

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, 2012

Net change in fund balances -- total governmental funds	\$ (36,095)
---	-------------

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 (\$515,894) exceeded depreciation (\$117,400) in the current period.	398,494
--	---------

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds	(169)
---	-------

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 of interest accrued during the year.	(25,145)
---	----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	40,535
--	--------

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.	(1,801)
---	---------

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.	<u>(653)</u>
--	--------------

Change in net assets of governmental activities:	<u>\$ 375,166</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, 2012

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 439,257	\$ 55,677	\$ 494,934
Cash and cash equivalents - restricted	298,526	-	298,526
Investments	249,314	-	249,314
Receivables			
Services receivable	80,586	-	80,586
Other	18,148	11,154	29,302
Due from other funds	21,227	-	21,227
Total current assets	1,107,058	66,831	1,173,889
Noncurrent assets			
Water and drainage facilities, net of accumulated depreciation	10,541,575	-	10,541,575
TOTAL ASSETS	\$ 11,648,633	\$ 66,831	\$ 11,715,464
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 153,446	\$ -	\$ 153,446
Interest payable	6,237	-	6,237
Due to other funds	23,284	16,695	39,979
Current portion - noncurrent liabilities	51,500	-	51,500
Total current liabilities	234,467	16,695	251,162
Payable from restricted assets			
Customer deposits	75,791	-	75,791
Accrued interest on revenue bonds	7,153	-	7,153
Total payable from restricted assets	82,944	-	82,944
Noncurrent liabilities			
Bonds payable	418,000	-	418,000
Notes payable	-	51,230	51,230
Compensated absences	4,033	-	4,033
Current portion - noncurrent liabilities	(51,500)	-	(51,500)
Total noncurrent liabilities	370,533	51,230	421,763
Total liabilities	687,944	67,925	755,869
Net Assets			
Invested in capital assets, net of related debt	10,123,575	-	10,123,575
Restricted	298,526	-	298,526
Unrestricted	538,588	(1,094)	537,494
Total net assets	10,960,689	(1,094)	10,959,595
TOTAL LIABILITIES AND NET ASSETS	\$ 11,648,633	\$ 66,831	\$ 11,715,464

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, 2012

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
Operating revenues			
Water use charges	\$ 500,906	\$ -	\$ 500,906
Sewer use charges	341,008	-	341,008
Meter and tap fees, late charges	32,742	-	32,742
Renter deposits	15,363	-	15,363
Total operating revenues	890,019	-	890,019
Cost of sales			
Water purchases	217,794	-	217,794
Sewer purchase	107,535	-	107,535
Total cost of sales	325,329	-	325,329
Gross profit	564,690	-	564,690
Operating expenses			
Office expenses	11,897	-	11,897
Supplies	21,220	-	21,220
Equipment rental	1,700	-	1,700
Travel	343	-	343
Utilities and telephone	10,347	-	10,347
Gas and parts expense	4,412	-	4,412
Salary - water	108,571	-	108,571
Salary - sewer	52,814	-	52,814
Insurance	28,696	-	28,696
Payroll tax and TMRS expense	5,330	-	5,330
Professional fees	2,386	-	2,386
Miscellaneous	1,950	-	1,950
Sewer - expenses	73,372	-	73,372
Depreciation	275,251	-	275,251
Total operating expenses	598,289	-	598,289
Operating income (loss)	(33,599)	-	(33,599)
Nonoperating revenues (expenses)			
Other revenues	18,898	81	18,979
Interest earned	5,217	-	5,217
Interest expense	(21,797)	(512)	(22,309)
Total nonoperating revenues (under) expenses	2,318	(431)	1,887
CHANGE IN NET ASSETS	(31,281)	(431)	(31,712)
Net assets, beginning of year	10,991,970	(663)	10,991,307
Net assets, end of year	\$ 10,960,689	\$ (1,094)	\$10,959,595

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, 2012

	Business-type activities		
	Water and Sewer Fund	CPLP 10250 Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 868,022	\$ 2,699	\$ 870,721
Cash paid to suppliers	(349,262)	-	(349,262)
Cash paid to employees	(167,068)	-	(167,068)
Net cash provided by operating activities	351,692	2,699	354,391
Cash flows from (to) noncapital financing activities			
(Increase) decrease in due from other funds	(1,443)	-	(1,443)
Increase (decrease) in due to other funds	(8,635)	512	(8,123)
Net cash provided (used) by noncapital financing activities	(10,078)	512	(9,566)
Cash flows from (to) capital and related financing activities			
Equipment purchases	(562,810)	-	(562,810)
Customers' deposits	4,811	-	4,811
Principal paid on long-term debt	(47,000)	-	(47,000)
Interest paid	(21,797)	(512)	(22,309)
Other nonoperating income	18,898	81	18,979
Net cash provided (used) by capital and related financing activities	(607,898)	(431)	(608,329)
Cash flows from investing activities			
Interest income received	5,217	-	5,217
(Purchases) dispositions of investments	(2,042)	-	(2,042)
Net cash provided (used) by investing activities	3,175	-	3,175
Net increase in cash and cash equivalents	(263,109)	2,780	(260,329)
Cash and cash equivalents, beginning of year	1,000,892	52,897	1,053,789
Cash and cash equivalents, end of year	\$ 737,783	\$ 55,677	\$ 793,460
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (33,599)	\$ -	\$ (33,599)
Adjustments to reconcile operating income from operations to net cash from operating activities:			
Depreciation	275,251	-	275,251
(Increase) decrease in water and sewer receivable	(3,849)	-	(3,849)
(Increase) decrease in other receivable	(18,148)	2,699	(15,449)
Increase (decrease) in accounts payable and accrued expenses	125,088	-	125,088
Increase (decrease) in accrued interest	7,302	-	7,302
Increase (decrease) in compensated absences	(353)	-	(353)
Total adjustments	385,291	2,699	387,990
Net cash provided (used) by operating activities	\$ 351,692	\$ 2,699	\$ 354,391
<i>Supplemental schedule of noncash activities</i>			
Capital contributions	\$ -	\$ -	\$ -

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

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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 Capital Grant 711162. The fund is used to account for the proceeds and uses of the 711162 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, 2012, 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, 2012, the City was not utilizing any Fiduciary funds.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary funds, trust funds, and agency funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its balance sheets. Deferred revenues arise when potential revenue does not meet both the "*measurable*" and "*available*" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

4. *Budgets and Budgetary Accounting*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain major and non-major special revenue funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service and Special Revenue funds for technology and security fees, as well as for the Water and Sewer collection funds.

On or before the end of each year, all agencies of the City submit requests for appropriation to the City Secretary so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Before September 30, the proposed budget is presented to the City Aldermen for review. The City Aldermen hold public hearings and may add, subtract or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Secretary or the revenue estimates must be changed by an affirmative vote of a majority of the City Aldermen.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

- a. The original budgets are adopted by the City Aldermen prior to the beginning of the fiscal year. The budget amounts reflected in the accompanying financial statements represent the final authorized amounts as last revised during the year.
- b. Any transfers of budgeted amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Aldermen.
- c. Expenditures may not legally exceed budgeted appropriations at the function level. During the year, modifications to budgeted appropriations were necessary to transfer amounts between departments.

5. Cash and Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when initially acquired.

6. Short-term Inter-fund Receivables and Payables/Internal Balances

Short-term lending/borrowing between funds that result in amounts outstanding at the end of the fiscal year is referred to as "due to/from other funds". "Due to/from other funds" represent the current portion of inter-fund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

7. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied on October 1 become delinquent on February 1 of the following calendar year. Property tax revenues are recognized when they become available. The term "available" includes those taxes collected within sixty days of year-end.

The annual tax levy is recorded as a charge to taxes receivable and a credit to deferred revenues, after subtracting that portion estimated to be uncollectible. As taxes are collected monthly, the deferred revenue account is reduced and revenue from tax collections is recognized. Uncollectible taxes are recorded in such a manner so as to reflect the amount of taxes reasonably estimated to be uncollectible based on prior experience.

No real property taxes are written off as uncollectible. However, taxes delinquent prior to December 31, 1993, which have been forgiven by legislation, and those ruled uncollectible by court action because of the statute of limitation period are removed from the books.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are reflected at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on capital assets.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Water and Wastewater System	50 years
Vehicle and equipment	3-7 years

9. Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities column of the government-wide financial statements.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in long-term debt. No expenditure is reported for these amounts.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no accrual is recorded for compensated absences that are dependent on the performance of future services by employees or when payments are dependent on future events outside the control of the employer and employees. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

10. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

11. Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. 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. Examples of this classification are prepaid items and inventories.

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

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Commission. Committed amounts cannot be used for any other purpose unless the City Commission changes or lifts the constraint taking the same formal action that imposed the constraint originally.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Administrator.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, The City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Inter-fund Transactions

Inter-fund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions are reported as transfers.

13. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customers' deposits.

14. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could vary from those estimates.

15. Comparative Data

Comparative total data for the prior year has been presented in the individual fund financial statements included in the Other Supplementary Information Section.

16. Prior Year Reclassification

The financial statements for the fiscal year ended September 30, 2011, have been reclassified to conform with the presentation of the statements for the fiscal year ended September 30, 2012.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

As required by state law, the Mayor submits to the board of Aldermen the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the board of Aldermen. The original annual appropriated budgets are adopted by resolutions by the board of Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the board of Aldermen.

2. Net Asset Deficit

A deficit balance in unrestricted net assets/fund balance occurred in the following funds for the year ended September 30, 2012 by the indicated amounts:

HOME Contract 1001247	\$ (23)
TX Capital Grant 711162	\$(59,725)
TDRA Grant DRS 010151	\$ (2,523)

The General Fund will cover these deficits in future years.

NOTE C - DEPOSITS AND INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE C - DEPOSITS AND INVESTMENTS - Continued

It is the City's policy for deposits plus accrued interest thereon to be 100% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2012, the City's deposits were fully covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

Primary Government	Investment Maturities (in years)	
	<u>Fair Value</u>	<u>1 or Less</u>
Cash	\$1,451,059	\$1,451,059
Cash – restricted	<u>1,034,815</u>	<u>1,034,815</u>
	2,485,874	2,485,874
Investments		
Certificates of deposit	249,314	249,314
Certificates of deposit – restricted	<u>315,842</u>	<u>315,842</u>
Total investments	<u>565,156</u>	<u>565,156</u>
Total cash and investments	<u>\$3,051,030</u>	<u>\$3,051,030</u>

Component Unit	Investment Maturities (in years)	
	<u>Fair Value</u>	<u>1 or Less</u>
	<u>\$218,298</u>	<u>\$218,298</u>

A reconciliation of cash and investment follows:

	<u>Primary Government</u>			<u>Components Units</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
Cash	\$ 956,125	\$ 494,934	\$1,451,059	\$218,298
Cash – restricted	<u>736,289</u>	<u>298,526</u>	<u>1,034,815</u>	-
	1,692,414	793,460	2,485,874	218,298
Investments				
Certificates of deposit	-	249,314	249,314	-
Certificates of deposit – restricted	<u>315,842</u>	<u>-</u>	<u>315,842</u>	-
Total investments	<u>315,842</u>	<u>249,314</u>	<u>565,156</u>	-
Total cash and investments	<u>\$2,008,256</u>	<u>\$1,042,774</u>	<u>\$3,051,030</u>	<u>\$218,298</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not own any other investments.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE C - DEPOSITS AND INVESTMENTS - Continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not own any other investments.

Concentration of Credit Risk

The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.

Public Funds Investment Pools

The City had no funds in a public funds investment pool.

NOTE D - RECEIVABLES

Receivables at September 30, 2012 consist of the following:

	Primary Government		Non-Major and Other	Total
	General Fund	Water and Sewer Fund		
Receivables				
Taxes	\$100,400	\$ -	\$ 19,845	\$120,245
Accounts	30,558	80,586	-	111,144
Other	-	-	29,302	29,302
Gross receivables	130,958	80,586	49,147	260,691
Less allowance for uncollectibles	14,023	-	2,388	16,411
Total receivables, net	<u>\$116,936</u>	<u>\$ 80,586</u>	<u>\$ 46,759</u>	<u>\$244,281</u>

Property taxes are levied as of October 1 on property values assessed as of December 1 of the prior calendar year. The tax levy is billed on October 1 and mailed prior to the end of the month of October. The billings are considered due upon receipt by the taxpayer. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the Cameron County Tax Assessor and Collector. Assessed values are established by the County's appraisal district on December 31 of each year at 100 percent of assumed market value. All the billings and collections for these taxes are done by the Cameron County Tax Assessor and Collector on behalf of the City of Primera.

Delinquent property taxes receivable have been reported in the financial statements. It is the City's policy to record tax revenues and garbage as they become available for appropriation. Accordingly, an amount equal to the property taxes not received within 60 days after year end have been reported as deferred revenue in the funds.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 is as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reclassification</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 23,581	\$ 11,712	\$ -	\$ -	\$ 35,293
Construction in progress	<u>1,239,845</u>	<u>467,574</u>	<u>(37,646)</u>	-	<u>1,669,773</u>
	1,263,426	479,286	(37,646)	-	1,705,066
Capital assets, being depreciated:					
Buildings	818,101	-	-	-	818,101
Vehicles	177,324	36,609	-	-	213,933
Machinery and equipment	144,203	-	-	-	144,203
Infrastructure	<u>2,241,524</u>	-	<u>37,646</u>	-	<u>2,279,170</u>
	3,381,152	36,609	37,646	-	3,455,407
Less accumulated depreciation for:					
Buildings	(390,971)	(27,248)	-	-	(418,219)
Vehicles	(113,556)	(18,352)	-	-	(131,908)
Machinery and equipment	(99,398)	(14,942)	-	-	(114,340)
Infrastructure	<u>(794,290)</u>	<u>(56,858)</u>	-	-	<u>(851,148)</u>
Total accumulated depreciation	<u>(1,398,215)</u>	<u>(117,400)</u>	-	-	<u>(1,515,615)</u>
Total capital assets, being depreciated, net	<u>1,982,937</u>	<u>(80,791)</u>	<u>37,646</u>	-	<u>1,939,792</u>
Governmental activities, capital assets, net	<u>\$3,246,363</u>	<u>\$398,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,644,858</u>

Depreciation was charged to government functions at September 30, 2012 as follows:

General Government	\$ 6,094
Public Safety	16,700
Public Works	74,546
Culture and Recreation	<u>20,060</u>
Total depreciation - governmental activities	<u>\$117,400</u>

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE E - CAPITAL ASSETS - Continued

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and water rights	\$ 29,932	\$ -	\$ -	\$ 29,932
Construction in progress	<u>-</u>	<u>547,891</u>	<u>-</u>	<u>547,891</u>
	29,932	547,891	-	577,823
Capital assets, being depreciated:				
Buildings	103,930	-	-	103,930
Vehicles	30,265	-	-	30,265
Machinery and equipment	167,107	-	-	167,107
Infrastructure	<u>12,317,764</u>	<u>14,919</u>	<u>-</u>	<u>12,332,683</u>
	12,619,066	14,919	-	12,633,985
Less accumulated depreciation for:				
Buildings	(29,517)	(3,447)	-	(32,964)
Vehicles	(30,265)	-	-	(30,265)
Machinery and equipment	(107,655)	(11,470)	-	(119,125)
Infrastructure	<u>(2,227,545)</u>	<u>(260,334)</u>	<u>-</u>	<u>(2,487,879)</u>
Total accumulated depreciation	<u>(2,394,982)</u>	<u>(275,251)</u>	<u>-</u>	<u>(2,670,233)</u>
Total capital assets, being depreciated, net	<u>10,224,084</u>	<u>(260,332)</u>	<u>-</u>	<u>9,963,752</u>
Business-type activities, capital assets, net	<u>\$10,254,016</u>	<u>\$287,559</u>	<u>\$ -</u>	<u>\$10,541,575</u>

NOTE F - INTERFUND ASSETS/LIABILITIES

	<u>Receivable Fund</u>			
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
<u>Payable Fund</u>				
General	\$ -	\$ 2,032	\$ 11,756	\$ 13,788
Water and Sewer Fund	23,284	-	-	23,284
CPLP 10250 Fund	-	16,695	-	16,695
TX Capital Grant 711162	62,098	-	-	62,098
Other Funds	<u>14,967</u>	<u>2,500</u>	<u>-</u>	<u>17,467</u>
	<u>\$100,349</u>	<u>\$ 21,227</u>	<u>\$ 11,756</u>	<u>\$133,332</u>

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE G – PAYABLE FROM RESTRICTED ASSETS

Payables from restricted assets at September 30, 2012 consist of the following:

Customer deposits	\$75,791
-------------------	----------

NOTE H – DEFERRED REVENUE

	<u>2012</u>
	<u>Unavailable</u>
Governmental funds	
Delinquent property taxes receivable	\$102,983

NOTE I - LONG-TERM DEBT

1. Governmental Activities – Changes in long-term debt

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2012</u>	Due Within <u>One Year</u>
Series 2006 Combination Tax Revenue Certificates of Obligation	\$ 705,000	\$ -	\$ (30,000)	\$ 675,000	\$ 35,000
Series 2011 Combination Tax and Revenue Bonds	1,635,000	-	-	1,635,000	5,000
Capital lease payable	<u>35,638</u>	<u>-</u>	<u>(10,535)</u>	<u>25,103</u>	<u>11,019</u>
	2,375,638	-	(40,535)	2,335,103	51,019
 Net pension obligation	 1,890	 -	 -	 1,890	 -
Compensated absences	<u>8,662</u>	<u>12,363</u>	<u>(10,562)</u>	<u>10,463</u>	<u>5,000</u>
	<u>\$2,386,190</u>	<u>\$ 12,363</u>	<u>\$ (51,097)</u>	<u>\$2,347,456</u>	<u>\$ 56,019</u>

Long-term debt of the City consists of certificates of obligation, which constitute direct and general obligations payable from ad valorem taxes levied against all taxable property. The 2001 Series revenue certificates of obligation are further secured by a Junior lien on and pledge of the net revenues of the waterworks and sewer system. Proceeds of the Series 2001 bonds were used for making permanent public improvements and for other public purposes, to-wit: (1) constructing, repairing, renovating, extending and improving the City's utility system, (2) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized and purposes relating to utility system, and (3) the payment of professional services related to the construction and financing of the aforementioned projects. On October 1, 2006, the 2001 series was transferred to the water and sewer (enterprise fund) payable from net revenues of the sewer system.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE I - LONG-TERM DEBT - Continued

The 2006 Series certificates of obligation, which constitute direct and general obligations payable from ad valorem taxes levied against all taxable property, will be used to make street improvements or acquire equipment for various City departments or for other public works. The proceeds will also pay all or a portion of the legal, fiscal and engineering fees in connection with acquisition or improvements and to pay the costs of issuance related to the certificates of obligation.

In July 2011, the City refunded its \$378,000, Series 1996 Revenue C.O. bonds. The City issued \$365,000 in current interest bonds to provide resources to refund the City's outstanding indebtedness and cover costs of issuance. The current bonds mature in 2020 and interest rates vary from 2.72% to 4.43%. The City paid \$35,000 on these bonds, which left a balance of \$330,000.

In addition to the refunding bonds issued above, the City also issued in July 2011, Series 2011 Combination Tax & Revenue Certificates of Obligation for \$1,635,000 for the purpose of the Primera Road expansion project. The bond issuance costs were \$51,529. The bonds mature in 2031 and interest rates vary from 2.74% to 4.94%

Capital Lease Obligation

In September 2010, the City entered into a lease-purchase agreement with John Deere Credit for the purchase of a tractor and a rotary cutter. Lease payments are due annually beginning September 29, 2011.

In June 2010, the City entered into a lease-purchase agreement with Ally Bank for the purchase of a car. Lease payments are due annually beginning July 25, 2010.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the next minimum lease payments as of September 30, 2012:

	Governmental Activities		
	Tractor Lease	Car Lease	Total
Year ending September 30,			
2013	\$ 8,715	\$ 3,493	\$ 12,208
2014	8,708	3,493	12,201
2015	-	2,620	2,620
Total minimum lease payments	17,423	9,606	27,029
Less the amount representing interest	(1,235)	(691)	(1,926)
Present value of net minimum lease payments	\$ 16,188	\$ 8,915	\$ 25,103

Debt service requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Certificate of Obligation		Total Requirements
	Principal	Interest	
2013	\$ 40,000	\$ 96,234	\$ 136,234
2014	40,000	94,260	134,260
2015	40,000	92,267	132,267
2016	45,000	90,127	135,127
2017	45,000	87,841	132,841
2018-2022	425,000	395,257	820,257
2023-2027	840,000	257,406	1,097,406
2028-2031	835,000	78,652	913,652
	<u>\$2,310,000</u>	<u>\$1,192,044</u>	<u>\$3,502,044</u>

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE I - LONG-TERM DEBT – Continued

Business Type Activities

2. Enterprise Fund

The following is a summary of enterprise changes in long-term debt of the City for the year ended September 30:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due Within One Year
Waterworks and Sewer System					
Waterworks revenue bonds	\$100,000	\$ -	\$ (12,000)	\$ 88,000	\$ 13,000
2011 Refunding Bonds	365,000	-	(35,000)	330,000	35,000
Notes payable - Texas Water Development Board (TWDB)	51,230	-	-	51,230	-
	516,230	-	(47,000)	469,230	48,000
Compensated absences	4,386	6,765	(7,118)	4,033	3,500
Total long-term debt	\$520,616	\$ 6,765	\$ (54,118)	\$473,263	\$ 51,500

Debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30,	Certificate of Obligation		Revenue Bonds		Notes Payable		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 35,000	\$ 11,888	\$ 13,000	\$ 4,400	\$ -	\$ 512	\$ 64,800
2014	35,000	10,936	14,000	3,750	-	512	64,198
2015	40,000	9,928	14,000	3,050	-	512	67,490
2016	40,000	8,664	15,000	2,350	-	512	66,526
2017	40,000	7,292	16,000	1,600	-	512	65,404
2018-2022	140,000	12,108	16,000	8,000	-	2,561	178,669
2023-2026	-	-	-	-	51,230	1,538	52,768
	<u>\$330,000</u>	<u>\$ 60,816</u>	<u>\$ 88,000</u>	<u>\$ 23,150</u>	<u>\$ 51,230</u>	<u>\$ 6,659</u>	<u>\$559,855</u>

NOTE J - RISK MANAGEMENT

The City of Primera, Texas is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the City is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE K – PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2012</u>	<u>Plan Year 2011</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5,0/25	60/5,0/25
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

Annual Required Contribution (ARC)	\$ 5,208
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	5,208
Contributions made	<u>(5,208)</u>
Increase (decrease) in net pension obligation	-
Net pension obligation/(asset), beginning of year	<u>1,890</u>
Net pension obligation/(asset), end of year	<u>\$ 1,890</u>

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE K – PENSION PLAN - Continued

Three year trend information is as follows:

City's Annual Pension Cost (APC)	
2010	\$10,994
2011	13,167
2012	5,208
Percentage of APC Contributed	
2010	100%
2011	100%
2012	100%
Net Pension Obligation	
2010	\$ 1,890
2011	1,890
2012	1,890

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

<u>Valuation Date</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
	Projected	Projected	Projected
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	23 years; closed period	25 years; closed period	25.1 years; closed period
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market

Actuarial Assumptions:

Investment rate of return*	7.5%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at 3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u> (1)	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Excess/</u> <u>(Unfunded)</u> <u>AAL</u> <u>(UAAL)</u> (4)	<u>Covered</u> <u>Payroll</u> (5)	<u>UAAL as a</u> <u>Percentage</u> <u>of</u> <u>Covered</u> <u>Payroll</u> (6)
			(1)/(2)	(1)-(2)		(4)/(5)
12/31/2009	\$287,962	\$265,522	108.5%	\$22,440	\$366,491	6.1%
12/31/2010	\$334,046	\$264,943	126.1%	\$69,103	\$389,933	17.7%
12/31/2011	\$384,057	\$305,759	125.6%	\$78,298	\$412,386	19.0%

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE K – PENSION PLAN - Continued

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE L - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$ -0- which equaled the required contributions each year.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE M - WATER SERVICE RATES

The City of Primera has established the following water rates based on the rate order dated April 2, 2001:

	<u>Within the City</u>	<u>Outside the City</u>
Minimum charge for up to 2,000 gallons	\$13.00	\$14.80
2,000 to 10,000 gallons	\$2.60 per 1000	\$2.99 per 1000
Above 10,000 gallons	\$3.15 per 1000	\$3.62 per 1000
Water:		
3/4" water meter tap fee	\$1,100.00	\$1,525.00
1" water meter tap fee	\$1,325.00	\$1,600.00
Sewer:		
Sewer tap fee	\$ 450.00	\$ 600.00
Sewer impact fee	\$ 200.00	\$ 200.00

NOTE N - CONTINGENT LIABILITIES

The City received a substantial portion of its financial resources in the form of federal grants. Expenditure of such funds generally requires compliance with terms and conditions specified in the grant agreement. These funds are also subject to audit by the grantor agency. Any disallowed costs resulting from such audit could become the responsibility of the City and repayment could be requested from nonfederal resources.

From time to time, the City is involved in litigation claims against it that are generally incidental to its operations. It is the opinion of the City's attorney and management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingent liabilities.

City of Primera, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2012

NOTE O – FUND BALANCES

Restricted – External parties have restricted these funds to be used for their intended purpose.

Unassigned – The unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>TX Capital Grant 711162</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance (deficit)				
Restricted for:				
Primera Road project	\$ 629,025	\$ -	\$ -	\$ 629,025
Debt Service	-	-	18,526	18,526
Tech fee fund	-	-	4,082	4,082
Infrastructure	-	-	105	105
Unassigned	<u>1,374,284</u>	<u>(59,725)</u>	<u>(2,546)</u>	<u>1,312,013</u>
	<u>\$2,003,309</u>	<u>\$ (59,725)</u>	<u>\$ 20,167</u>	<u>\$1,963,751</u>

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

City of Primera, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the year ended September 30, 2012

	Budget			Variance with Final Budget- Positive/ (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 517,185	\$ 517,185	\$ 515,705	\$ (1,480)
Charges for services	85,950	85,950	92,093	6,143
Licenses and permits	14,500	14,500	13,942	(558)
Fines and forfeits	113,916	118,461	74,224	(44,237)
Franchise fees	62,000	62,000	73,364	11,364
Intergovernmental	-	10,000	10,000	-
Sales tax	69,500	69,500	92,312	22,812
Trash and brush	225,000	225,000	251,397	26,397
Other revenues	19,304	19,304	13,082	(6,222)
Interest income	7,000	7,000	3,769	(3,231)
Total revenues	1,114,355	1,128,900	1,139,888	10,988
Expenditures				
Current				
General government	375,379	396,028	341,753	54,275
Public safety	359,222	407,724	378,145	29,579
Public works	255,839	236,058	212,962	23,096
Health and welfare	87,333	87,733	82,973	4,760
Capital outlay	1,832,000	3,391,900	119,296	3,272,604
Total expenditures	2,909,773	4,519,443	1,135,129	3,384,314
Excess (deficiency) of revenues over (under) expenditures	(1,795,418)	(3,390,543)	4,759	3,395,302
Other financing sources (uses)				
Transfers out	-	-	(1,347)	(1,347)
Total other financing sources (uses)	-	-	(1,347)	(1,347)
Net change in fund balance	\$ (1,795,418)	\$ (3,390,543)	3,412	\$ 3,393,955
Fund balance, beginning of year			1,999,897	
Fund balance, end of year			\$ 2,003,309	

City of Primera, Texas
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
September 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Excess of Assets Over/ Unfunded (AAL)	Covered Payroll	Excess/ Unfunded AAL as Percentage of Covered Payroll
12/31/02	\$ 92,857	\$120,035	77.4%	\$(27,178)	\$254,465	(10.7%)
12/31/03	122,496	159,116	76.9%	(36,620)	256,418	(14.3%)
12/31/04	152,528	190,893	79.9%	(38,365)	294,050	(13.7%)
12/31/05	174,109	206,033	84.5%	(31,924)	272,609	(11.7%)
12/31/06	191,661	203,157	94.3%	(11,496)	304,673	(3.8%)
12/31/07	220,838	205,291	107.6%	15,547	319,440	4.9%
12/31/08	257,205	241,925	106.3%	15,280	343,269	4.5%
12/31/09	287,962	265,522	108.5%	22,440	366,491	6.1%
12/31/10	334,046	264,943	126.1%	69,103	389,933	17.7%
12/31/11	384,057	305,759	125.6%	78,298	412,386	19.0%

City of Primera, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2012

Stewardship, compliance, and accountability

Budgetary information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and some major Special Revenue Funds. All annual appropriations lapse at fiscal year end.

As required by state law, the Mayor submits to the board of Aldermen the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the board of Aldermen. The original annual appropriated budgets are adopted by resolutions by the board of Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the board of Aldermen.

Net Asset Deficit

A deficit balance in unrestricted net assets/fund balance occurred in the following funds for the year ended September 30, 2012 by the indicated amounts:

HOME Contract 1001247	\$ (23)
TX Capital Grant 711162	\$(59,725)
TDRA Grant DRS 010151	\$ (2,523)

The General Fund will cover these deficits in future years.

(This page intentionally left blank)

OTHER SUPPLEMENTARY INFORMATION

City of Primavera, Texas
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2012

	Special Revenue Funds						Total Non Major Governmental Funds
	CWTAP Grant G0680	HOME Contract 1001247	Tech Fee Fund	TX CDBG Grant 727389	TX CDBG Grant 729510	TDRA Grant DRS010151	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 4,074	\$ 2,605	\$ -	\$ 2,220	\$ 25,616
Receivables, net	-	-	-	-	-	-	17,457
Property taxes, net of allowance	-	-	1,194	-	-	-	11,756
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 5,268	\$ 2,605	\$ -	\$ 2,220	\$ 54,829
LIABILITIES AND FUND BALANCE							
Liabilities							
Due to other funds	\$ -	\$ 23	\$ 1,186	\$ 2,500	\$ -	\$ 4,743	\$ 17,467
Deferred revenues	-	-	-	-	-	-	17,195
Total liabilities	-	23	1,186	2,500	-	4,743	34,662
Fund balance							
Restricted for:							
Debt service	-	-	-	-	-	-	18,526
Federal and state programs	-	-	4,082	105	-	-	4,187
Unassigned special revenue funds	-	(23)	-	-	-	(2,523)	(2,546)
Total fund balance	-	(23)	4,082	105	-	(2,523)	20,167
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ 5,268	\$ 2,605	\$ -	\$ 2,220	\$ 54,829

City of Primavera, Texas
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the year ended September 30, 2012

	CWTAP Grant G0680	HOME Contract 1001247	Special Revenue Funds				TX CDBG Grant 727389	TX CDBG Grant 729510	TIDRA Grant DRS010151	Total	Debt Service Fund	Total Non Major Governmental Funds
Revenues												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,761	\$ 131,761
Fines and forfeits	-	-	2,694	-	-	-	-	-	-	2,694	-	2,694
Intergovernmental	-	20,800	-	-	-	-	-	-	-	20,800	-	20,800
Interest income	-	-	-	6	-	-	-	-	-	6	9	15
Total revenues	-	20,800	2,694	6	-	-	-	-	-	23,500	131,770	155,270
Expenditures												
Current												
General government	-	20,823	-	-	-	-	-	-	-	20,823	2,902	23,725
Public works	-	-	1,186	-	-	-	-	-	-	1,186	-	1,186
Debt service	-	-	-	-	-	-	-	-	-	-	40,535	40,535
Principal	-	-	-	-	-	-	-	-	-	-	70,953	70,953
Interest	-	-	-	-	-	-	-	-	-	-	114,390	114,390
Total expenditures	-	20,823	1,186	-	-	-	-	-	-	22,009	-	136,399
Excess (deficiency) of revenues over (under) expenditures	-	(23)	1,508	6	-	-	-	-	-	1,491	17,380	18,871
Other financing sources (uses)												
Transfers in	900	-	-	-	-	-	-	447	-	1,347	-	1,347
Total other financing sources (uses)	900	-	-	-	-	-	-	447	-	1,347	-	1,347
Net change in fund balance	900	(23)	1,508	6	-	-	-	447	-	2,838	17,380	20,218
Fund balance, beginning of year	(900)	-	2,574	99	-	-	(2,523)	(447)	-	(1,197)	1,146	(51)
Fund balance, end of year	\$ -	\$ (23)	\$ 4,082	\$ 105	\$ -	\$ -	\$ (2,523)	\$ -	\$ (2,523)	\$ 1,641	\$ 18,526	\$ 20,167

City of Primera, Texas
GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,664,425	\$ 1,409,212
Investments	315,842	625,001
Receivables, net		
Property taxes, net of allowance	86,377	89,706
Trash and brush service	30,559	25,841
Due from other funds	<u>100,349</u>	<u>89,468</u>
 TOTAL ASSETS	 <u>\$ 2,197,552</u>	 <u>\$ 2,239,228</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 91,046	\$ 147,501
Due to other funds	13,788	4,213
Due to component unit	3,401	-
Customer deposits	220	220
Deferred revenues	<u>85,788</u>	<u>87,397</u>
Total liabilities	194,243	239,331
 Fund balance		
Restricted for:		
Primera Road project	629,025	700,000
Committed for:		
Drainage improvements	-	295,308
Unassigned	<u>1,374,284</u>	<u>1,004,589</u>
Total fund balance	<u>2,003,309</u>	<u>1,999,897</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,197,552</u>	 <u>\$ 2,239,228</u>

City of Primera, Texas
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	2012	2011
Revenues		
Property taxes	\$ 515,705	\$ 524,828
Charges for services	92,093	90,233
Licenses and permits	13,942	14,137
Fines and forfeits	74,224	57,441
Franchise fees	73,364	60,929
Intergovernmental	10,000	-
Sales tax	92,312	66,668
Trash and brush	251,397	241,152
Other revenues	13,082	19,734
Interest income	3,769	8,412
Total revenues	<u>1,139,888</u>	<u>1,083,534</u>
Expenditures		
Current		
General government	341,753	362,589
Public safety	378,145	317,221
Public works	212,962	216,303
Health and welfare	82,973	108,867
Capital outlay	119,296	939,668
Debt service		
Bond issuance costs	-	51,530
Interest	-	21,806
Total expenditures	<u>1,135,129</u>	<u>2,017,984</u>
Excess (deficiency) of revenues over (under) expenditures	4,759	(934,450)
Other financing sources (uses)		
Bond proceeds	-	1,635,000
Transfers out	(1,347)	-
Total other financing sources (uses)	<u>(1,347)</u>	<u>1,635,000</u>
Net change in fund balance	3,412	700,550
Fund balance, beginning of year	<u>1,999,897</u>	<u>1,299,347</u>
Fund balance, end of year	<u>\$2,003,309</u>	<u>\$1,999,897</u>

City of Primera, Texas
TX CDBG GRANT 727389 FUND
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		\$ 2,605	\$ 2,599
Receivables, net			
Grants receivable		-	-
 TOTAL ASSETS		<u>\$ 2,605</u>	<u>\$ 2,599</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ 2,500	\$ 2,500
Total liabilities		2,500	2,500
 Fund balance			
Restricted for federal and state programs		105	99
 TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 2,605</u>	<u>\$ 2,599</u>

City of Primera, Texas
TX CDBG GRANT 727389 FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ -	\$ 2,580
Interest income	<u> 6</u>	<u> 21</u>
Total revenues	6	2,601
Expenditures		
Capital outlay	<u> -</u>	<u> 2,580</u>
Total expenditures	<u> -</u>	<u> 2,580</u>
Net change in fund balance	6	21
Fund balance, beginning of year	<u> 99</u>	<u> 78</u>
Fund balance, end of year	<u><u> 105</u></u>	<u><u> 99</u></u>

City of Primera, Texas
TX CAPITAL 711162 FUND
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		\$ 2,373	\$ -
TOTAL ASSETS		<u>\$ 2,373</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ 62,098	\$ -
Total liabilities		62,098	-
Fund balance			
Unassigned		<u>(59,725)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 2,373</u>	<u>\$ -</u>

City of Primera, Texas
TX CAPITAL 711162 FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 337,001	\$ -
Expenditures		
Current		
Public works	128	-
Capital outlay	<u>396,598</u>	<u>-</u>
Total expenditures	<u>396,726</u>	<u>-</u>
Net change in fund balance	(59,725)	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (59,725)</u>	<u>\$ -</u>

City of Primera, Texas
CWTAP GRANT G0680 FUND
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Receivables, net			
Grants receivable		\$ -	\$ -
 TOTAL ASSETS		<u>\$ -</u>	<u>\$ -</u>
	LIABILITIES AND FUND BALANCE		
Liabilities			
Accounts payable		\$ -	\$ 900
Fund balance			
Unassigned		-	(900)
 TOTAL LIABILITIES AND FUND BALANCE		<u>\$ -</u>	<u>\$ -</u>

City of Primera, Texas
CWTAP GRANT G0680 FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Interest income	\$ -	\$ -
Expenditures		
Current		
Public works	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)		
Transfers in	<u>900</u>	<u>-</u>
Total other financing sources (uses)	<u>900</u>	<u>-</u>
Net change in fund balance	900	-
Fund balance, beginning of year	<u>(900)</u>	<u>(900)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (900)</u>

City of Primera, Texas
HOME CONTRACT 1001247
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Receivables, net			
Grants receivable		\$ -	\$ -
TOTAL ASSETS		<u>\$ -</u>	<u>\$ -</u>
	LIABILITIES AND FUND BALANCE		
Liabilities			
Due to other funds		\$ 23	\$ -
Total liabilities		23	-
Fund balance			
Unassigned		(23)	-
TOTAL LIABILITIES			
AND FUND BALANCE		<u>\$ -</u>	<u>\$ -</u>

City of Primera, Texas
HOME CONTRACT 1001247
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ 20,800	\$ -
Total revenues	20,800	-
Expenditures		
Current		
General government	<u>20,823</u>	<u>-</u>
Net change in fund balance	(23)	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (23)</u>	<u>\$ -</u>

City of Primera, Texas
TECHNOLOGY FEE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS		<u>2012</u>	<u>2011</u>
Cash and cash equivalents		\$ 4,074	\$ 3,595
Due from other funds		<u>1,194</u>	<u>3,092</u>
 TOTAL ASSETS		 <u>\$ 5,268</u>	 <u>\$ 6,687</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ 1,186	\$ 4,113
Fund balance			
Restricted for federal and state programs		<u>4,082</u>	<u>2,574</u>
 TOTAL LIABILITIES AND FUND BALANCE		 <u>\$ 5,268</u>	 <u>\$ 6,687</u>

City of Primera, Texas
TECHNOLOGY FEE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Fines and forfeits	\$ 2,694	\$ 2,912
Interest income	<u>-</u>	<u>2</u>
Total revenues	2,694	2,914
Expenditures		
Current		
Public works	<u>1,186</u>	<u>1,164</u>
Total expenditures	<u>1,186</u>	<u>1,164</u>
Net change in fund balance	1,508	1,750
Fund balance, beginning of year	<u>2,574</u>	<u>824</u>
Fund balance, end of year	<u>\$ 4,082</u>	<u>\$ 2,574</u>

City of Primera, Texas
TX CDBG GRANT 729510 FUND
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		\$ -	\$ 2,033
Due from other funds		<u>-</u>	<u>20</u>
 TOTAL ASSETS		 <u>\$ -</u>	 <u>\$ 2,053</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ -	\$ 2,500
Fund balance			
Unassigned		<u>-</u>	<u>(447)</u>
 TOTAL LIABILITIES AND FUND BALANCE		 <u>\$ -</u>	 <u>\$ 2,053</u>

City of Primera, Texas
TX CDBG GRANT 729510 FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ -	\$ 317,879
Expenditures		
Current		
Public works	-	167
Capital outlay	<u>-</u>	<u>317,879</u>
Total expenditures	<u>-</u>	<u>318,046</u>
Excess (deficiency) of revenues over (under) expenditures	-	(167)
Other financing sources (uses)		
Transfers in	<u>447</u>	<u>-</u>
Total other financing sources (uses)	<u>447</u>	<u>-</u>
Net change in fund balance	447	(167)
Fund balance, beginning of year	<u>(447)</u>	<u>(280)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (447)</u>

City of Primera, Texas
TDRA DRS010151 GRANT FUND
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		<u>\$ 2,220</u>	<u>\$ 2,220</u>
TOTAL ASSETS		<u>\$ 2,220</u>	<u>\$ 2,220</u>
	LIABILITIES AND FUND BALANCE		
Liabilities			
Due to other funds		\$ 4,743	\$ 4,743
Fund balance			
Unassigned		<u>(2,523)</u>	<u>(2,523)</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 2,220</u>	<u>\$ 2,220</u>

City of Primera, Texas
TDRA DRS010151 GRANT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$ -	\$ 74,317
Expenditures		
Current		
Capital outlay	<u> -</u>	<u> 76,560</u>
Net change in fund balance	-	(2,243)
Fund balance, beginning of year	<u> (2,523)</u>	<u> (280)</u>
Fund balance, end of year	<u>\$ (2,523)</u>	<u>\$ (2,523)</u>

City of Primera, Texas
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
September 30,

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 16,717	\$ 8,595
Receivables, net		
Property taxes, net of allowance	17,457	16,128
Due from other funds	<u>10,562</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 44,736</u>	 <u>\$ 24,723</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 9,015	\$ 7,822
Deferred revenues	<u>17,195</u>	<u>15,755</u>
Total liabilities	26,210	23,577
 Fund balance		
Restricted for debt service	<u>18,526</u>	<u>1,146</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 44,736</u>	 <u>\$ 24,723</u>