u>108,915</u>
TEXAS DEPARTMENT OF MOTOR VEHICLES		
<i>Pass through Texas Homeland Security State Administrative Agency</i>		
South Texas Auto Theft Enforcement Task Force	N/A	67,816
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES		<u>67,816</u>
METHODIST HEALTHCARE MINISTRIES		
<i>Direct Program</i>		
Methodist Healthcare Ministries Grant	N/A	\$ 557,067
TOTAL METHODIST HEALTHCARE MINISTRIES		<u>557,067</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 1,227,501</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 6,679,090</u>

CITY OF PHARR, TEXAS
NOTES TO THE SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Basis of Presentation:

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, 2025. 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 *Texas Grant Management Standards*. 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.

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 measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, 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.

Indirect Cost Rate:

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

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.