

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

	<u>2012</u>	<u>2011</u>
Revenues		
Property taxes	\$ 131,761	\$ 74,811
Interest income	<u>9</u>	<u>8</u>
Total revenues	131,770	74,819
Expenditures		
Current		
General government	2,902	1,656
Debt service		
Principal	40,535	40,290
Interest	<u>70,953</u>	<u>40,781</u>
Total expenditures	<u>114,390</u>	<u>82,727</u>
Net change in fund balance	17,380	(7,908)
Fund balance, beginning of year	<u>1,146</u>	<u>9,054</u>
Fund balance, end of year	<u>\$ 18,526</u>	<u>\$ 1,146</u>

City of Primera, Texas
WATER AND SEWER FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 439,257	\$ 409,212
Cash and cash equivalents - restricted	298,526	591,680
Investments	249,314	247,272
Receivables		
Services receivable	80,586	76,737
Other	18,148	-
Due from other funds	21,227	19,784
Total current assets	<u>1,107,058</u>	<u>1,344,685</u>
Noncurrent assets		
Water and drainage facilities, net of accumulated depreciation	<u>10,541,575</u>	<u>10,254,016</u>
 TOTAL ASSETS	 <u>\$ 11,648,633</u>	 <u>\$ 11,598,701</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 153,446	\$ 28,358
Interest payable	6,237	3,013
Due to other funds	23,284	31,919
Current portion - noncurrent liabilities	51,500	50,500
Total current liabilities	<u>234,467</u>	<u>113,790</u>
Payable from restricted assets		
Customer deposits	75,791	70,980
Accrued interest on revenue bonds	7,153	3,075
Total payable from restricted assets	<u>82,944</u>	<u>74,055</u>
Noncurrent liabilities		
Bonds payable	418,000	465,000
Compensated absences	4,033	4,386
Current portion - noncurrent liabilities	(51,500)	(50,500)
Total noncurrent liabilities	<u>370,533</u>	<u>418,886</u>
 Total liabilities	 687,944	 606,731
Net Assets		
Invested in capital assets net of related debt	10,123,575	9,789,016
Restricted	298,526	591,680
Unrestricted	538,588	611,274
Total net assets	<u>10,960,689</u>	<u>10,991,970</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,648,633</u>	 <u>\$ 11,598,701</u>

City of Primera, Texas
WATER AND SEWER FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Operating revenues		
Water use charges	\$ 500,906	\$ 476,924
Sewer use charges	341,008	333,827
Meter and tap fees, late charges	32,742	32,892
Renter deposits	<u>15,363</u>	<u>8,730</u>
Total operating revenues	890,019	852,373
Cost of sales		
Water purchases	217,794	237,282
Sewer purchase	<u>107,535</u>	<u>109,381</u>
Total cost of sales	<u>325,329</u>	<u>346,663</u>
Gross profit	564,690	505,710
Operating expenses		
Office expenses	11,897	10,109
Supplies	21,220	15,005
Equipment rental	1,700	4,358
Travel	343	946
Utilities and telephone	10,347	11,732
Gas and parts expense	4,412	12,358
Salary - water	108,571	110,964
Salary - sewer	52,814	47,672
Insurance	28,696	31,825
Payroll tax and TMRS expense	5,330	3,825
Professional fees	2,386	2,863
Miscellaneous	1,950	26,507
Sewer - expenses	73,372	87,891
Depreciation	<u>275,251</u>	<u>275,752</u>
Total operating expenses	<u>598,289</u>	<u>641,807</u>
Operating income (loss)	(33,599)	(136,097)
Nonoperating revenues (expenses)		
Other revenues	18,898	11,973
Interest earned	5,217	8,603
Interest expense	<u>(21,797)</u>	<u>(32,131)</u>
Total nonoperating revenues (under) expenses	<u>2,318</u>	<u>(11,555)</u>
CHANGE IN NET ASSETS	(31,281)	(147,652)
Net assets, beginning of year	<u>10,991,970</u>	<u>11,139,622</u>
Net assets, end of year	<u>\$ 10,960,689</u>	<u>\$ 10,991,970</u>

City of Primera, Texas
WATER AND SEWER FUND
ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from customers	\$ 868,022	\$ 849,223
Cash paid to suppliers	(349,262)	(551,246)
Cash paid to employees	<u>(167,068)</u>	<u>(162,948)</u>
Net cash provided by operating activities	351,692	135,029
Cash flows from (to) noncapital financing activities		
(Increase) decrease in due from other funds	(1,443)	23,811
Increase (decrease) in due to other funds	<u>(8,635)</u>	<u>25,742</u>
Net cash provided (used) by noncapital financing activities	(10,078)	49,553
Cash flows from (to) capital and related financing activities		
Equipment purchases	(562,810)	(69,280)
Customers' deposits	4,811	4,165
Principal paid on long-term debt	(47,000)	(25,000)
Interest paid	(21,797)	(32,131)
Other nonoperating income	<u>18,898</u>	<u>11,973</u>
Net cash provided (used) by capital and related financing activities	(607,898)	(110,273)
Cash flows from investing activities		
Interest income received	5,217	8,603
(Purchases) dispositions of investments	<u>(2,042)</u>	<u>66,849</u>
Net cash provided (used) by investing activities	3,175	75,452
Net increase in cash and cash equivalents	(263,109)	149,761
Cash and cash equivalents, beginning of year	<u>1,000,892</u>	<u>851,131</u>
Cash and cash equivalents, end of year	<u>\$ 737,783</u>	<u>\$ 1,000,892</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (33,599)	\$ (136,097)
Adjustments to reconcile operating income from operations to net cash from operating activities:		
Depreciation	275,251	275,752
(Increase) decrease in water and sewer receivable	(3,849)	(3,150)
(Increase) decrease in other receivable	(18,148)	-
Increase (decrease) in accounts payable and accrued expenses	125,088	1,415
Increase (decrease) in accrued interest	7,302	(2,404)
Increase (decrease) in compensated absences	<u>(353)</u>	<u>(487)</u>
Total adjustments	<u>385,291</u>	<u>271,126</u>
Net cash provided (used) by operating activities	<u>\$ 351,692</u>	<u>\$ 135,029</u>

City of Primera, Texas
CPLP 10250 FUND
ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
September 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,677	\$ 52,897
Receivables		
Other	<u>11,154</u>	<u>13,853</u>
 TOTAL ASSETS	 <u>\$ 66,831</u>	 <u>\$ 66,750</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to other funds	\$ 16,695	\$ 16,183
Noncurrent liabilities		
Notes payable	<u>51,230</u>	<u>51,230</u>
 Total liabilities	 67,925	 67,413
Net Assets		
Unrestricted	<u>(1,094)</u>	<u>(663)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 66,831</u>	 <u>\$ 66,750</u>

City of Primera, Texas
CPLP 10250 FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ -	\$ -
Operating expenses		
Miscellaneous	<u>-</u>	<u>-</u>
Operating income (loss)	-	-
Nonoperating revenues (expenses)		
Other revenues	81	114
Interest expense	<u>(512)</u>	<u>(512)</u>
Total nonoperating revenues (under) expenses	<u>(431)</u>	<u>(398)</u>
CHANGE IN NET ASSETS	(431)	(398)
Net assets, beginning of year	<u>(663)</u>	<u>(265)</u>
Net assets, end of year	<u><u>\$ (1,094)</u></u>	<u><u>\$ (663)</u></u>

City of Primera, Texas
CPLP 10250 FUND
ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,699	\$ 8,374
Net cash provided by operating activities	2,699	8,374
Cash flows from (to) noncapital financing activities		
Increase (decrease) in due to other funds	<u>512</u>	<u>512</u>
Net cash provided (used) by noncapital financing activities	512	512
Cash flows from (to) capital and related financing activities		
Interest paid	(512)	(512)
Other nonoperating income	<u>81</u>	<u>114</u>
Net cash provided (used) by capital and related financing activities	(431)	(398)
Cash flows from investing activities		
Interest income received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	-	-
Net increase in cash and cash equivalents	2,780	8,488
Cash and cash equivalents, beginning of year	<u>52,897</u>	<u>44,409</u>
Cash and cash equivalents, end of year	<u>\$ 55,677</u>	<u>\$ 52,897</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ -	\$ -
Adjustments to reconcile operating income from operations to net cash from operating activities:		
(Increase) decrease in other receivable	<u>2,699</u>	<u>8,374</u>
Net cash provided (used) by operating activities	<u>\$ 2,699</u>	<u>\$ 8,374</u>
<i>Supplemental schedule of noncash activities</i>		
Capital contributions	<u>\$ -</u>	<u>\$ -</u>

City of Primera, Texas
ECONOMIC DEVELOPMENT CORPORATION
COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
September 30,

	ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		\$ 218,298	\$ 204,521
Due from primary government		<u>3,401</u>	<u>-</u>
 TOTAL ASSETS		 <u>\$ 221,699</u>	 <u>\$ 204,521</u>
 LIABILITIES AND FUND BALANCE			
Liabilities		\$ -	\$ -
Fund balance			
Unrestricted		<u>221,699</u>	<u>204,521</u>
 TOTAL LIABILITIES AND FUND BALANCE		 <u>\$ 221,699</u>	 <u>\$ 204,521</u>

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>2012</u>	<u>2011</u>
Revenues		
Sales tax	\$ 42,783	\$ 36,980
Interest income	<u>567</u>	<u>1,056</u>
Total revenues	43,350	38,036
Expenditures		
Current		
General government	<u>26,172</u>	<u>7,450</u>
Net change in fund balance	17,178	30,586
Fund balance, beginning of year	<u>204,521</u>	<u>173,935</u>
Fund balance, end of year	<u>\$ 221,699</u>	<u>\$ 204,521</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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 19, 2013. 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 responses that we consider to be significant deficiencies in internal control over financial reporting as 12-1 and 12-2. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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/Alderwoman, 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 19, 2013

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City of Primera, Texas
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
* Material weakness(es) identified?	_____ yes	___ <u>X</u> ___ no
* Significant deficiencies identified that are not considered to be material weaknesses?	___ <u>X</u> ___ yes	_____ no
Noncompliance material to financial statements noted?	_____ yes	___ <u>X</u> ___ no

City of Primera, Texas
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
For the Year Ended September 30, 2012

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

A. Significant Deficiencies in Internal Control

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Schedule Reference Number: (12-1)	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 several City accounts that were incorrectly stated and required significant adjustments.
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: (12-2)	Cash Disbursements: Sequential, Numerical Check Control
Criteria:	Cash disbursements control procedures should be designed to be able to provide reasonable assurance that no unauthorized payments are made and payments are accurately recorded.
Condition Found:	During the audit, we noted checks that were written out of sequence and several instances where check numbers included in the check register did not agree to the actual check numbers.
Questioned Costs/Basis:	None

City of Primera, Texas
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
For the Year Ended September 30, 2012

PROGRAM

DESCRIPTION

Schedule Reference Number: (12-2)

**Cash Disbursements: Sequential, Numerical Check
Control - Continued**

Context:

During our audit testing of the emergency reserves cash account, we noted a block of checks that were unused and skipped by accident. In addition, during our audit testing of the Primera EDC cash account and the city tax cash account, we noted several instances where the check register check number did not agree to the actual check number.

Effect:

This represents a weakness in the system of controls over cash disbursements because it can be virtually impossible to be certain all checks are accounted for at any given point in time.

Recommendation:

We recommend that strict numerical control be kept over all checks issued and that checks be issued in sequence at all times.

City of Primera, Texas
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2012

Reference Number: 11-1, 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, 2012, the City made improvements, but significant adjusting entries were still required.

Reference Number: 11-2, Expenditures in Excess of Budget Appropriations

Finding: The City's budget had been exceeded on a functional level.

Current Status: As of September 30, 2012, the City's budget had not been exceeded on a functional level.

City of Primera, Texas
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2012

Reference Number 12-1, Monitoring of City Financial Records

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 12-2, Cash Disbursements: Sequential, Numerical Check Control

Finding: *The City's cash accounts had checks written out of sequence and check register check numbers that didn't agree to actual checks.*

Corrective Action Plan: *The City plans on keeping strict numerical control over all checks issued and issued in sequence at all times.*

