



# Pharr

Economic Development  
Corporation



PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.

AUDITED ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**Raul Hernandez & Company, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2025**



PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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## FINANCIAL REPORT

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## INDEPENDENT AUDITORS' REPORT

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**Raul Hernandez & Company, P.C.**  
Certified Public Accountants  
5402 Holly Rd, Suite 102  
Corpus Christi, Texas 78411  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Pharr Economic Development Corporation

### **Report on the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, and the major fund of the Pharr Economic Development Corporation (Pharr EDC), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Pharr EDC'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, and the major fund of the Pharr EDC, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pharr EDC 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.

#### *Responsibilities of Management for the Financial Statements*

The Pharr EDC'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 Pharr EDC'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.

### ***Emphasis of Matter – Change of Accounting Principle***

As discussed in the notes to the financial statements, during the year ended September 30, 2025, the Pharr EDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to this matter.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pharr EDC'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 Pharr EDC'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 the budgetary comparison 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.

**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 Pharr EDC'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 the Pharr EDC'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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Pharr Economic Development Corporation II, Inc.  
Management's Discussion & Analysis

As management of the Pharr Economic Development Corporation II, Inc (PEDC), we offer readers of the PEDC's financial statements this narrative overview and analysis of the financial activities of the PEDC for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The total net position for PEDC is negative \$34.6 million. This is a decrease of \$0.9 million from last year's net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-Wide Financial Statements**

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

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

The Statement of Activities presents information showing how the PEDC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the PEDC that are principally supported by taxes. The governmental activities of the PEDC serve to improve the citizen's quality of life and assist in bringing/creating jobs to the City of Pharr.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The PEDC, like other governmental economic development entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Pharr Economic Development Corporation II, Inc.  
Management's Discussion & Analysis

**Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The PEDC adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

**Notes to the Financial Statements**

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

Pharr Economic Development Corporation II, Inc.  
Management's Discussion & Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In February 2022, PEDC signed an agreement with the City of Pharr to issue a \$54 million bond to cover part of the construction of the TeamPharr.net project. Even though PEDC acquired debt to help with the project, the City will manage and maintain the infrastructure so the total project assets will be reflected in the City's books.

The PEDC's condensed Statement of Net Position along with the prior fiscal year's amounts is presented for comparison in the table located below:

Table 1 - Dollars in Thousands

Assets	2025	2024
Current and other assets	\$ 9,201.6	\$ 7,876.7
Noncurrent assets	8,970.9	8,788.0
Capital assets	6,149.6	6,182.1
Total Assets	24,322.1	22,846.8
Liabilities		
Current liabilities	7,416.3	5,099.8
Noncurrent liabilities	51,399.9	53,102.8
Total Liabilities	58,816.2	58,202.6
Deferred Inflows of Resources		
Deferred Lease - Rent		
Total Deferred Inflow of Resources	123.6	171.4
	123.6	171.4
Net Position		
Restricted:		
Economic Development	5,346.9	6,245.9
Debt Service	5,046.0	4,946.2
Other Purposes	3,427.0	3,476.7
Unrestricted (deficit)	(48,437.5)	(50,196.1)
Total Net Position	\$ (34,617.6)	\$ (35,527.3)

Pharr Economic Development Corporation II, Inc.  
Management's Discussion & Analysis

The PEDC's Changes in Net Position along with last fiscal year's numbers are presented for comparison in the following table below:

Table 2 - Dollars in Thousands

Revenues:	2025	2024
Sales Taxes	\$ 7,742.6	\$ 7,457.0
Investment Earnings	256.1	251.0
Other	503.7	1,021.0
Total Revenues	8,502.4	8,729.0
Expenses:		
Economic Development	4,674.2	5,327.7
Depreciation	139.6	136.8
Interest on long-term debt	2,411.3	2,377.8
Total Expenses	7,225.1	7,842.3
Excess of revenues over expenses	1,277.2	886.7
Other Financing Sources		
Transfers In (Out)	(1,525.0)	(2,061.1)
Net Contributions	-	-
Net change in fund balance	(247.8)	(1,174.4)
Net position - beginning	(35,527.3)	(34,352.9)
Adjustments and Restatements	1,157.5	-
Net position - ending	\$ (34,617.6)	\$ (35,527.3)

Budgetary Highlights

The overall expenses were \$1.6 million less than budgeted, while revenues showed an overall decrease of (\$2,259,829).

Pharr Economic Development Corporation II, Inc.  
Management's Discussion & Analysis

Capital Asset Administration

The PEDC's investment in capital assets (net of accumulated depreciation) for its governmental activities amounts to \$6.14 million. This investment in capital assets includes land purchases.

Table 3 - Dollars in Thousands

	Governmental Activities	
	2025	2024
Land	\$ 4,858.1	\$ 4,858.1
Building and improvements	367.6	384.1
Infrastructure	225.3	-
Other improvements	652.8	756.8
Machinery and equipment	45.8	59.8
	\$ 6,149.6	\$ 6,058.8

Additional information on the PEDC'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 D-Capital Assets*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The PEDC continues actively engaged with its Foundation in its effort to provide scholarship opportunities to students as well as efforts for student retention and employability in the Rio Grande Valley Region.
- The PEDC continues to provide Financial Support on Team Pharr.Net User installation costs as part of the Broadband's strategy to expand its maximum coverage availability of its citizens and businesses.
- The PEDC is increasing its efforts to attract Foreign Development Investors for both Retail and Manufacturing growth in the city.
- The PEDC is executing a joint Business Recruiting and Retention Strategy with Pharr International Bridge in aims to increase Bridge Crossings and Trade Market Share.

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

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## BASIC FINANCIAL STATEMENTS

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PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,679,903
Accounts Receivable, Net	2,471,977
Rent - Current Leases Receivable	49,756
Land Available for Sale	3,353,679
Permanently Restricted:	
Restricted Assets - Cash and Cash Equivalents	5,543,927
Capital Assets:	
Land	4,858,106
Infrastructure, Net	225,311
Buildings, Net	367,557
Improvements other than Buildings, Net	652,797
Furniture and Equipment, Net	45,786
Rent - Non-Current Leases Receivable	73,333
Total Assets	24,322,132
<b>LIABILITIES</b>	
Accounts Payable	110,809
Due to City of Pharr	4,118,284
Accrued Interest Payable	278,063
Due Within One Year	2,909,116
Noncurrent Liabilities:	
Due in More Than One Year:	
Bonds Payable - Noncurrent	51,399,899
Total Liabilities	58,816,171
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Leases	123,089
Deferred Rent	500
Total Deferred Inflows of Resources	123,589
<b>NET POSITION</b>	
Restricted:	
Restricted for	5,346,871
Restricted for Debt Service	5,046,010
Restricted for Other Purposes	3,427,012
Unrestricted	(48,437,521)
Total Net Position	\$ (34,617,628)

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

PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Primary Gov.  
Governmental  
Activities

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Economic Development	\$ 4,674,225	\$ 306,814	\$ -	\$ (4,367,411)
Depreciation	139,616	-	-	(139,616)
Interest on Debt	2,411,295	-	-	(2,411,295)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,225,136</b>	<b>\$ 306,814</b>	<b>\$ -</b>	<b>(6,918,322)</b>

General Revenues:

General Sales and Use Taxes	7,742,611
Miscellaneous Revenue	196,859
Intestment Earnings	256,087
Transfers In (Out):	(1,525,000)
<b>Total General Revenues and Transfers</b>	<b>6,670,557</b>
<b>Change in Net Position</b>	<b>(247,765)</b>
Net Position - Beginning	(35,527,330)
Adjustments and Restatements	1,157,467
<b>Net Position - Ending</b>	<b>\$ (34,617,628)</b>

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

PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2025

EXHIBIT C-1

	General Fund
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,679,903
Sales Tax Receivable	1,283,478
Rent - Current Leases Receivable	49,756
Other Receivable	150,000
Notes Receivable	1,038,499
Land Available for Sale	3,353,679
Rent - Non-Current Leases Receivable	73,333
Restricted Assets - Cash and Cash Equivalents	5,543,927
Total Assets	<u>\$ 18,172,575</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 110,809
Due to City of Pharr	4,118,284
Total Liabilities	<u>4,229,093</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Leases	123,089
Deferred Resource Inflow for Leases	500
Total Deferred Inflows of Resources	<u>123,589</u>
<b>FUND BALANCE</b>	
Nonspendable Fund Balance:	
Land Available for Sale	3,353,679
Restricted Fund Balance:	
Economic Development	5,346,871
Debt Service	5,046,010
Special Purposes	73,333
Total Fund Balance	<u>13,819,893</u>
Total Liabilities, Deferred Inflows & Fund Balance	<u>\$ 18,172,575</u>

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

PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
 A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION - SEPTEMBER 30, 2025

<b>Total Fund Balances - Governmental Funds</b>	\$	13,819,893
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.		(50,196,179)
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.		1,898,274
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(139,616)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>(34,617,628)</b>

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

PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT C-3

	General Fund
<b>REVENUES:</b>	
General Sales and Use Taxes	\$ 7,742,611
Investment Earnings	256,087
Sponsorships	196,859
Other Revenue	306,814
Total Revenues	8,502,371
<b>EXPENDITURES:</b>	
Conservation and Development:	
Economic Development	4,927,499
Debt Service:	
Principal on Debt	1,645,000
Interest on Debt	2,411,295
Total Expenditures	8,983,794
Excess (Deficiency) of Revenues Over (Under)	(481,423)
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfers Out	(1,525,000)
Total Other Financing Sources (Uses)	(1,525,000)
Net Change in Fund Balance	(2,006,423)
Fund Balance - October 1 (Beginning)	14,668,849
Adjustments and Restatements	1,157,467
Adjustments and/or Restatements to Fund Balance	15,826,316
Fund Balance - September 30 (Ending)	\$ 13,819,893

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

PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(2,006,423)
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.		1,898,274
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.		(139,616)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(247,765)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

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Pharr Economic Development Corporation II, Inc.  
A Component Unit of the City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

Pharr Economic Development Corporation II, Inc. (PEDC) is incorporated in the state of Texas as a nonprofit corporation under the provisions of the Development Corporation Act of 1979. 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 was authorized to receive sales tax revenues. PEDC was organized on behalf of the City of Pharr, Texas (City) to administer a special 0.5% sales tax for the specific purpose of the enhancement of quality-of-life projects as well as the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. Sales taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes.

**B. Reporting Entity**

GASB Statement No. 14, The "Financial Reporting Entity," as amended by GASB Statement No. 39 and No. 61, "Determining Whether Certain Organizations Are Component Units," provide guidance for determining on whether the entity should be reported as blended or discretely presented. GASB Statement No. 14 as amended by GASB No. 39 and No. 61 sets forth financial accountability as the basic criterion for inclusion of a governmental unit in a governmental reporting entity. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit to or to impose a financial burden on the primary government. PEDC is considered a blended component unit due to its relationship with the City of Pharr. 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; PEDC is funding part of the project, while the City will manage the construction and manage the service in the future. Separate financial statements issued by the City can be obtained by request at the following address:

Pharr Economic Development Corporation II  
Attn: Executive Director  
1215 South Cage Blvd.  
Pharr, TX 78577

**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 non-fiduciary financial information for the PEDC.

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 as general revenues.

Pharr Economic Development Corporation II, Inc.  
A Component Unit of the City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The financial statements of the PEDC are prepared in accordance with generally accepted accounting principles (GAAP). 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. For this purpose, PEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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.

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

E. Fund Type and Major Fund

Governmental Fund

The PEDC reports the following major governmental fund:

- *General Fund* – PEDC's only fund, is used to account for all the PEDC's financial activities.

F. Assets, Liabilities, and Net Position

1. Cash and Investments

All PEDC's cash is deposited into Lone Star National Bank. Cash, including some restricted cash is deposited into common operating account to maximize investment opportunities. As of September 30, 2025, PEDC does not hold any cash other than the interest earned from the bank accounts.

2. Accounts Receivables and Accounts Payables

All sales taxes and other receivables are shown net of an allowance of uncollectible. There was no allowance for uncollectible on September 30, 2025. Any residual balances outstanding between PEDC and vendors are reported as accounts payable.

Pharr Economic Development Corporation II, Inc.  
A Component Unit of the City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Position (Continued)

3. Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activity column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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

Buildings	30 Years
Improvements other than buildings	30 Years
Machinery and equipment	3-15 Years

4. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated annual and sick leave balances. The PEDC's policy allows employees to accumulate sick leave on an unlimited basis which will be paid out at the time of retirement at 100% for the first 720 hours and the rest will be paid at a 50% rate. Vacation leave is based on the number of years of full-time employment with the PEDC 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)

All employees may accumulate no more than a maximum of 240 hours of vacation leave as set above.

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.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

6. Restricted Assets

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

Pharr Economic Development Corporation II, Inc.  
A Component Unit of the City of Pharr, Texas  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Position (Continued)

7. Net Position

In the financial statements, governmental funds report the difference between assets and liabilities reported as fund balance, of which may or may not be available for future spending.

8. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

9. Fund Balance

The PEDC follows GASB statement No. 54, which provides a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the PEDC's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB No. 54 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 (land available for sale), and non-current advances to other funds that are not expected to be collected in the next fiscal year.

In addition to non-spendable fund balances, GASB 54 provides 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. PEDC's restricted funds are from sales tax revenues and bond covenants for bond reserves, which are 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 PEDC governing members, the board of directors. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The PEDC does not have any committed funds.

-Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Executive Director. Assigned funds relate to the TeamPharr.net project.

-Unassigned: Fund balance of the general fund that is not constrained for any particular purpose.

Pharr Economic Development Corporation II, Inc.  
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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Position (Continued)

9. Fund Balance (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the PEDC 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 expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the PEDC considers amounts to have been spent first out of committed, then assigned, and then unassigned funds.

10. Leases

PEDC is a lessor in a lease of a building. Under the GASB Statement No. 87, PEDC recognizes a lease receivable and a deferred inflow of resources.

At the commencement of the lease, PEDC initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how PEDC determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- PEDC uses its estimated incremental borrowing rate as a discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

PEDC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

11. 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.

Pharr Economic Development Corporation II, Inc.  
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12. Implementation of New Standards

*GASB Statement No. 101, Compensated Absences*

In the current fiscal year, the PEDC 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.

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 PEDC 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.

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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

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

Annual budgets are legally adopted for all PEDC funds with revenue and expense/expenditure activity. The PEDC follows the City Charter, which states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager and CEO are required to submit to the City Commission and Board of Directors 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.

The Board of Directors 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 deemed available by the City Manager and Executive Director.

At any time during the fiscal year, the City Manager and the Executive Director can reallocate expenditures within a fund without the approval of the Board of Directors. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved first by PEDC Board of Directors and then by City Commission.

The PEDC made a budget amendment during the fiscal year. The reason for the amendment was to ratify and allocate funds for TeamPharr.Net expenses.

B. Budget Basis of Accounting

The term "basis of accounting" is used to describe the timing of recognition, that is, when the effects of transactions or events should be recognized, PEDC 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 PEDC'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 and the recording of bond/loan proceeds.

Pharr Economic Development Corporation II, Inc.  
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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. 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

III. DETAILED NOTES ON FUNDS

A. Deposits and Investments

1. Deposits

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

On September 30, 2025, the carrying amount of all the PEDC's deposits was \$12,223,830 and the bank balance was \$11,175,422. The PEDC has one depository account: Lone Star National Bank (LSNB).

Custodial credit risk is the risk that in the event of a bank failure, the PEDC's deposits may not be returned to it. The PEDC 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 PEDC's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized.

Restricted cash is defined as the cash balances restricted for specific purposes by external parties. As of September 30, 2025, PEDC shows a restricted cash of \$5,543,927, of which \$497,917 are federal funds restricted by the USDA and EDA for the PEDC to loan to businesses as low interest loans and \$5,046,010 is reserved for debt service for the 2023 Revenue Bonds.

2. Investments

No investment were held as of September 30, 2025.

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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2025

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

B. Receivables

1 Accounts Receivables

Receivables for the PEDC on September 30, 2025, were as follows:

		<u>General</u>
Sales Tax	\$	1,283,478
Leases		123,089
Other		150,000
Notes		1,038,499
Net total receivable	\$	<u>2,595,066</u>

2 Notes Receivable

Notes Receivables as of September 30, 2025, were as follows:

<u>Description</u>	<u>Outstanding Balance As of 10/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding Balance As of 9/30/2025</u>
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	<u>\$ 1,277,424</u>	<u>\$ -</u>	<u>\$ (238,925)</u>	<u>\$ 1,038,499</u>

C. Payables

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

		<u>Governmental Activities General</u>
Vendors	\$	110,809
Due to City of Pharr		4,118,284
Total Payables	\$	<u>4,229,093</u>

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Capital Assets, not being depreciated:				
Land	\$ 4,858,106	\$ -	\$ -	\$ 4,858,106
Total Capital assets, not being depreciated	<u>4,858,106</u>	<u>-</u>	<u>-</u>	<u>4,858,106</u>
Capital Asset being depreciated:				
Buildings	747,170	-	-	747,170
Improvement other than buildings	1,640,656	-	-	1,640,656
Infrastructure	-	230,125	-	230,125
Machinery and Equipment	243,126	-	-	243,126
Total capital assets, being depreciated	<u>2,630,952</u>	<u>230,125</u>	<u>-</u>	<u>2,861,077</u>
Less accumulated depreciation for:				
Buildings	(363,009)	(16,604)	-	(379,613)
Improvement other than buildings	(883,773)	(104,086)	-	(987,859)
Infrastructure	-	(4,814)	-	(4,814)
Machinery and Equipment	(183,228)	(14,112)	-	(197,340)
Total accumulated depreciation	<u>(1,430,010)</u>	<u>(139,616)</u>	<u>-</u>	<u>(1,569,626)</u>
Total capital assets being depreciated, net	1,200,942	90,509	-	1,291,451
Governmental activities, capital assets, net	<u>\$ 6,059,048</u>	<u>\$ 90,509</u>	<u>\$ -</u>	<u>\$ 6,149,557</u>

E. Long-Term Obligations

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2025:

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	Beginning Balance 10/1/2024	Additions	Retirements	Ending Balance 9/30/2025	Due Within One Year
<b>Revenue Bonds</b>					
Sales tax revenue bond, taxable series 2022	\$ 54,615,000	\$ -	\$ (1,645,000)	\$ 52,970,000	\$ 1,690,000
Total Bonds	\$ 54,615,000	\$ -	\$ (1,645,000)	\$ 52,970,000	\$ 1,690,000
<b>Notes Payable</b>					
PEDC line of credit - 257250	1,179,150	-	-	1,179,150	1,179,150
Total notes payable	1,179,150	-	-	1,179,150	1,179,150
<b>Accrued compensated absences</b>					
Accrued compensated absences PEDC	177,006	-	(17,141)	159,865	39,966
Total accrued compensated absences	177,006	-	(17,141)	159,865	39,966
Total outstanding debt	\$ 55,971,156	\$ -	\$ (1,662,141)	\$ 54,309,015	\$ 2,909,116

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

F. Notes and Bonds Payable

Long-term notes and bonds payable outstanding on September 30, 2025, is comprised of the following:

Debt Type	Series	Interest Rate(s)	Date of Maturity	Original Issuance	Balance as of October 1, 2024	Debt Issuance Maturity Info	
						Deductions	Outstanding As of September 30, 2025
PEDC line of credit 257250	2023	3.75%	11/1/2030	1,179,150	1,179,150	-	1,179,150
Sales tax revenue bond	2022	4.54%	8/15/2046	54,615,000	54,615,000	(1,645,000)	52,970,000
				\$ 55,794,150	\$ 55,794,150	\$ (1,645,000)	\$ 54,149,150

Debt service requirements for bond payable on September 30, 2025, are as follows:

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
<b>Total</b>	<b>\$ 52,970,000</b>	<b>\$ 29,274,348</b>

G. Restricted Assets

Pharr Economic Development Corporation II, Inc.  
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For the year ended September 30, 2025

Restricted Assets as of September 30, 2025, are as follows:

<u>Governmental Funds</u>		
Debt Service		\$ 4,946,176
Small business loan program		488,065
Total restricted assets		\$ 5,434,241

H. Leases

PEDC is a lessor in a building lease. The lease term includes the noncancelable period of the contract plus any potential lease extension option reasonably certain to be exercised. The lease term is for 60 months with payments of \$4,480 due monthly through February 2028. An incremental borrowing rate of 3.800% was used for discounting the lease terms to determine the initial lease receivable and related deferred inflow of resources.

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

H. Leases (Continued)

PEDC recognized lease revenue of \$306,814 during the year. Lease payments expected to be collected in subsequent years are as follows:

Year Ended September 30,	Payment	Principal	Interest
2026	53,760	49,756	4,004
2027	53,760	51,680	2,080
2028	26,880	21,653	296
2029	-	-	-
	\$ 134,400	\$ 123,089	\$ 6,380

IV. OTHER INFORMATION

A. Risk Management

The PEDC 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. The PEDC is included in the City’s insurance policy. During the fiscal year, the City obtained general liability coverage at a cost that is economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than acceptable risk levels; however, each category

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of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss.

There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. A copy of TML's Comprehensive Annual Report may be obtained by request at the following address:

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

**IV. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

**1. Health Care Coverage**

The PEDC is included in the city's health care coverage. During the fiscal year, employees of the city were covered by a health insurance plan (the Plan) with United Health Care with Lone Star Insurance service as an agent of record. The city pays for 100% of the employee's insurance cost and 50% of the employee's dependent's insurance cost.

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

**B. Pension Plan**

**1. Plan Description**

The PEDC is included as part of the City's pension plan. The City provides pension benefits for all its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. More details of the City's plan are included in the City's Annual Comprehensive Financial Report

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the

Pharr Economic Development Corporation II, Inc.  
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**NOTES TO FINANCIAL STATEMENTS**  
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contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS's website at [www.TMRS.com](http://www.TMRS.com).

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

	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 (express 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

**C. Land Available for Sale**

During FY 2011-2012, the City and PEDC entered into an agreement to buy land for economic development purposes. During that same year, the City Commission approved to contribute all land that had 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 cost or net realizable value (NRV). The balance of land available for development is recorded as land available for sale in the PEDC general fund.

The summary land transactions are stated 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
<b>Total Land Available For Sale</b>	<b>\$ 3,353,679</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,353,679</b>

**D. Commitments**

PEDC has a consulting services agreement with the Greater Pharr Chamber of Commerce (Chamber). Under this agreement, PEDC has committed to pay the Chamber \$150,000 per year in exchange for services such as supportive ministerial, marketing, professional, and consulting services. The agreement will continue to extend for additional one-year terms until either party terminates the agreement.

**E. Restatement of Beginning Balances**

During the current fiscal year, the PEDC identified an error in the prior year financial statements related to the overstatement of accounts payables. Accordingly, beginning balances have been restated to correct this error. The effect of the restatement on beginning balances is summarized below:

Pharr Economic Development Corporation II, Inc.  
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	9/30/2024 As Previously Reported	Error Correction	9/30/2024 As Restated
<b>Net Position: Government-Wide Statements</b>			
Governmental Activities	\$ (35,527,330)	\$ 1,157,467	\$ (34,369,863)
Total Primary Government	<u>(35,527,330)</u>	<u>1,157,467</u>	<u>(34,369,863)</u>
<b>Fund Balances: Governmental Funds</b>			
Major Funds			
General Fund	\$ 14,668,849	1,157,467	15,826,316
Total Governmental Funds	<u>\$ 14,668,849</u>	<u>\$ 1,157,467</u>	<u>\$ 15,826,316</u>

**F. Subsequent events**

The PEDC has evaluated subsequent events through March 20, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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PHARR ECONOMIC DEVELOPMENT CORPORATION II, INC.  
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		
<b>REVENUES:</b>				
General Sales and Use Taxes	\$ 9,080,725	\$ 9,080,725	\$ 7,742,611	\$ (1,338,114)
Investment Earnings	248,775	248,775	256,087	7,312
Sponsorships	196,859	196,859	196,859	-
Other Revenue	1,235,841	1,235,841	306,814	(929,027)
Total Revenues	<u>10,762,200</u>	<u>10,762,200</u>	<u>8,502,371</u>	<u>(2,259,829)</u>
<b>EXPENDITURES:</b>				
Conservation and Development:				
Economic Development	6,545,205	6,545,205	4,927,499	1,617,706
Debt Service:				
Principal on Debt	1,645,000	1,645,000	1,645,000	-
Interest on Debt	2,411,295	2,411,295	2,411,295	-
Total Expenditures	<u>10,601,500</u>	<u>10,601,500</u>	<u>8,983,794</u>	<u>1,617,706</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>160,700</u>	<u>160,700</u>	<u>(481,423)</u>	<u>(642,123)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	2,000,000	2,000,000	-	(2,000,000)
Transfers Out	(2,160,700)	(2,160,700)	(1,525,000)	635,700
Total Other Financing Sources (Uses)	<u>(160,700)</u>	<u>(160,700)</u>	<u>(1,525,000)</u>	<u>(1,364,300)</u>
Net Change	-	-	(2,006,423)	(2,006,423)
Fund Balance - October 1 (Beginning)	14,668,849	14,668,849	14,668,849	-
Adjustments and Restatements	-	-	1,157,467	1,157,467
Fund Balance - September 30 (Ending)	<u>\$ 14,668,849</u>	<u>\$ 14,668,849</u>	<u>\$ 13,819,893</u>	<u>\$ (848,956)</u>

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## INTERNAL CONTROL AND COMPLIANCE SECTION

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**Raul Hernandez & Company, P.C.**

Certified Public Accountants

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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 Board of Directors  
Pharr Economic Development Corporation

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 and the major fund of Pharr Economic Development Corporation (Pharr EDC) , as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Pharr EDC'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 Pharr EDC'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 Pharr EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pharr EDC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pharr EDC'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*.

## **Pharr EDC's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Pharr EDC's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Pharr EDC'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

PHARR ECONOMIC DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE 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?	No
Significant deficiency(ies) identified that were not considered material weakness?	Yes
Material noncompliance to financial statements noted?	No

PHARR ECONOMIC DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**FINANCIAL STATEMENT FINDINGS**

<b>Reference Number</b>	<b>2025-001 Monthly Account Analysis and Year-End Closing</b>
Criteria:	Controls relative to timely close-out of financial statements at year-end should be in place to provide management with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state and local reporting deadlines.
Condition Found:	A significant amount of time lapsed after year-end, before the financial statements were closed-out. The general ledger required many audit adjustments and reclassifications to both current and prior period adjustments. Preparation of the year-end adjusting journal entries, schedules, recording of receipts, collections and reconciliation of several significant areas were not timely.
Context:	These conditions were noted in performing our standard audit procedures.
Effect:	Management assessments and financial decisions, and internal and external financial reporting may be inaccurate because of inaccurate planning and improperly maintained general ledgers.
Cause:	Timely financial statements were not available during the year and at year-end.
Recommendation:	The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements are prepared and available for management use, as well as for audit purposes.
Repeat Finding from Prior Year(s):	Yes
Views of Responsible Officials:	See management's corrective action plan.

PHARR ECONOMIC DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**FINANCIAL STATEMENT FINDINGS**

<b>Reference Number</b>	<b>2024-001 Monthly Account Analysis and Year-End Closing</b>
Criteria:	Controls relative to timely close-out of financial statements at year-end should be in place to provide management with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state and local reporting deadlines.
Condition Found:	A significant amount of time lapsed after year-end, before the financial statements were closed-out. The general ledger required many audit adjustments and reclassifications to both current and prior period adjustments. Preparation of the year-end adjusting journal entries, schedules, recording of receipts, collections and reconciliation of several significant areas were not timely.
Context:	These conditions were noted in performing our standard audit procedures.
Effect:	Management assessments and financial decisions, and internal and external financial reporting may be inaccurate because of inaccurate planning and improperly maintained general ledgers.
Cause:	Timely financial statements were not available during the year and at year-end.
Recommendation:	The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements are prepared and available for management use, as well as for audit purposes.
Status:	See current year finding 2025-001.

PHARR ECONOMIC DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**Corrective Action for Financial Statement Findings**

Reference Number 2025-001      Monthly Account Analysis and Year-End Closing

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

Name of contact person: Jamison Merrick – Finance Director

Contact: [Jamison.merrick@pharr-tx.gov](mailto:Jamison.merrick@pharr-tx.gov)