

City of Primera, Texas
ECONOMIC DEVELOPMENT CORPORATION
COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Sales tax	\$ 36,980	\$ 43,215
Interest income	<u>1,056</u>	<u>1,035</u>
Total revenues	38,036	44,250
Expenditures		
Current		
General government	<u>7,450</u>	<u>7,275</u>
Net change in fund balance	30,586	36,975
Fund balance, beginning of year	<u>173,935</u>	<u>136,960</u>
Fund balance, end of year	<u>\$ 204,521</u>	<u>\$ 173,935</u>

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COMPLIANCE SECTION

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**INDEPENDENT AUDITORS' 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***

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Primera, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as 11-1. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-2.

We noted certain other matters that we reported to management of the City in a separate letter dated March 16, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Aldermen/Aldерwoman, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Harlingen, Texas
March 16, 2012

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City of Primera, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS
Year Ended September 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant deficiencies identified that are not
considered to be material weaknesses? X yes _____ no

Noncompliance material to financial statements
noted? _____ yes X no

City of Primera, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Fiscal Year Ended September 30, 2011

**Section II - Findings Relating to the Financial Statement Audit as Required to be
Reported in Accordance with Generally Accepted Government Auditing Standards**

PROGRAM

DESCRIPTION

Schedule Reference Number: (11-1)

Monitoring of City Financial Records

Criteria:

City financial records should be reviewed throughout the year to ensure they are correctly stated.

Condition Found:

During our audit work, we noted that several City accounts were not correctly stated and required significant adjustments. We also noted that certain transaction were never recorded in the financial records

Questioned Costs/Basis:

Not applicable.

Context:

We noted that the property tax receivable, utility receivables, property plant and equipment, and various other accounts were not reconciled at year end.

Effect:

A lack of monitoring over financial records may cause errors in postings to go undetected or prevented in a timely manner.

Recommendation:

We recommend that City finance personnel review financial records throughout the year and make adjustments as necessary.

Schedule Reference Number: (11-2)

Expenditures in Excess of Budget Appropriations

General

Criteria:

As indicated in the notes to the City's financial statements, we noted three instances in which the City's budget had been exceeded on a functional level.

Condition Found:

State law requires budget amendments to be made prior to exceeding a major functional category.

Questioned Costs/Basis:

Not applicable

Context:

We noted negative variances in four functional expenditure category.

City of Primera, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Fiscal Year Ended September 30, 2011

**Section II - Findings Relating to the Financial Statement Audit as Required to be
Reported in Accordance with Generally Accepted Government Auditing Standards**

PROGRAM

DESCRIPTION

Schedule Reference Number: (11-2)

**Expenditures in Excess of Budget Appropriations -
Continued**

Effect:

The City could incur expenditures that are not budgeted.

Recommendation:

The City should regularly monitor actual expenditures in comparison to budget and make adequate budget amendments.

City of Primera, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Fiscal Year Ended September 30, 2011

Reference Number: 10-1, Monitoring of City Financial Records

Finding: The City's financial records were not being adequately reviewed to ensure they were correctly stated.

Current Status: As of September 30, 2011, the City made improvements, but significant adjusting entries were still required.

Reference Number: 10-2, Public Funds Investment Act

Finding: The City was not in compliance with the Public Funds Investment Act.

Current Status: As of September 30, 2011, the City has become compliant with the Public Funds Investment Act.

City of Primera, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
For the fiscal year ended September 30, 2011

Reference Number 11-1,

Finding: *The City was not monitoring their account balances throughout the year.*

Corrective Action Plan: *The City plans on performing periodic analysis on accounts throughout the year.*

Reference Number 11-2,

Finding: *The City was not making budget amendments as required.*

Corrective Action Plan: *The City Administration and Department heads will monitor expenditures on an ongoing basis. Along with quarterly budget presentations to the Board of Aldermen, City Administration will propose amendments to the budget if needed on a quarterly basis. We believe if we follow these procedures we will be able to prevent future budget overruns.*

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UTILITIES & DISTRICT
SECTION

CITY OF PRIMERA, TEXAS

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

For the Year Ended September 30, 2012

City of Primera, Texas
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended September 30, 2012

CITY OFFICIALS

Mayor	Pat Patterson
Mayor Pro Tem	Jose Ramirez
Aldermen/Alderwoman	Hilda Siller
	David Osborne
	Angela Ramirez
	R. Dave Kusch
City Administrator	Javier Mendez

City of Primera, Texas
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended September 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	9
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets - September 30, 2012	21
Statement of Activities - September 30, 2012	22
Statement of Net Assets - September 30, 2011	25
Statement of Activities - September 30, 2011	26
Fund Financial Statements	
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	28
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	31
<i>Proprietary Fund Financial Statements</i>	
Statement of Net Assets	32
Statement of Revenues, Expenses and Changes in Net Assets	33
Statement of Cash Flows	34
Notes to Financial Statements	35

City of Primera, Texas
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended September 30, 2012

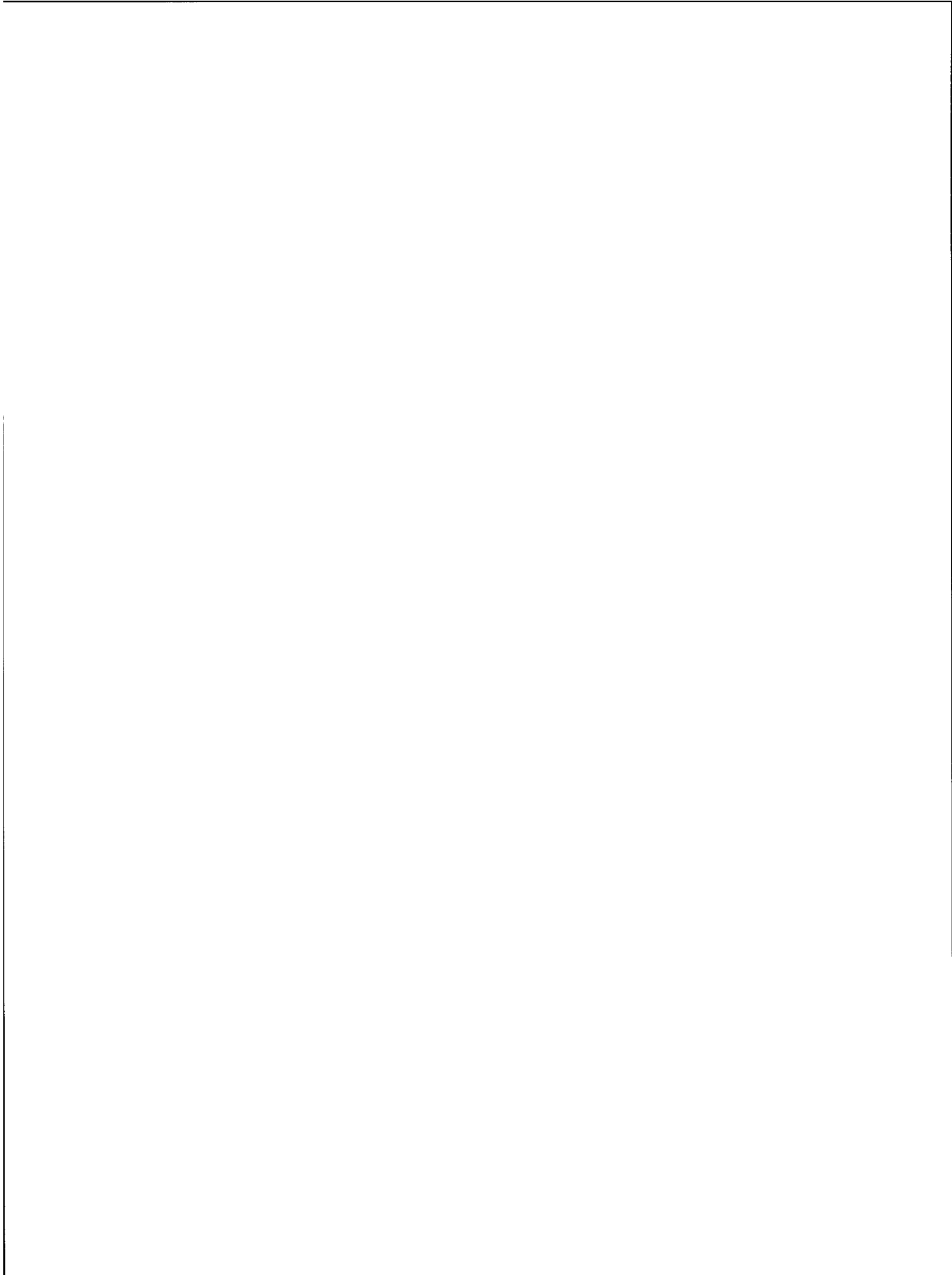
TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	57
Texas Municipal Retirement System	
Schedule of Funding Progress	58
Notes to Required Supplementary Information	59
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds - Combining Balance Sheet	62
Nonmajor Governmental Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balance	63
General Fund – Comparative Balance Sheets	64
General Fund – Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	65
<i>TX CDBG Grant 727389 Fund</i>	
Comparative Balance Sheets	66
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	67
<i>TX Capital 711162 Fund</i>	
Comparative Balance Sheets	68
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	69
<i>CWTAP Grant G0680 Fund</i>	
Comparative Balance Sheets	70
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	71

City of Primera, Texas
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended September 30, 2012

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION – Continued	
<i>HOME Contract 1001247</i>	
Comparative Balance Sheets	72
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	73
<i>Technology Fee Fund</i>	
Comparative Balance Sheets	74
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	75
<i>TX CDBG Grant 729510 Fund</i>	
Comparative Balance Sheets	76
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	77
<i>TDRA DRS 010151 Grant Fund</i>	
Comparative Balance Sheets	78
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	79
Debt Service Fund	
Comparative Balance Sheets	80
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	81
Enterprise Fund	
<i>Water and Sewer Fund</i>	
Comparative Balance Sheets	82
Comparative Statements of Revenues, Expenditures and Changes in Net Assets	83
Statements of Cash Flows	84
<i>CPLP 10250 Fund</i>	
Comparative Balance Sheets	85
Comparative Statements of Revenues, Expenses and Changes in Net Assets	86
Statements of Cash Flows	87
Economic Development Fund - Component Unit	
Comparative Balance Sheets	88
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	89



City of Primera, Texas
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Year Ended September 30, 2012

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
COMPLIANCE SECTION	
Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	93
Schedule of Findings and Responses	97
Schedule of Status of Prior Audit Findings	100
Corrective Action Plan	101

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, 2012, 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 2011 financial statements and, in our report dated March 16, 2012, 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 the City of Primera, Texas at September 30, 2012, 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 19, 2013 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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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 and 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 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.

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. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
March 19, 2013

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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, 2012. 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 \$3,386,927 (net assets). Of this amount, \$1,425,434 (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 \$10,959,595 (net assets). Of this amount, \$537,494 (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 \$221,699 (net assets). Of this amount, \$221,699 (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 \$1,963,751. 67 percent of this total amount, \$1,312,013, 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 \$1,374,284, or 69 percent of general fund's total fund balance.
- The City's total net debt decreased by \$86,087 during the current fiscal year, which represents the current year principal and other liabilities payments.

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 Capital Grant 711162 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.

Nonspendable 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 \$14,346,522 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80 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	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	\$2,221,413	\$2,312,285	\$ 1,133,910	\$ 1,363,333	\$ 3,355,323	\$ 3,675,618	\$221,699	\$204,521
Capital assets	<u>3,644,858</u>	<u>3,246,361</u>	<u>10,541,575</u>	<u>10,254,016</u>	<u>14,186,433</u>	<u>13,500,377</u>	-	-
Total assets	<u>\$5,866,271</u>	<u>\$5,558,646</u>	<u>\$11,675,485</u>	<u>\$11,617,349</u>	<u>\$17,541,756</u>	<u>\$17,175,995</u>	<u>\$221,699</u>	<u>\$204,521</u>
Long-term liabilities	\$2,347,456	\$2,386,190	\$ 473,263	\$ 520,616	\$ 2,820,719	\$ 2,906,806	\$ -	\$ -
Other liabilities	<u>131,888</u>	<u>160,695</u>	<u>242,627</u>	<u>105,426</u>	<u>374,515</u>	<u>266,121</u>	-	-
Total liabilities	<u>2,479,344</u>	<u>2,546,885</u>	<u>715,890</u>	<u>626,042</u>	<u>3,195,234</u>	<u>3,172,927</u>	-	-
Net assets								
Invested in capital assets								
net of related debt	1,309,755	870,725	10,123,575	9,789,016	11,433,330	10,659,741	-	-
Restricted	651,738	996,454	298,526	591,680	950,264	1,588,134	-	-
Unrestricted	<u>1,425,434</u>	<u>1,144,582</u>	<u>537,494</u>	<u>610,611</u>	<u>1,962,928</u>	<u>1,755,193</u>	<u>221,699</u>	<u>204,521</u>
Total net assets	<u>3,386,927</u>	<u>3,011,761</u>	<u>10,959,595</u>	<u>10,991,307</u>	<u>14,346,522</u>	<u>14,003,068</u>	<u>221,699</u>	<u>204,521</u>
Total liabilities and net assets	<u>\$5,866,271</u>	<u>\$5,558,646</u>	<u>\$11,675,485</u>	<u>\$11,617,349</u>	<u>\$17,541,756</u>	<u>\$17,175,995</u>	<u>\$221,699</u>	<u>\$204,521</u>

The balance of unrestricted net assets for the primary government (\$1,962,928 or 14 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 \$375,166, 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	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues								
Program revenues								
Charges for services	\$ 434,350	\$ 405,876	\$ 890,019	\$ 852,373	\$1,324,369	\$1,258,249	\$ -	\$ -
Operating grants and contributions	20,800	20,000	-	-	20,800	20,000	-	-
Capital grants and contributions	347,001	413,145	-	-	347,001	413,145	-	-
General revenues								
Property tax	647,297	611,371	-	-	647,297	611,371	-	-
Sales tax	92,312	66,668	-	-	92,312	66,668	42,783	36,980
Franchise taxes	73,364	60,929	-	-	73,364	60,929	-	-
Other	<u>16,865</u>	<u>28,177</u>	<u>24,196</u>	<u>20,690</u>	<u>41,061</u>	<u>48,867</u>	<u>567</u>	<u>1,056</u>
Total revenues	1,631,989	1,606,166	914,215	873,063	2,546,204	2,479,229	43,350	38,036

City of Primera's Changes in Net Assets – Continued

	Governmental Activities		Business-type Activities		Total		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Expenses								
General government	\$ 371,602	\$ 388,299	\$ -	\$ -	\$ 371,602	\$ 388,299	\$ 26,172	\$ 7,450
Public safety	394,924	333,456	-	-	394,924	333,456	-	-
Public works	290,302	274,648	-	-	290,302	274,648	-	-
Health and welfare	82,974	108,867	-	-	82,974	108,867	-	-
Culture and recreation	20,269	20,059	-	-	20,269	20,059	-	-
Interest on long-term debt	96,752	62,676	22,309	32,643	119,061	95,319	-	-
Water and Sewer System	-	-	923,618	988,470	923,618	988,470	-	-
Total expenses	<u>1,256,823</u>	<u>1,188,005</u>	<u>945,927</u>	<u>1,021,113</u>	<u>2,202,750</u>	<u>2,209,118</u>	<u>26,172</u>	<u>7,450</u>
Increase/(decrease) in net assets	375,166	418,161	(31,712)	(148,050)	343,454	270,111	17,178	30,586
Net assets – beginning	<u>3,011,761</u>	<u>2,593,600</u>	<u>10,991,307</u>	<u>11,139,357</u>	<u>14,003,068</u>	<u>13,732,957</u>	<u>204,521</u>	<u>173,935</u>
Net assets – ending	<u>\$3,386,927</u>	<u>\$3,011,761</u>	<u>\$10,959,595</u>	<u>\$10,991,307</u>	<u>\$14,346,522</u>	<u>\$14,003,068</u>	<u>\$ 221,699</u>	<u>\$ 204,521</u>

Business-Type Activities

Business-type activities decreased the City's net assets by a net loss of \$31,712 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, 2012, amounts to \$14,186,433 (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 \$686,054, 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	\$ 35,293	\$ 29,932	\$ 65,225	\$ -
Construction in progress	<u>1,669,773</u>	<u>547,891</u>	<u>2,217,664</u>	-
	1,705,066	577,823	2,282,889	-
Capital assets, being depreciated:				
Buildings	818,101	103,930	922,031	-
Vehicles	213,933	30,265	244,198	-
Machinery and equipment	144,203	167,107	311,310	-
Infrastructure	<u>2,279,170</u>	<u>12,332,683</u>	<u>14,611,853</u>	-
	3,455,407	12,633,985	16,089,392	-
Less accumulated depreciation for:				
Buildings	(418,219)	(32,964)	(451,183)	-
Vehicles	(131,908)	(30,265)	(162,173)	-
Machinery equipment	(114,340)	(119,125)	(233,465)	-
Infrastructure	<u>(851,148)</u>	<u>(2,487,879)</u>	<u>(3,339,027)</u>	-
Total accumulated depreciation	<u>(1,515,615)</u>	<u>(2,670,233)</u>	<u>(4,185,848)</u>	-
Total capital assets, being depreciated, net	<u>1,939,792</u>	<u>9,963,752</u>	<u>11,903,544</u>	-
Capital assets, net	<u>\$ 3,644,858</u>	<u>\$10,541,575</u>	<u>\$14,186,433</u>	<u>\$ -</u>

Long-Term Debt

At year end, the City had debt issues outstanding. These issues include \$2,728,000 of revenue bonds and certificates of obligation, which were issued through private placement. Private placement debt is not publicly issued or publicly traded and as a result is not required to be rated by a credit rating agency.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds and certificates of obligation	\$2,310,000	\$2,340,000	\$418,000	\$465,000	\$2,728,000	\$2,805,000
Capital leases	25,103	35,638	-	-	25,103	35,638
Notes payable	-	-	51,230	51,230	51,230	51,230
	<u>\$2,335,103</u>	<u>\$2,375,638</u>	<u>\$469,230</u>	<u>\$516,230</u>	<u>\$2,804,333</u>	<u>\$2,891,868</u>

The City's total long-term debt decreased by \$87,535 during the current fiscal year with \$87,535 of principal paid on existing debt obligations.

General Fund Budgetary Highlights

During the year there was a \$3,384,314 difference between the final budget and the actual results. Following is the main component of the difference:

- \$3,272,604 of delayed state funds for the Stuart Place drainage project, HOME 1st time buyer project, and the FEMA drainage project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2012-2013 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 decreased to 0.702987/\$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 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 has started construction. 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. 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 956,125	\$ 494,934	\$ 1,451,059	\$ 218,298
Cash and cash equivalents - restricted	736,289	298,526	1,034,815	-
Investments	-	249,314	249,314	-
Investments - restricted	315,842	-	315,842	-
Receivables, net				
Property Taxes	103,834	-	103,834	-
Grants receivable	-	-	-	-
Services receivable	30,559	80,586	111,145	-
Other receivables	-	29,302	29,302	-
Internal balances	18,752	(18,752)	-	-
Due from component unit/primary government	-	-	-	3,401
Bond issue costs	60,012	-	60,012	-
Capital assets, net				
Non-depreciable assets	1,705,066	577,823	2,282,889	-
Depreciable assets	<u>1,939,792</u>	<u>9,963,752</u>	<u>11,903,544</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,866,271</u>	<u>\$ 11,675,485</u>	<u>\$17,541,756</u>	<u>\$ 221,699</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 91,046	\$ 153,446	\$ 244,492	\$ -
Accrued interest payable	37,221	6,237	43,458	-
Payable from restricted assets	-	82,944	82,944	-
Customer deposits	220	-	220	-
Due to component unit/primary government	3,401	-	3,401	-
Non-current liabilities				
Due within one year	56,019	51,500	107,519	-
Due in more than one year	<u>2,291,437</u>	<u>421,763</u>	<u>2,713,200</u>	<u>-</u>
Total liabilities	2,479,344	715,890	3,195,234	-
Net assets				
Invested in capital assets, net of related debt	1,309,755	10,123,575	11,433,330	-
Restricted	651,738	298,526	950,264	-
Unrestricted	<u>1,425,434</u>	<u>537,494</u>	<u>1,962,928</u>	<u>221,699</u>
Total net assets	<u>3,386,927</u>	<u>10,959,595</u>	<u>14,346,522</u>	<u>221,699</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,866,271</u>	<u>\$ 11,675,485</u>	<u>\$17,541,756</u>	<u>\$ 221,699</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, 2012

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<u>Functions/Programs</u>				
Governmental activities:				
General government	\$ 371,602	\$ 269,239	\$ -	\$ -
Public safety	394,924	152,360	-	10,000
Public works	290,302	-	-	337,001
Health and welfare	82,975	350	20,800	-
Culture and recreation	20,269	12,401	-	-
Interest on long term debt	96,752	-	-	-
Total governmental activities	<u>1,256,824</u>	<u>434,350</u>	<u>20,800</u>	<u>347,001</u>
Business - type activities:				
Water and sewer services	923,618	890,019	-	-
Interest on long-term debt	<u>22,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>945,927</u>	<u>890,019</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,202,751</u>	<u>\$ 1,324,369</u>	<u>\$ 20,800</u>	<u>\$ 347,001</u>
Component Unit				
Economic development services	<u>\$ 26,172</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			Component Unit
Governmental Activities	Business - type Activities	Total	
\$ (102,363)	\$ -	\$ (102,363)	\$ -
(232,564)	-	(232,564)	-
46,699	-	46,699	-
(61,825)	-	(61,825)	-
(7,868)	-	(7,868)	-
(96,752)	-	(96,752)	-
(454,673)	-	(454,673)	-
-	(33,599)	(33,599)	-
-	(22,309)	(22,309)	-
-	(55,908)	(55,908)	-
(454,673)	(55,908)	(510,581)	-
			(26,172)
514,096	-	514,096	-
133,201	-	133,201	-
92,312	-	92,312	42,783
73,364	-	73,364	-
13,082	18,979	32,061	-
3,784	5,217	9,001	567
829,839	24,196	854,035	43,350
375,166	(31,712)	343,454	17,178
3,011,761	10,991,307	14,003,068	204,521
<u>\$ 3,386,927</u>	<u>\$ 10,959,595</u>	<u>\$14,346,522</u>	<u>\$ 221,699</u>

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

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
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	<u>1,982,937</u>	<u>10,224,084</u>	<u>12,207,021</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,558,646</u>	<u>\$ 11,617,349</u>	<u>\$17,175,995</u>	<u>\$ 204,521</u>
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	<u>2,340,698</u>	<u>470,116</u>	<u>2,810,814</u>	<u>-</u>
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	<u>1,144,582</u>	<u>610,611</u>	<u>1,755,193</u>	<u>204,521</u>
Total net assets	<u>3,011,761</u>	<u>10,991,307</u>	<u>14,003,068</u>	<u>204,521</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,558,646</u>	<u>\$ 11,617,349</u>	<u>\$17,175,995</u>	<u>\$ 204,521</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, 2011

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	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	-	-	-
	<u>1,188,005</u>	<u>405,876</u>	<u>20,000</u>	<u>413,145</u>
Total governmental activities				
Business - type activities:				
Water and sewer services	988,470	852,373	-	-
Interest on long-term debt	32,643	-	-	-
	<u>1,021,113</u>	<u>852,373</u>	<u>-</u>	<u>-</u>
Total business-type activities				
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			Component Unit
Governmental Activities	Business - type Activities	Total	
\$ (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
<u>\$ 3,011,761</u>	<u>\$ 10,991,307</u>	<u>\$14,003,068</u>	<u>\$ 204,521</u>

City of Primera, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2012

ASSETS	<u>General</u>	<u>TX Capital Grant 711162</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,664,425	\$ 2,373	\$ 25,616	\$ 1,692,414
Investments	315,842	-	-	315,842
Receivables, net				
Property taxes, net of allowance	86,377	-	17,457	103,834
Trash and brush service	30,559	-	-	30,559
Due from other funds	<u>100,349</u>	<u>-</u>	<u>11,756</u>	<u>112,105</u>
 TOTAL ASSETS	 <u>\$ 2,197,552</u>	 <u>\$ 2,373</u>	 <u>\$ 54,829</u>	 <u>\$ 2,254,754</u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 91,046	\$ -	\$ -	91,046
Due to other funds	13,788	62,098	17,467	93,353
Due to component unit	3,401	-	-	3,401
Customer deposits	220	-	-	220
Deferred revenues	<u>85,788</u>	<u>-</u>	<u>17,195</u>	<u>102,983</u>
Total liabilities	194,243	62,098	34,662	291,003
Fund balance				
Restricted for:				
Primera Road project	629,025	-	-	629,025
Debt service	-	-	18,526	18,526
Federal and state programs	-	-	4,187	4,187
Unassigned	<u>1,374,284</u>	<u>(59,725)</u>	<u>(2,546)</u>	<u>1,312,013</u>
Total fund balance	<u>2,003,309</u>	<u>(59,725)</u>	<u>20,167</u>	<u>1,963,751</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,197,552</u>	 <u>\$ 2,373</u>	 <u>\$ 54,829</u>	 <u>\$ 2,254,754</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, 2012

Fund balances	\$ 1,963,751
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	3,644,858
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds	102,983
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.	60,012
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.	(2,345,566)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(37,221)
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>\$ 3,386,927</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, 2012

	General	IX Capital Grant 711162	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 515,705	\$ -	\$ 131,761	\$ 647,466
Charges for services	92,093	-	-	92,093
Licenses and permits	13,942	-	-	13,942
Fines and forfeits	74,224	-	2,694	76,918
Franchise fees	73,364	-	-	73,364
Intergovernmental	10,000	337,001	20,800	367,801
Sales tax	92,312	-	-	92,312
Trash and brush	251,397	-	-	251,397
Other revenues	13,082	-	-	13,082
Interest income	3,769	-	15	3,784
Total revenues	<u>1,139,888</u>	<u>337,001</u>	<u>155,270</u>	<u>1,632,159</u>
Expenditures				
Current				
General government	341,753	-	23,725	365,478
Public safety	378,145	-	-	378,145
Public works	212,962	128	1,186	214,276
Health and welfare	82,973	-	-	82,973
Capital outlay	119,296	396,598	-	515,894
Debt service				
Principal	-	-	40,535	40,535
Interest	-	-	70,953	70,953
Total expenditures	<u>1,135,129</u>	<u>396,726</u>	<u>136,399</u>	<u>1,668,254</u>
Excess (deficiency) of revenues over (under) expenditures	4,759	(59,725)	18,871	(36,095)
Other financing sources (uses)				
Transfers in/(out)	<u>(1,347)</u>	<u>-</u>	<u>1,347</u>	<u>-</u>
Net change in fund balance	3,412	(59,725)	20,218	(36,095)
Fund balance, beginning of year	<u>1,999,897</u>	<u>-</u>	<u>(51)</u>	<u>1,999,846</u>
Fund balance, end of year	<u>\$ 2,003,309</u>	<u>\$ (59,725)</u>	<u>\$ 20,167</u>	<u>\$ 1,963,751</u>

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