B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of this $(1,611,414) difference are as follows:

Capital outlay	$ 1,432,406
Capital asset retirements	(769,903)
Depreciation expense	(2,273,917)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(1,611,414)

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $4,576,403 difference are as follows:

Property taxes	$ 41,198
Adjudicated fines	127,649
TxDOT grants	4,418,000
Other	(10,444)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 4,576,403

Another element of that reconciliation states, "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $(38,847,733) difference are as follows:

Principal repayments	$ 2,555,000
Interest payable	(276,016)
Limited tax notes proceeds	(38,472,490)
Bond discount/premium	(2,033,861)
Deferred charges	(72,825)
Compensated absences	(58,522)
OPEB obligation	(489,019)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(38,847,733)