

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, and
Members of the Board of Aldermen
City of Primera, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Primera, Texas ("the City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City of Primera, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year, partial comparative information has been derived from the City's 2010 financial statements and, in our report dated March 18, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the remaining fund information of City of Primera, Texas at September 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2012 on our consideration of the City of Primera, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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March 16, 2012

The Honorable Mayor and
Members of the City Commission
City of Primera, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Primera, Texas for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Primera, Texas are described in Note A to the financial statements. The City has adopted GASB 54 during the current year. The Governmental Accounting Standard Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on August 16, 2011, which is effective for fiscal year ending September 30, 2011. This new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 changes how fund balance is reported. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management’s estimate of the allowance for doubtful accounts is based on historical property tax revenues, historical loss levels, and an analysis of the collectability of individual accounts.
- Management’s estimate of useful lives for capital assets, accumulated depreciation and its related depreciation expense.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have attached all of the posted adjustments for your review.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 16, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Aldermen and management of the City of Primera, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

CITY OF PRIMERA
Income Statement
For the Twelve Months Ending September 30, 2011

	Current Month		Year to Date	
Revenues				
CURRENT TAX REV	\$ 461,785.94	91.15	\$ 461,785.94	91.15
TAX- PENALTIES & INTREST	20,645.02	4.07	20,645.02	4.07
CITY/ PERMITS & COPIES	14,137.39	2.79	14,137.39	2.79
INTREST INCOME	8,412.04	1.66	8,412.04	1.66
FRANCHISE FEES	60,929.32	12.03	60,929.32	12.03
SALES TAX REVENUE	53,425.61	10.55	53,425.61	10.55
OTHER INCOME	19,616.64	3.87	19,616.64	3.87
OLD CITY HALL REV	3,300.00	0.65	3,300.00	0.65
2011 Bond Series	1,635,000.00	322.71	1,635,000.00	322.71
RE-INSPECTION FEES	290.00	0.06	290.00	0.06
SUB-DIV PLAT REVIEW FEES	1,200.00	0.24	1,200.00	0.24
TAX-DELINQUENT TAXES	42,396.72	8.37	42,396.72	8.37
TAX. ATTNEY FEES COLL	9,067.87	1.79	9,067.87	1.79
ATTORNEY FEES PD.	(9,067.87)	(1.79)	(9,067.87)	(1.79)
TAX- ADJUSTMENT	(9,233.64)	(1.82)	(9,233.64)	(1.82)
CODE ENFORCEMNT/ANIMAL CON	100.00	0.02	100.00	0.02
POLICE FINES'	51,409.79	10.15	51,409.79	10.15
CREDIT CARD FEES	117.74	0.02	117.74	0.02
OTHER INCOME	5,278.64	1.04	5,278.64	1.04
PD COURT FEES	144.00	0.03	144.00	0.03
PD-CIRCUS	1,725.20	0.34	1,725.20	0.34
BRUSH PICK UP	71,031.56	14.02	71,031.56	14.02
TRASH	170,120.64	33.58	170,120.64	33.58
ANIMAL CONTROL	509.00	0.10	509.00	0.10
FIRE PROTECTION FEE	76,126.54	15.03	76,126.54	15.03
COMMUNITY CENTER	9,316.25	1.84	9,316.25	1.84
STREET MAINT. REPAIR	13,242.28	2.61	13,242.28	2.61
GRANT REVENUE	20,000.00	3.95	20,000.00	3.95
GRANT REVENUE	18,370.25	3.63	18,370.25	3.63
DEBT PENALTY & INTREST	3,588.69	0.71	3,588.69	0.71
DEBT SERV-INTREST INCOME	7.66	0.00	7.66	0.00
DEBT DELINQUENT	8,388.57	1.66	8,388.57	1.66
DEBT CURRENT TX	62,833.25	12.40	62,833.25	12.40
DEBT ADJUSTMENTS	(1,655.93)	(0.33)	(1,655.93)	(0.33)
DEBT ATTNFY FEES COLLECTED	1,722.64	0.34	1,722.64	0.34
DEBT ATTNFY FEES PAID	(1,722.64)	(0.34)	(1,722.64)	(0.34)
PD BANK INTREST	2.06	0.00	2.06	0.00
Municipal Court Fees	1,246.17	0.25	1,246.17	0.25
TECHNOLOGY FEES	1,665.65	0.33	1,665.65	0.33
EL CAMPO DR.CONT#R729510	317,878.47	62.74	317,878.47	62.74
PRIMERA RD DRAINAGE #DR01051	74,316.63	14.67	74,316.63	14.67
Total Revenues	3,217,668.15	635.10	3,217,668.15	635.10
Cost of Sales				
TRASH/BRUSH PICK UP	209,613.84	41.37	209,613.84	41.37
Total Cost of Sales	209,613.84	41.37	209,613.84	41.37
Gross Profit	3,008,054.31	593.72	3,008,054.31	593.72
Expenses				
TAX COMM. PAID	5,359.90	1.06	5,359.90	1.06
Administrative Vehicle	33.80	0.01	33.80	0.01
GEN. OFFICE SUPPLIES	4,073.02	0.80	4,073.02	0.80
ADMIN/COUNCIL EXPENSE	1,222.72	0.24	1,222.72	0.24
CITY CAR FUEL&OTHER EXPENSE	246.58	0.05	246.58	0.05

For Management Purposes Only

CITY OF PRIMERA
Income Statement
For the Twelve Months Ending September 30, 2011

	Current Month		Year to Date	
DELIVERY EXPENSE	985.02	0.19	985.02	0.19
POSTAGE EXPENSE	2,650.00	0.52	2,650.00	0.52
UTILITIES	8,418.03	1.66	8,418.03	1.66
APPRAISAL DIST FEES	4,772.25	0.94	4,772.25	0.94
ELECTION EXPENSES	2,196.84	0.43	2,196.84	0.43
INSPECTOR FEES	12,157.50	2.40	12,157.50	2.40
EQUIPMENT MAINT & REPAIR EXP	166.53	0.03	166.53	0.03
TRAVEL EXPENSE	58.00	0.01	58.00	0.01
DUES & SUBSCRIPTIONS	213.12	0.04	213.12	0.04
FIRE EXTINGUISHERS EXPENSE	391.55	0.08	391.55	0.08
GEN. GOVT. PAYROLL	51,097.97	10.09	51,097.97	10.09
GEN WORKER COMP INS	125.96	0.02	125.96	0.02
GENERAL LIABILITY INS.	2,459.52	0.49	2,459.52	0.49
HEALTH INSUR.	9,378.02	1.85	9,378.02	1.85
PAYROLL TAX EXPENSE	757.02	0.15	757.02	0.15
BONDS PROFESSIONAL FEES	51,529.43	10.17	51,529.43	10.17
LEGAL/ PROFESSIONAL FEES	41,698.31	8.23	41,698.31	8.23
BANK CHARGES	1,020.80	0.20	1,020.80	0.20
COMPUTER SOFTWARE EXPENSE	2,490.92	0.49	2,490.92	0.49
EMPLOYEE APPRECIATION	91.45	0.02	91.45	0.02
GENERAL MISC. EXPENSE	1,014.36	0.20	1,014.36	0.20
TMRS AMERIPLAN	1,229.31	0.24	1,229.31	0.24
GEN. SCHOOL EXPENSE	978.64	0.19	978.64	0.19
REIMBURSED EXPENSES	104.01	0.02	104.01	0.02
DRAINAGE EXPENSE	832.00	0.16	832.00	0.16
Interest Expense	21,771.86	4.30	21,771.86	4.30
PRIMERA ROAD EXPENSE	908,059.14	179.23	908,059.14	179.23
MOBILE SIGN EXPENSE	434.95	0.09	434.95	0.09
NEW CITY HALL EXPENSE	5,943.87	1.17	5,943.87	1.17
PUBLICATIONS EXPENSE	9,813.01	1.94	9,813.01	1.94
GRANT EXPENSE	448.33	0.09	448.33	0.09
emergency supplies	525.25	0.10	525.25	0.10
PRIOR YEAR ADJUSTMENTS EXPE	(19,453.55)	(3.84)	(19,453.55)	(3.84)
SEWER EMPLOYER TAXES	29.08	0.01	29.08	0.01
SEWER EMPLOYER RET.	(334.30)	(0.07)	(334.30)	(0.07)
WATER EMPLOYER TAXES	49.88	0.01	49.88	0.01
WATER RETI- EXPENSE	(816.11)	(0.16)	(816.11)	(0.16)
PD AUTO GAS & OIL	19,664.18	3.88	19,664.18	3.88
UNIT 101- CHEVY TAHOE	204.76	0.04	204.76	0.04
UNIT 103-CROWN VICTORIA	6,354.72	1.25	6,354.72	1.25
UNIT 104-2008 CHARGER	4,499.42	0.89	4,499.42	0.89
PD AUTO RADAR	2,166.64	0.43	2,166.64	0.43
PD AUTO CAR WASH	60.00	0.01	60.00	0.01
AUTTO PURCHASE	31,608.43	6.24	31,608.43	6.24
PD AUDIO VISUAL EQUIPMENT	395.00	0.08	395.00	0.08
PD DELIVERY EXPENSE	173.97	0.03	173.97	0.03
PD EQUIPMENT PARTS/REPAIRS	5.99	0.00	5.99	0.00
PD INVESTIGATION EXPENSE	115.00	0.02	115.00	0.02
EQUIPMENT EXPENSE	150.61	0.03	150.61	0.03
NATIONAL NIGHT OUT	2,577.31	0.51	2,577.31	0.51
PD CITATION BOOKS	289.83	0.06	289.83	0.06
PD EMPLOYEE DRUG TEST	62.00	0.01	62.00	0.01
PD OFFICE SUPPLIES	4,610.08	0.91	4,610.08	0.91
PD POLICE SCHOOL EXPENSE	936.28	0.18	936.28	0.18
PD UNIFORMS & ASSESSORIES	264.50	0.05	264.50	0.05
PD POLICE PAYROLL EXPENSE	161,289.61	31.84	161,289.61	31.84
PD PAYROLL TAX EXPENSE	5,078.72	1.00	5,078.72	1.00
PD EMPLOYEE INS.	25,134.41	4.96	25,134.41	4.96
PD EMPLOYER RET.	3,363.20	0.66	3,363.20	0.66

For Management Purposes Only

CITY OF PRIMERA
Income Statement
For the Twelve Months Ending September 30, 2011

	Current Month		Year to Date	
PD GEN LIABILITY INS.	5,254.44	1.04	5,254.44	1.04
PD WORKER COMP INS	1,328.20	0.26	1,328.20	0.26
PD POSTAGE/MAIL	1,200.00	0.24	1,200.00	0.24
PD-CIRCUS	1,066.00	0.21	1,066.00	0.21
DUES & SUBSCRIPTIONS	324.25	0.06	324.25	0.06
PD COMPUTER & PRINTER	1,872.53	0.37	1,872.53	0.37
PD JAIL FEE	440.00	0.09	440.00	0.09
PD JUDGE FEES	20,218.76	3.99	20,218.76	3.99
JURY DUTY	102.00	0.02	102.00	0.02
PD STATE FEES	8,837.32	1.74	8,837.32	1.74
PD UTILITIES COST	14,249.69	2.81	14,249.69	2.81
PD COMP WAGES EXPENSE	5,136.00	1.01	5,136.00	1.01
PD OTHER	139.96	0.03	139.96	0.03
POLICE SICK PAY	100.00	0.02	100.00	0.02
FORFETUREEQUIPMENT EXPENSE	662.88	0.13	662.88	0.13
PW PARKS & RECREATION	333.34	0.07	333.34	0.07
PW RECREATION FEES	25,000.08	4.93	25,000.08	4.93
PW TRASH	4,029.40	0.80	4,029.40	0.80
PW COMM. UTILITIES EXPENSE	5,735.39	1.13	5,735.39	1.13
PW WATER EXPENSE	180.84	0.04	180.84	0.04
PW COMM.CENTER/PARK EXPENS	3,710.51	0.73	3,710.51	0.73
PW CLEANING SUPPLIES	32.36	0.01	32.36	0.01
PW SECURITY EXPENSE	1,560.00	0.31	1,560.00	0.31
PW ANIMAL CONTROL EXPENSE	1,804.48	0.36	1,804.48	0.36
PW FIRE CONTRACT	108,866.91	21.49	108,866.91	21.49
PW AMBULANCE CONTRACT	8,978.00	1.77	8,978.00	1.77
PW GEN LIABILITY INS	904.44	0.18	904.44	0.18
PW PAYROLL TAX EXPENSE	1,952.78	0.39	1,952.78	0.39
PW EMPLOYEE INSURANCE	17,782.02	3.51	17,782.02	3.51
PW WORKER COMP INS	5,056.00	1.00	5,056.00	1.00
PW EMPLOYER RET.	1,974.12	0.39	1,974.12	0.39
PW DELIVERY EXPENSE	40.00	0.01	40.00	0.01
PW ST MANT CALICHE & BLACK T	10,478.25	2.07	10,478.25	2.07
PW FUEL/OIL/ ICE	3,519.21	0.69	3,519.21	0.69
PW AUTO REPAIRS	34.99	0.01	34.99	0.01
UNIT 1-2000 P/U RANGER	808.13	0.16	808.13	0.16
UNIT#19 2004 F150	749.25	0.15	749.25	0.15
1989-CHEVY DUMP TRUCK	44.47	0.01	44.47	0.01
PW SIGNS AND POSTS	1,921.95	0.38	1,921.95	0.38
PW EQUIPMENT PARTS & REPAIR	122.37	0.02	122.37	0.02
PW LICENSE RENEWAL	24.00	0.00	24.00	0.00
PW SCHOOL/TRAINING EXPENSE	919.16	0.18	919.16	0.18
PW UNIFORMS	1,031.96	0.20	1,031.96	0.20
PW BUILDING SUPPLIES	1,256.93	0.25	1,256.93	0.25
PW-CHEMICALS	284.20	0.06	284.20	0.06
MOSQUITO SPRAY	3,854.00	0.76	3,854.00	0.76
WEED EATERS EXPENSE	217.14	0.04	217.14	0.04
SHREDDER	825.32	0.16	825.32	0.16
STREET LIGHTING	17,620.56	3.48	17,620.56	3.48
PW GEN & MISC EXPENSE	224.15	0.04	224.15	0.04
PW PRE-EMPLOYMENT PHYSICAL	110.00	0.02	110.00	0.02
PW PHONE EXPENSE	976.97	0.19	976.97	0.19
PW SHOP SUPPLIES	974.43	0.19	974.43	0.19
PW TIRES	117.00	0.02	117.00	0.02
UNIT 6- 1994-STREET SWEEPER	3,696.85	0.73	3,696.85	0.73
UNIT 9- RED RIDING LAWNMOWER	353.26	0.07	353.26	0.07
UNIT-5 - JOHN DEER TRACTOR	1,663.75	0.33	1,663.75	0.33
PW OFFICE/SHOP SUPPLIES	110.18	0.02	110.18	0.02
PW WAGES EXPENSE	82,159.03	16.22	82,159.03	16.22

For Management Purposes Only

CITY OF PRIMERA
Income Statement
For the Twelve Months Ending September 30, 2011

	Current Month		Year to Date	
PW COMP WAGES	294.79	0.06	294.79	0.06
PUBLIC WORKS VACATION	242.02	0.05	242.02	0.05
PUBLIC WORKS SICK PAY	(242.02)	(0.05)	(242.02)	(0.05)
HURRICANE PREPAREDNESS EXPE	2,164.62	0.43	2,164.62	0.43
PW CITY TRANSIT	3,742.00	0.74	3,742.00	0.74
DPWM PAYMENT ASSIT	20,000.00	3.95	20,000.00	3.95
SECO GRANTEXP	18,370.25	3.63	18,370.25	3.63
DEBT COMM PAID	761.50	0.15	761.50	0.15
NEW CITY CAR(KIA)	2,779.58	0.55	2,779.58	0.55
NEW CAR INTREST EXPENSE	713.74	0.14	713.74	0.14
DEBT BANK PAYMENT	300.00	0.06	300.00	0.06
PRINCIPAL - BONDS 05	30,000.00	5.92	30,000.00	5.92
DEBT BONDS 05 INTREST	37,800.00	7.46	37,800.00	7.46
JOHN DEER TRACTOR LEASE	7,209.92	1.42	7,209.92	1.42
john deer lease intrest	1,505.46	0.30	1,505.46	0.30
TECHNOLOGY EXPENSE	1,163.98	0.23	1,163.98	0.23
EL CAMPO DR.CONT#R729510	294,819.47	58.19	294,819.47	58.19
EL CAMPO ENG EXPENSE	11,559.40	2.28	11,559.40	2.28
EL CAMPO GEN ADMINST EXP	11,500.00	2.27	11,500.00	2.27
Administrative Fees	167.12	0.03	167.12	0.03
PRIMERA RD DRAINAGE #DR01051	76,560.00	15.11	76,560.00	15.11
Total Expenses	2,307,610.69	455.47	2,307,610.69	455.47
Net Income	\$ 700,443.62	138.25	\$ 700,443.62	138.25

CITY OF PRIMERA
Income Statement
For the Eleven Months Ending August 31, 2010

	Current Month			Year to Date		
Revenues						
CURRENT TAX REV	\$	1,721.83	399.46	\$	440,109.58	398.07
TAX- PENALTIES & INTREST		755.70	175.32		18,357.65	16.60
CITY/ PERMITS & COPIES		760.00	176.32		12,915.30	11.68
INTREST INCOME		529.77	122.91		6,483.73	5.86
FRANCHISE FEES		6,071.75	1,408.63		55,684.53	50.37
SALES TAX REVENUE		5,765.66	1,337.62		53,528.83	48.42
OTHER INCOME		113.80	26.40		12,587.54	11.39
OLD CITY HALL REV		300.00	69.60		1,500.00	1.36
LESS REFUNDS & DISCOUNTS		0.00	0.00		21.89	0.02
RE-INSPECTION FEES		100.00	23.20		350.00	0.32
TAX-DELINQUENT TAXES		825.33	191.47		27,046.39	24.46
TAX- DISCOUNT DEDUCTED		0.00	0.00		(15.13)	(0.01)
TAX. ATTNEY FEES COLL		495.44	114.94		6,596.67	5.97
ATTORNEY FEES PD.		(495.44)	(114.94)		(6,596.67)	(5.97)
TAX- ADJUSTMENT		(987.22)	(229.03)		(11,488.60)	(10.39)
POLICE FINES'		4,272.42	991.19		36,995.59	33.46
CREDIT CARD FEES		53.62	12.44		232.22	0.21
OTHER INCOME		36.00	8.35		1,319.76	1.19
FORFITURE FUND REVENUES		0.00	0.00		8,708.00	7.88
BRUSH PICK UP		4,526.15	1,050.05		53,240.63	48.16
TRASH		11,727.53	2,720.75		136,237.41	123.22
ANIMAL CONTROL		131.00	30.39		932.00	0.84
FIRE PROTECTION FEE		5,550.52	1,287.70		64,444.52	58.29
COMMUNITY CENTER		87.50	20.30		12,075.00	10.92
LOT CLEANING		0.00	0.00		218.00	0.20
STREET MAINT. REPAIR		1,439.74	334.02		13,371.84	12.09
GRANT PAYMENTS		0.00	0.00		977.95	0.88
DEBT PENALTY & INTREST		82.33	19.10		3,506.39	3.17
DEBT SERV-INTREST INCOME		0.00	0.00		4.68	0.00
DEBT DELINQUENT		116.56	27.04		6,796.10	6.15
DEBT CURRENT TX		232.00	53.82		79,904.30	72.27
DEBT ADJUSTMENTS		0.00	0.00		(2,050.41)	(1.85)
DEBT TAX DISCOUNTS		0.00	0.00		(8.23)	(0.01)
DEBT ATTNY FEES COLLECTED		64.64	15.00		1,398.92	1.27
DEBT ATTNY FEES PAID		(64.64)	(15.00)		(1,398.50)	(1.26)
PD BANK INTREST		0.15	0.03		1.68	0.00
TECHNOLOGY FEES		0.00	0.00		1,189.35	1.08
MUNICIPAL COURTS FEE		0.00	0.00		936.60	0.85
EL CAMPO DR.CONT#R729510		0.00	0.00		20,280.00	18.34
Total Revenues		44,212.14	10,257.09		1,056,395.51	955.49
Cost of Sales						
TRASH/BRUSH PICK UP		14,710.08	3,412.69		173,832.68	157.23
Total Cost of Sales		14,710.08	3,412.69		173,832.68	157.23
Gross Profit		29,502.06	6,844.39		882,562.83	798.26
Expenses						
TAX COMM. PAID		23.15	5.37		4,726.55	4.28
LATE FEES EXPENSE		0.00	0.00		145.34	0.13
GEN. OFFICE SUPPLIES		(42.55)	(9.87)		1,886.55	1.71
ADMIN/COUNCIL EXPENSE		0.00	0.00		50.88	0.05
COUNCIL EXPENSES		213.75	49.59		1,577.56	1.43
DELIVERY EXPENSE		0.00	0.00		13.40	0.01
LAND ACQUISITON		0.00	0.00		975.80	0.88

For Management Purposes Only

CITY OF PRIMERA
Income Statement
For the Eleven Months Ending August 31, 2010

	Current Month		Year to Date	
POSTAGE EXPENSE	215.00	49.88	1,231.24	1.11
UTILITIES	432.95	100.44	7,703.26	6.97
APPRAISAL DIST FEES	0.00	0.00	4,893.00	4.43
ELECTION EXPENSES	0.00	0.00	3,272.37	2.96
INSPECTOR FEES	2,000.00	463.99	11,934.13	10.79
EQUIPMENT PARTS & REPAIR	0.00	0.00	585.02	0.53
TRAVEL EXPENSE	0.00	0.00	1,600.00	1.45
DUES & SUBSCRIPTIONS	100.00	23.20	250.00	0.23
FIRE EXTINGUISHERS EXPENSE	0.00	0.00	75.95	0.07
EMPLOYEE VACATION	0.00	0.00	208.00	0.19
GEN. GOVT. PAYROLL	3,193.29	740.83	40,998.25	37.08
GEN WORKER COMP INS	0.00	0.00	94.47	0.09
GENERAL LIABILITY INS.	0.00	0.00	8,384.98	7.58
HEALTH INSUR.	1,269.23	294.46	4,638.88	4.20
PAYROLL TAX EXPENSE	70.49	16.35	1,982.52	1.79
BONDS PROFESSIONAL FEES	0.00	0.00	300.00	0.27
LEGAL/ PROFESSIONAL FEES	300.00	69.60	18,520.00	16.75
BANK CHARGES	0.00	0.00	852.85	0.77
COMPUTER SOFTWARE EXPENSE	0.00	0.00	275.00	0.25
GENERAL MISC. EXPENSE	0.00	0.00	820.25	0.74
TMRS AMERIPLAN	94.20	21.85	1,163.82	1.05
GEN. SCHOOL EXPENSE	0.00	0.00	147.12	0.13
REIMBURSED EXPENSES	43.33	10.05	1,627.49	1.47
PRIMERA ROAD EXPENSE	0.00	0.00	201.20	0.18
NEW CITY HALL EXPENSE	92.72	21.51	1,340.39	1.21
OLD CITY HALL EXPENSE	0.00	0.00	1,190.86	1.08
PUBLICATIONS EXPENSE	0.00	0.00	1,053.56	0.95
CITY CELEBRATION	0.00	0.00	442.91	0.40
PRIOR YEAR ADJUSTMENTS EXPE	0.00	0.00	(1,589.17)	(1.44)
SEWER EMPLOYER TAXES	56.40	13.08	272.87	0.25
WATER HEALTH INS	1,061.58	246.28	1,279.98	1.16
SEWER HEALTH INS	338.66	78.57	418.76	0.38
WATER DEPT. WAGES	55.18	12.80	8,099.58	7.33
SEWER EMPLOYER RET.	1.63	0.38	17.93	0.02
SEWER DEPT PAYROLL	(1,927.00)	(447.06)	(886.41)	(0.80)
SEWER UNIFORMS	49.14	11.40	49.14	0.04
OTHER EXPENSE	0.00	0.00	(280.94)	(0.25)
WATER EMPLOYER TAXES	57.00	13.22	686.50	0.62
WATER RETI- EXPENSE	1.58	0.37	(35.94)	(0.03)
WATER UNIFORMS EXPENSE	21.56	5.00	75.73	0.07
PD AUTO GAS & OIL	1,145.65	265.79	13,395.30	12.12
TOWING EXPENSE	0.00	0.00	95.00	0.09
UNIT 3-2004TRUCK	82.55	19.15	2,008.34	1.82
UNIT 103-CROWN VICTORIA	0.00	0.00	4,186.32	3.79
UNIT 104-2008 CHARGER	271.47	62.98	4,004.53	3.62
PD AUTO RADAR	0.00	0.00	60.00	0.05
PD AUTO CAR WASH	0.00	0.00	52.50	0.05
AUTTO PURCHASE	0.00	0.00	97.20	0.09
PD AUDIO VISUAL EQUIPMENT	174.95	40.59	174.95	0.16
PD EQUIPMENT PARTS/REPAIRS	0.00	0.00	67.00	0.06
PD INVESTIGATION EXPENSE	0.00	0.00	1,862.25	1.68
EQUIPMENT EXPENSE	449.19	104.21	1,985.71	1.80
NATIONAL NIGHT OUT	0.00	0.00	1,750.99	1.58
PD CITATION BOOKS	0.00	0.00	274.00	0.25
PD EMPLOYEE DRUG TEST	0.00	0.00	96.00	0.09
PD OFFICE SUPPLIES	65.96	15.30	2,503.11	2.26
PD PORTABLE RADIOS	0.00	0.00	3,800.00	3.44
PD POLICE SCHOOL EXPENSE	0.00	0.00	610.00	0.55
PD QUALIFIED AMMUNITION	0.00	0.00	288.64	0.26

For Management Purposes Only

PRIMERA WATERWORKS
Statement of Cash Flow
For the twelve Months Ended September 30, 2011

	Current Month	Year to Date
Cash Flows from operating activities		
Net Income	\$ (148,027.49)	\$ (148,027.49)
Adjustments to reconcile net income to net cash provided by operating activities		
LESS ACCUM. DEPRECIATION	275,752.00	275,752.00
RETURNED CHECKS	(822.19)	(822.19)
ACCOUNT RECEIVABLE	(3,150.00)	(3,150.00)
DUE FROM CPLP FUND	(512.30)	(512.30)
DUE FROM GENERAL -RETAINAGE	(1,101.52)	(1,101.52)
Due From TXCDBG 727389	25,424.10	25,424.10
GRANT RECEIVABLE-CWTAP	3,028.13	3,028.13
GRANT RECEIVABLE 727-389	34,484.10	34,484.10
GRANT RECEIVABLE 22800	1,318.14	1,318.14
CPLP 10250-AR111	8,373.99	8,373.99
ACCRUED PAYROLL	(4,757.92)	(4,757.92)
ACCOUNTS PAYABLE	18,113.80	18,113.80
CUSTOMER DEPOSITS	4,164.91	4,164.91
DUE GEN-GARBAGE/TAXES	18,256.19	18,256.19
Due to General Fund	1,200.00	1,200.00
DUE TO GEN FUND-FIRE PRO	6,285.73	6,285.73
INTEREST PAYABLE	(5,479.76)	(5,479.76)
SEWER ACCT PAYABLES	(8,864.07)	(8,864.07)
ACCOUNT PAYABLE- CWTAP	(3,028.13)	(3,028.13)
ACCTS PAYABLE 727-389	(9,060.00)	(9,060.00)
DUE TO WATER -727-289	(25,424.10)	(25,424.10)
GRANT PAYABLE 22800	(1,318.14)	(1,318.14)
Due Water Fund	512.30	512.30
Total Adjustments	333,395.26	333,395.26
Net Cash provided by Operations	185,367.77	185,367.77
Cash Flows from investing activities		
Used For		
WATER & SEWER FACILITES	(69,280.00)	(69,280.00)
Net cash used in investing	(69,280.00)	(69,280.00)
Cash Flows from financing activities		
Proceeds From		
2011 BONDS SERIES	730,000.00	730,000.00
2001 BONDS SERIES	707,000.00	707,000.00
due to gen. fundbonds 2011	363,113.47	363,113.47
FUND BALANCE	12.83	12.83
Retained Earnings	383.55	383.55
Used For		
ESTIM. LIABILITY COMPNT ABSENC	(487.00)	(487.00)
N/P- FHA	(12,000.00)	(12,000.00)
2011 BONDS SERIES	(365,000.00)	(365,000.00)
2001 BONDS SERIES	(1,085,000.00)	(1,085,000.00)
due to gen. fundbonds 2011	(363,113.47)	(363,113.47)
Net cash used in financing	(25,090.62)	(25,090.62)
Net increase <decrease> in cash	\$ 90,997.15	\$ 90,997.15

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PRIMERA WATERWORKS
Statement of Cash Flow
For the twelve Months Ended September 30, 2011

	<u>Current Month</u>	<u>Year to Date</u>
Summary		
Cash Balance at End of Period	\$ 1,300,163.26	\$ 1,300,163.26
Cash Balance at Beg of Period	<u>(1,272,603.27)</u>	<u>(1,209,531.17)</u>
Net Increase <Decrease> in Cash	<u>\$ 27,559.99</u>	<u>\$ 90,632.09</u>

The Management's Discussion and Analysis section on pages 13 through 18, the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual and information on the Texas Municipal Retirement System on pages 57 through 59 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of Primera, Texas' basic financial statements. The other supplementary information section and the combining and individual nonmajor fund financial statements, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 16, 2012

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MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Primera, 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 Primera for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Governmental assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,011,762 (net assets). Of this amount, \$1,144,582 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$10,991,307 (net assets). Of this amount, \$610,611 (unrestricted net assets) may be used to meet the water and sewer systems ongoing obligations to citizens and creditors.
- The assets of the City's component unit exceeded its liabilities at the close of the most recent fiscal year by \$204,521 (net assets). Of this amount, \$204,521 (unrestricted net assets) may be used to meet the City's economic and administrative services to the community.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,999,846. 51 percent of this total amount, \$1,003,392, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,004,589, or 84 percent of total general fund expenditures.
- The City's total net debt increased by \$1,571,516(109 percent) during the current fiscal year, which represents the current year principal and other liabilities payments and the issuance of \$1,635,000 in revenue bonds.

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 in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare and culture and recreation. The business-type activities of the City include the Water and Sewer System.

The government-wide financial statements include not only the City of Primera itself (known as the primary government), but also a legally separate Community Development Corporation for which the City of Primera is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 two major and seven nonmajor governmental funds. Information for the major funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the TX CDBG Grant 729510 fund. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The Governmental Accounting Standard Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009, which is effective for the fiscal year ending September 30, 2011. This new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 will change how fund balance is reported. The hierarchy of five possible classifications is as follows.

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.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. **Restricted:** fund balances that are constrained by external parties, constitutional provisions or enabling legislation; **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (the city aldermen/alderwomen); **Assigned:** fund balances that contained self-imposed constraints of the government to be used for a particular purpose (the city manager has the authority to assign funds for specific purposes); and **Unassigned:** fund balance of the general fund that has not been constrained for any particular purpose.

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. 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 the water and sewer services. There are no internal service funds being used by the City at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's revenues and expenditures budget to actual comparison for its general fund and information concerning the City's progress in funding its obligations to provide pension benefits to its employees.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,003,068 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g., land buildings, vehicles, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's condensed Statement of Net Assets is presented for comparison in the table below.

City of Primera's Net Assets

	Governmental Activities		Business-type Activities		Total		Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and other assets	\$2,312,285	\$1,476,526	\$ 1,363,333	\$ 1,327,222	\$3,675,618	\$2,803,748	\$204,521	\$173,935
Capital assets	<u>3,246,363</u>	<u>1,988,668</u>	<u>10,254,016</u>	<u>10,460,488</u>	<u>13,500,379</u>	<u>12,449,156</u>	-	-
Total assets	<u>\$5,558,648</u>	<u>\$3,465,194</u>	<u>\$11,617,349</u>	<u>\$11,787,710</u>	<u>\$17,175,997</u>	<u>\$15,252,904</u>	<u>\$204,521</u>	<u>\$173,935</u>
Long-term liabilities	\$2,386,190	\$ 789,187	\$ 520,616	\$ 546,103	\$ 2,906,806	\$ 1,335,290	\$ -	\$ -
Other liabilities	<u>160,696</u>	<u>82,407</u>	<u>105,426</u>	<u>102,250</u>	<u>266,122</u>	<u>184,657</u>	-	-
Total liabilities	<u>2,546,886</u>	<u>871,594</u>	<u>626,042</u>	<u>648,353</u>	<u>3,172,928</u>	<u>1,519,947</u>	-	-
Net assets								
Invested in capital assets							-	-
net of related debt	870,725	1,208,040	9,789,016	9,970,488	10,659,741	11,178,528	-	-
Restricted	996,554	304,362	591,680	491,680	1,588,134	796,042	-	-
Unrestricted	<u>1,144,582</u>	<u>1,081,198</u>	<u>610,611</u>	<u>677,189</u>	<u>1,755,193</u>	<u>1,758,387</u>	<u>204,521</u>	<u>173,935</u>
Total net assets	<u>3,011,762</u>	<u>2,593,600</u>	<u>10,991,307</u>	<u>11,139,357</u>	<u>14,003,069</u>	<u>13,732,957</u>	<u>204,521</u>	<u>173,935</u>
Total net assets and liabilities	<u>\$5,558,648</u>	<u>\$3,465,194</u>	<u>\$11,617,349</u>	<u>\$11,787,710</u>	<u>\$17,175,997</u>	<u>\$15,252,904</u>	<u>\$204,521</u>	<u>\$173,935</u>

The balance of unrestricted net assets for the primary government (\$1,755,193 or 13 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities, business-type activities and component unit activities.

Governmental Activities

Governmental activities increased the City's net assets by \$418,161, thereby accounting for all of the total increase in the net assets of the City of Primera.

The City's condensed Changes in Net Assets are presented in the table below.

City of Primera's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues.								
Program revenues:								
Charges for services	\$ 405,876	\$ 360,474	\$ 852,373	\$ 803,533	\$ 1,258,249	\$ 1,164,007	\$ -	\$ -
Operating grants and Contributions	20,000	-	-	-	20,000	-	-	-
Capital grants and Contributions	413,145	71,850	-	-	413,145	71,850	-	-
General revenues								
Property tax	611,371	601,777	-	-	611,371	601,777	-	-
Sales tax	66,668	72,653	-	-	66,668	72,653	36,980	43,215
Franchise taxes	60,929	60,490	-	-	60,929	60,490	-	-
Other	<u>28,177</u>	<u>34,283</u>	<u>20,690</u>	<u>30,841</u>	<u>48,867</u>	<u>65,124</u>	<u>1,056</u>	<u>1,035</u>
Total revenues	<u>1,606,166</u>	<u>1,201,527</u>	<u>873,063</u>	<u>834,374</u>	<u>2,479,229</u>	<u>2,035,901</u>	<u>38,036</u>	<u>44,250</u>

City of Primera's Changes in Net Assets - Continued

	Governmental Activities		Business-type Activities		Total		Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses								
General government	\$ 388,298	\$ 317,263	\$ -	\$ -	\$ 388,298	\$ 317,263	\$ 7,450	\$ 7,275
Public safety	333,456	304,929	-	-	333,456	304,929	-	-
Public works	274,648	269,095	-	-	274,648	269,095	-	-
Health and welfare	108,867	88,796	-	-	108,867	88,796	-	-
Culture and recreation	20,059	20,503	-	-	20,059	20,503	-	-
Interest on long-term debt	62,676	43,786	32,643	29,546	95,319	73,332	-	-
Water and Sewer System	-	-	988,470	918,521	988,470	918,521	-	-
Total expenses	<u>1,188,004</u>	<u>1,044,372</u>	<u>1,021,113</u>	<u>948,067</u>	<u>2,209,117</u>	<u>1,992,439</u>	<u>7,450</u>	<u>7,275</u>
Increase/(decrease) in net assets	418,162	157,155	(148,050)	(113,693)	270,112	43,462	30,586	36,975
Net assets - beginning	<u>2,593,600</u>	<u>2,436,445</u>	<u>11,139,357</u>	<u>11,253,050</u>	<u>13,732,957</u>	<u>13,689,495</u>	<u>173,935</u>	<u>136,960</u>
Net assets - ending	<u>\$3,011,762</u>	<u>\$2,593,600</u>	<u>\$10,991,307</u>	<u>\$11,139,357</u>	<u>\$14,003,069</u>	<u>\$13,732,957</u>	<u>\$204,521</u>	<u>\$173,935</u>

Business-Type Activities

Business-type activities decreased the City's net assets by a net loss of \$148,050 for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Primera's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$13,500,379 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and vehicles machinery and equipment. The total net increase in the City's investments in capital assets for the current fiscal year was \$1,051,223, which represents the current year depreciation and purchases of capital assets.

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

	Governmental Activities	Business-type Activities	Total	Component Unit
Capital assets, not being depreciated:				
Land and water rights	\$ 23,581	\$ 29,932	\$ 53,513	\$ -
Construction in progress	<u>1,239,845</u>	<u>-</u>	<u>1,239,845</u>	<u>-</u>
	1,263,426	29,932	1,293,358	-
Capital assets, being depreciated:				
Buildings	818,101	103,930	922,031	-
Vehicles	177,324	30,265	207,589	-
Machinery and equipment	144,203	167,107	311,310	-
Infrastructure	<u>2,241,524</u>	<u>12,317,764</u>	<u>14,559,288</u>	<u>-</u>
	3,381,152	12,619,066	16,000,218	-
Less accumulated depreciation for:				
Buildings	(390,971)	(29,517)	(420,488)	-
Vehicles	(113,556)	(30,265)	(143,821)	-
Machinery equipment	(99,398)	(107,655)	(207,053)	-
Infrastructure	<u>(794,290)</u>	<u>(2,227,545)</u>	<u>(3,021,835)</u>	<u>-</u>
Total accumulated depreciation	<u>(1,398,215)</u>	<u>(2,394,982)</u>	<u>(3,793,197)</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>1,982,937</u>	<u>10,224,084</u>	<u>12,207,021</u>	<u>-</u>
Capital assets, net	<u>\$3,246,363</u>	<u>\$10,254,016</u>	<u>\$13,500,379</u>	<u>\$ -</u>

Long-Term Debt

At year end, the City had debt issues outstanding. These issues include \$2,805,000 of revenue bonds and certificates of obligation.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds and certificates of obligation	\$2,340,000	\$735,000	\$465,000	\$490,000	\$2,805,000	\$1,225,000
Capital leases	35,638	45,628	-	-	35,638	45,628
Notes payable	-	-	51,230	51,230	51,230	51,230
	<u>\$2,375,638</u>	<u>\$780,628</u>	<u>\$516,230</u>	<u>\$541,230</u>	<u>\$2,891,868</u>	<u>\$1,321,858</u>

The City's total long-term debt increased by \$1,570,010 during the current fiscal year with the issuance of \$2,000,000 in new debt and with \$429,990 of principal paid on existing debt obligations.

General Fund Budgetary Highlights

During the year there was a \$374,849 difference between the final budget and the actual results. Following are the main components of the difference:

- \$338,668 of additional expenditures over what was budgeted for the Primera Road project.
- \$19,946 of unbudgeted interest expenditures.
- \$12,315 of additional expenditures related to the fire contract.

The additional expenditures were covered by other functions being under budget and through bond proceeds.

Economic Factors and Next Year's Budgets and Rates

During the budget process for fiscal year 2011-2012 the Mayor, City Aldermen and staff considered various economic factors that are drivers and/or indicators of economic growth. As a result of the budget workshops, the tax rate increased to 0.713044/\$100 of valuation. Within the governmental funds, modest growth is projected with planned annexations prior to the end of the fiscal year with certified tax rolls expected to increase by 6% with the proposed annexations. Although there is a housing slump, city officials are attempting to spur housing development through grant funds in the amount of \$732,000.00 received from the Texas Department of Housing and Community Affairs for housing rehabilitation and 1st time homebuyer assistance. In the economic development arena, the city has partnered with a local developer and the state of Texas to develop an industrial park. In cooperation with the TxDOT and Cameron County, the city has fully funded the Primera Road Expansion Project and construction is expected to start in mid February 2012. It is anticipated that this roadway improvement will foster additional economic growth in the city. The city will continue its efforts to get grant funding for park expansion. Elected officials and city staff will continue to diligently review all expense items and revenue sources to optimize revenues and better control and decrease expenditures.

Within the business-type activities the water portion of the enterprise fund remains profitable, but the sewer fund is still losing money. In an effort to make the sewer fund profitable, the Board of Aldermen previously authorized tariff increases to cover depreciation expenses. Due to the lack of state and federal grants for proposed expansion and improvements to the city's water/sewer system, previous capital improvement projects are on hold. City staff and its consultants will be updating the city's capital improvement plan to try and identify possible funding sources for these pending projects.

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 Office of the City Administrator, 22893 Stuart Place Road, Primera, Texas-78552.

BASIC FINANCIAL STATEMENTS

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City of Primera, Texas
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			
	Governmental Activities	Business - type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 806,482	\$ 462,109	\$ 1,268,591	\$ 204,521
Cash and cash equivalents - restricted	621,772	591,680	1,213,452	-
Investments	310,326	247,272	557,598	-
Investments - restricted	314,675	-	314,675	-
Receivables, net				
Property Taxes	105,834	-	105,834	-
Grants receivable	38,370	-	38,370	-
Services receivable	25,841	76,737	102,578	-
Other receivables	-	13,853	13,853	-
Internal balances	28,318	(28,318)	-	-
Bond issue costs	60,665	-	60,665	-
Capital assets, net				
Non-depreciable assets	1,263,426	29,932	1,293,358	-
Depreciable assets	1,982,937	10,224,084	12,207,021	-
TOTAL ASSETS	\$ 5,558,646	\$ 11,617,349	\$17,175,995	\$ 204,521
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 148,400	\$ 28,358	\$ 176,758	\$ -
Accrued interest payable	12,075	6,088	18,163	-
Payable from restricted assets	-	70,980	70,980	-
Customer deposits	220	-	220	-
Non-current liabilities				
Due within one year	45,492	50,500	95,992	-
Due in more than one year	2,340,698	470,116	2,810,814	-
Total liabilities	2,546,885	626,042	3,172,927	-
Net assets				
Invested in capital assets, net of related debt	870,725	9,789,016	10,659,741	-
Restricted	996,454	591,680	1,588,134	-
Unrestricted	1,144,582	610,611	1,755,193	204,521
Total net assets	3,011,761	10,991,307	14,003,068	204,521
TOTAL LIABILITIES AND NET ASSETS	\$ 5,558,646	\$ 11,617,349	\$17,175,995	\$ 204,521

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

City of Primera, Texas
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2011

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<u>Functions/Programs</u>				
Governmental activities:				
General government	\$ 388,299	\$ 258,590	\$ -	\$ -
Public safety	333,456	136,380	-	-
Public works	274,648	-	20,000	413,145
Health and welfare	108,867	1,590	-	-
Culture and recreation	20,059	9,316	-	-
Interest on long term debt	62,676	-	-	-
Total governmental activities	<u>1,188,005</u>	<u>405,876</u>	<u>20,000</u>	<u>413,145</u>
Business - type activities:				
Water and sewer services	988,470	852,373	-	-
Interest on long-term debt	<u>32,643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,021,113</u>	<u>852,373</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,209,118</u>	<u>\$ 1,258,249</u>	<u>\$ 20,000</u>	<u>\$ 413,145</u>
Component Unit				
Economic development services	<u>\$ 7,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes
Property taxes, levied for debt service purposes
Sales taxes
Franchise taxes

Miscellaneous

Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business - type Activities	Total	Component Unit
\$ (129,709)	\$ -	\$ (129,709)	\$ -
(197,076)	-	(197,076)	-
158,497	-	158,497	-
(107,277)	-	(107,277)	-
(10,743)	-	(10,743)	-
(62,676)	-	(62,676)	-
(348,984)	-	(348,984)	-
-	(136,097)	(136,097)	-
-	(32,643)	(32,643)	-
-	(168,740)	(168,740)	-
(348,984)	(168,740)	(517,724)	-
			(7,450)
536,148	-	536,148	-
75,223	-	75,223	-
66,668	-	66,668	36,980
60,929	-	60,929	-
19,734	12,087	31,821	-
8,443	8,603	17,046	1,056
767,145	20,690	787,835	38,036
418,161	(148,050)	270,111	30,586
2,593,600	11,139,357	13,732,957	173,935
\$ 3,011,761	\$ 10,991,307	\$14,003,068	\$ 204,521

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City of Primera, Texas
STATEMENT OF NET ASSETS
September 30, 2010

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
Cash and cash equivalents	\$ 113,505	\$ 403,860	\$ 517,365	\$ 173,935
Cash and cash equivalents - restricted	568,233	491,680	1,059,913	-
Investments	309,136	314,121	623,257	-
Investments - restricted	313,105	-	313,105	-
Receivables, net				
Property Taxes	118,778	-	118,778	-
Grants receivable	38,830	-	38,830	-
Services receivable	26,897	73,587	100,484	-
Other receivables	-	22,227	22,227	-
Internal balances	(21,747)	21,747	-	-
Bond issue costs	9,789	-	9,789	-
Capital assets, net				
Non-depreciable assets	355,367	-	355,367	-
Depreciable assets	<u>1,633,301</u>	<u>10,460,488</u>	<u>12,093,789</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,465,194</u>	<u>\$ 11,787,710</u>	<u>\$15,252,904</u>	<u>\$ 173,935</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 67,274	\$ 26,943	\$ 94,217	\$ -
Accrued interest payable	14,933	5,417	20,350	-
Payable from restricted assets	-	69,890	69,890	-
Customer deposits	200	-	200	-
Non-current liabilities				
Due within one year	44,990	37,500	82,490	-
Due in more than one year	<u>744,197</u>	<u>508,603</u>	<u>1,252,800</u>	<u>-</u>
Total liabilities	871,594	648,353	1,519,947	-
Net assets				
Invested in capital assets, net of related debt	1,208,040	9,970,488	11,178,528	-
Restricted	304,362	491,680	796,042	-
Unrestricted	<u>1,081,198</u>	<u>677,189</u>	<u>1,758,387</u>	<u>173,935</u>
Total net assets	<u>2,593,600</u>	<u>11,139,357</u>	<u>13,732,957</u>	<u>173,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,465,194</u>	<u>\$ 11,787,710</u>	<u>\$15,252,904</u>	<u>\$ 173,935</u>

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

City of Primera, Texas
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 317,263	\$ 220,125	\$ -	\$ -
Public safety	304,929	127,350	-	-
Public works	269,095	-	-	71,850
Health and welfare	88,796	350	-	-
Culture and recreation	20,503	12,649	-	-
Interest on long term debt	43,786	-	-	-
Total governmental activities	<u>1,044,372</u>	<u>360,474</u>	<u>-</u>	<u>71,850</u>
Business - type activities:				
Water and sewer services	918,521	803,533	-	-
Interest on long-term debt	29,546	-	-	-
Total business-type activities	<u>948,067</u>	<u>803,533</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,992,439</u>	<u>\$ 1,164,007</u>	<u>\$ -</u>	<u>\$ 71,850</u>
Component Unit				
Economic development services	<u>\$ 7,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service purposes

Sales taxes

Franchise taxes

Miscellaneous

Unrestricted investment earnings

Gain (loss) from sale of capital assets

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business - type Activities	Total	Component Unit
\$ (97,138)	\$ -	\$ (97,138)	\$ -
(177,579)	-	(177,579)	-
(197,245)	-	(197,245)	-
(88,446)	-	(88,446)	-
(7,854)	-	(7,854)	-
(43,786)	-	(43,786)	-
(612,048)	-	(612,048)	-
-	(114,988)	(114,988)	-
-	(29,546)	(29,546)	-
-	(144,534)	(144,534)	-
(612,048)	(144,534)	(756,582)	-
			(7,275)
509,117	-	509,117	-
92,660	-	92,660	-
72,653	-	72,653	43,215
60,490	-	60,490	-
21,000	21,219	42,219	-
13,283	9,622	22,905	1,035
-	-	-	-
769,203	30,841	800,044	44,250
157,155	(113,693)	43,462	36,975
2,436,445	11,253,050	13,689,495	136,960
\$ 2,593,600	\$ 11,139,357	\$ 13,732,957	\$ 173,935

City of Primera, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2011

ASSETS	<u>General</u>	<u>TX CDBG Grant 729510</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,409,212	\$ 2,033	\$ 17,009	\$ 1,428,254
Investments	625,001	-	-	625,001
Receivables, net	-	-	38,370	38,370
Grants receivable	89,706	-	16,128	105,834
Property taxes, net of allowance	25,841	-	-	25,841
Trash and brush service	89,468	20	3,092	92,580
Due from other funds	<u>2,239,228</u>	<u>2,053</u>	<u>74,599</u>	<u>2,315,880</u>
TOTAL ASSETS				
 LIABILITIES AND FUND BALANCE				
Liabilities	\$ 147,501	\$ -	\$ 900	148,401
Accounts payable	4,213	2,500	57,548	64,261
Due to other funds	220	-	-	220
Customer deposits	87,397	-	15,755	103,152
Deferred revenues	239,331	2,500	74,203	316,034
Total liabilities				
Fund balance				
Restricted for:				
Primera Road project	700,000	-	-	700,000
Debt service	-	-	1,146	1,146
Committed for:				
Drainage improvements	295,308	-	-	295,308
Unassigned	1,004,589	(447)	(750)	1,003,392
Total fund balance	<u>1,999,897</u>	<u>(447)</u>	<u>396</u>	<u>1,999,846</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,239,228</u>	<u>\$ 2,053</u>	<u>\$ 74,599</u>	<u>\$ 2,315,880</u>

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

City of Primera, Texas
**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**
September 30, 2011

Fund balances	\$ 1,999,846
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	3,246,363
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds	103,152
Bond issuance costs are expensed in the funds, but are capitalized and amortized in the statement of net assets. This is the amount representing bond issuance costs, net of accumulated amortization.	60,665
Long term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.	(2,384,300)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(12,075)
Liabilities for net pension obligations are not due in the current period and therefore are not reported in the funds	<u>(1,890)</u>
Net assets	<u>\$ 3,011,761</u>

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

City of Primera, Texas
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the year ended September 30, 2011

	General	TX CDBG Grant 729510	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 524,828	\$ -	\$ 74,811	\$ 599,639
Charges for services	90,233	-	-	90,233
Licenses and permits	14,137	-	-	14,137
Fines and forfeits	57,441	-	2,912	60,353
Franchise fees	60,929	-	-	60,929
Intergovernmental	-	317,879	115,267	433,146
Sales tax	66,668	-	-	66,668
Trash and brush	241,152	-	-	241,152
Other revenues	19,734	-	-	19,734
Interest income	8,412	-	31	8,443
Total revenues	<u>1,083,534</u>	<u>317,879</u>	<u>193,021</u>	<u>1,594,434</u>
Expenditures				
Current				
General government	362,589	-	21,656	384,245
Public safety	317,221	-	-	317,221
Public works	216,303	167	1,164	217,634
Health and welfare	108,867	-	-	108,867
Culture and recreation	-	-	-	-
Capital outlay	939,668	317,879	97,510	1,355,057
Debt service				
Bond issuance costs	51,530	-	-	51,530
Principal	-	-	40,290	40,290
Interest	21,806	-	40,781	62,587
Total expenditures	<u>2,017,984</u>	<u>318,046</u>	<u>201,401</u>	<u>2,537,431</u>
Excess (deficiency) of revenues over (under) expenditures	(934,450)	(167)	(8,380)	(942,997)
Other financing sources (uses)				
Bond proceeds	<u>1,635,000</u>	<u>-</u>	<u>-</u>	<u>1,635,000</u>
Net change in fund balance	700,550	(167)	(8,380)	692,003
Fund balance, beginning of year	<u>1,299,347</u>	<u>(280)</u>	<u>8,776</u>	<u>1,307,843</u>
Fund balance, end of year	<u>\$ 1,999,897</u>	<u>\$ (447)</u>	<u>\$ 396</u>	<u>\$ 1,999,846</u>

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

City of Primera, Texas
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the year ended September 30, 2011

Net change in fund balances -- total governmental funds	\$ 692,003
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,355,057) exceeded depreciation (\$97,361) in the current period.	1,257,696
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds	11,732
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which accrued interest payable decreased during the year.	2,557
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	40,290
Compensated absences are paid as incurred in the governmental funds, but are accrued as a non-current liability in the statement of net assets. This is the amount by which compensated absences decreased during the current year.	(1,993)
Bond issuance costs are expensed in the funds in the year the City pays them, but they are capitalized as an asset and amortized over the life of bonds in the statement of activities. This is the amount by which bond issuance costs increased during the current year.	50,876
Bond proceeds are recorded as other financing sources in the governmental funds while they are recorded as long term debt in the statement of net assets	(1,635,000)
Change in net assets of governmental activities:	<u>\$ 418,161</u>

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

City of Primera, Texas
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2011

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 409,212	\$ 52,897	\$ 462,109
Cash and cash equivalents - restricted	591,680	-	591,680
Investments	247,272	-	247,272
Receivables			
Services receivable	76,737	-	76,737
Other	-	13,853	13,853
Due from other funds	19,784	-	19,784
Total current assets	1,344,685	66,750	1,411,435
Noncurrent assets			
Water and drainage facilities, net of accumulated depreciation	10,254,016	-	10,254,016
TOTAL ASSETS	\$ 11,598,701	\$ 66,750	\$ 11,665,451
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 28,358	\$ -	\$ 28,358
Interest payable	3,013	-	3,013
Due to other funds	31,919	16,183	48,102
Current portion - noncurrent liabilities	50,500	-	50,500
Total current liabilities	113,790	16,183	129,973
Payable from restricted assets			
Customer deposits	70,980	-	70,980
Accrued interest on revenue bonds	3,075	-	3,075
Total payable from restricted assets	74,055	-	74,055
Noncurrent liabilities			
Bonds payable	465,000	-	465,000
Notes payable	-	51,230	51,230
Compensated absences	4,386	-	4,386
Current portion - noncurrent liabilities	(50,500)	-	(50,500)
Total noncurrent liabilities	418,886	51,230	470,116
Total liabilities	606,731	67,413	674,144
Net Assets			
Invested in capital assets, net of related debt	9,789,016	-	9,789,016
Restricted	591,680	-	591,680
Unrestricted	611,274	(663)	610,611
Total net assets	10,991,970	(663)	10,991,307
TOTAL LIABILITIES AND NET ASSETS	\$ 11,598,701	\$ 66,750	\$ 11,665,451

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

City of Primera, Texas
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the fiscal year ended September 30, 2011

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
Operating revenues			
Water use charges	\$ 476,924	\$ -	\$ 476,924
Sewer use charges	333,827	-	333,827
Meter and tap fees, late charges	32,892	-	32,892
Renter deposits	8,730	-	8,730
Total operating revenues	852,373	-	852,373
Cost of sales			
Water purchases	237,282	-	237,282
Sewer purchase	109,381	-	109,381
Total cost of sales	346,663	-	346,663
Gross profit	505,710	-	505,710
Operating expenses			
Office expenses	10,109	-	10,109
Supplies	15,005	-	15,005
Equipment rental	4,358	-	4,358
Travel	946	-	946
Utilities and telephone	11,732	-	11,732
Gas and parts expense	12,358	-	12,358
Salary - water	110,964	-	110,964
Salary - sewer	47,672	-	47,672
Insurance	31,825	-	31,825
Payroll tax and TMRS expense	3,825	-	3,825
Professional fees	2,863	-	2,863
Miscellaneous	26,507	-	26,507
Sewer - expenses	87,891	-	87,891
Depreciation	275,752	-	275,752
Total operating expenses	641,807	-	641,807
Operating income (loss)	(136,097)	-	(136,097)
Nonoperating revenues (expenses)			
Other revenues	11,973	114	12,087
Interest earned	8,603	-	8,603
Interest expense	(32,131)	(512)	(32,643)
Total nonoperating revenues (under) expenses	(11,555)	(398)	(11,953)
CHANGE IN NET ASSETS	(147,652)	(398)	(148,050)
Net assets, beginning of year	11,139,622	(265)	11,139,357
Net assets, end of year	\$ 10,991,970	\$ (663)	\$ 10,991,307

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

City of Primera, Texas
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the fiscal year ended September 30, 2011

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 849,223	\$ 8,374	\$ 857,597
Cash paid to suppliers	(551,246)	-	(551,246)
Cash paid to employees	(162,948)	-	(162,948)
Net cash provided by operating activities	135,029	8,374	143,403
Cash flows from (to) noncapital financing activities			
(Increase) decrease in due from other funds	23,811	-	23,811
Increase (decrease) in due to other funds	25,742	512	26,254
Net cash provided (used) by noncapital financing activities	49,553	512	50,065
Cash flows from (to) capital and related financing activities			
Equipment purchases	(69,280)	-	(69,280)
Customers' deposits	4,165	-	4,165
Principal paid on long-term debt	(25,000)	-	(25,000)
Interest paid	(32,131)	(512)	(32,643)
Other nonoperating income	11,973	114	12,087
Net cash provided (used) by capital and related financing activities	(110,273)	(398)	(110,671)
Cash flows from investing activities			
Interest income received	8,603	-	8,603
(Purchases) dispositions of investments	66,849	-	66,849
Net cash provided (used) by investing activities	75,452	-	75,452
Net increase in cash and cash equivalents	149,761	8,488	158,249
Cash and cash equivalents, beginning of year	851,131	44,409	895,540
Cash and cash equivalents, end of year	<u>\$ 1,000,892</u>	<u>\$ 52,897</u>	<u>\$ 1,053,789</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (136,097)	\$ -	\$ (136,097)
Adjustments to reconcile operating income from operations to net cash from operating activities:			
Depreciation	275,752	-	275,752
(Increase) decrease in water and sewer receivable	(3,150)	-	(3,150)
(Increase) decrease in other receivable	-	8,374	8,374
Increase (decrease) in accounts payable and accrued expenses	1,415	-	1,415
Increase (decrease) in accrued interest	(2,404)	-	(2,404)
Increase (decrease) in compensated absences	(487)	-	(487)
Total adjustments	271,126	8,374	279,500
Net cash provided (used) by operating activities	<u>\$ 135,029</u>	<u>\$ 8,374</u>	<u>\$ 143,403</u>
Supplemental schedule of noncash activities			
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Primera, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Incorporated on April 12, 1955, the City of Primera, Texas (the "City") is a general law, type "A" city providing the following services: streets, sanitation, water and sewer, health and social services, public safety and general administrative services. The more significant of the City's accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Primera and its component units, entities for which the City is considered to be financially accountable. The discussion of component units below summarizes the relevant guidelines considered by the City in determining their operational or financial relationships.

Blended component units - Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units is combined with data of the primary government. The City of Primera, Texas does not include any blended component units.

Discretely presented component units - The discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

Economic Development Corporation of Primera - This component unit was organized pursuant to the Development Corporation Act of 1979, as amended by Section 4A and 4B of said act. It was established for the purpose of promoting, assisting, and enhancing economic and industrial development within the City of Primera and the State of Texas. The City of Primera appoints five (5) directors to the Corporation's Board who in turn designate management. The corporation is authorized to negotiate the issuance of bonds which are payable solely from the revenues of said corporation. The City is not in any event liable for the payment of any obligations or agreements created or incurred by the corporation.

2. Government-wide Financial Statements

The government-wide financial statements consist of the statement of net assets, a statement of financial position and the statement of activities, a statement of results of operations. These statements report information on all the activities of the reporting entity. Generally, the effect of inter-fund activity has been eliminated from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which primarily rely on fees and charges.

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to and apart from the government-wide financial statements, fund financial statements are presented for governmental funds and proprietary funds. In each of these financial statements, major funds are presented in separate columns.

3. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, consistent with the presentation of the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. 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 the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences and claims and judgments are recognized only when payment is made. The City reports the following fund types and related major governmental funds.

The *general fund* is the primary operating fund. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The special revenue fund reported as a major fund is the TX CDBG Grant 729510. The fund is used to account for the proceeds and uses of the 729510 grant.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). At September 30, 2011, the City was not utilizing any internal service funds. The City does not choose to apply applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989. The Water and Sewer Fund is a major fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust is used. At September 30, 2011, the City was not utilizing any Fiduciary funds.