

**REPORT OF**  
**CITY OF BULLARD**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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Independent Auditor=s Report

To The City Council  
City of Bullard, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discrete component unit, and aggregate remaining fund information of the City of Bullard, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City=s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bullard, Texas= management. My responsibility is to express opinions on these financial statements based on my audit.

I have conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities , the discretely presented component unit, and the aggregate remaining fund information of the City of Bullard, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2013, on my consideration of the City of Bullard, Texas, internal control over financial reporting on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that management=s discussion and analysis and budgetary comparison information on pages 5 thru 8 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to my inquires, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Hugh L. Goodpasture, P.C.  
Jacksonville, TX  
September 6, 2013

**CITY OF BULLARD, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2012**

As management of the City of Bullard, Texas, we offer readers the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012.

**FINANCIAL HIGHLIGHTS**

- X The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,724,771 (net assets). This amount may be used to meet the government's ongoing obligations to citizens and creditors.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

Because the focus of the governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term effects of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The City maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type funds to account for its utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government=s financial position. In the case of the City of Bullard, Texas, assets exceeded liabilities by \$4,724,771 (net assets) at the close of the most recent fiscal year.

One of the largest portions of the City=s net assets reflects its investment in capital assets (e.g., land, building, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City=s investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table I  
CITY OF BULLARD  
CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 698,193	\$ 1,135,859	\$ 2,326,571	\$ 3,262,167	\$ 3,024,764	\$ 4,398,026
Capital assets	368,751	374,295	6,293,240	5,826,761	6,661,991	6,201,056
Total assets	<u>1,066,944</u>	<u>1,510,154</u>	<u>8,619,811</u>	<u>9,088,927</u>	<u>9,686,755</u>	<u>10,599,081</u>
Long-term debt outstanding	81,771	112,053	4,326,174	4,969,509	4,407,945	5,081,562
Other liabilities	127,976	265,557	426,063	602,631	554,039	868,188
Total liabilities	<u>209,747</u>	<u>377,610</u>	<u>4,752,237</u>	<u>5,572,140</u>	<u>4,961,984</u>	<u>5,949,750</u>
Net assets:						
Invested in capital assets, net of debt	376,735	262,242	1,333,289	3,516,787	1,710,024	3,779,029
Restricted	106,325	69,607	-	-	106,325	69,607
Restricted	-	40,646	15,647	-	15,647	40,646
Special Revenues	13,707	-	-	-	13,707	-
Unrestricted (deficit)	360,430	760,049	2,518,638	-	2,879,068	760,049
Total net assets	<u>\$ 857,197</u>	<u>\$ 1,132,544</u>	<u>\$ 3,867,574</u>	<u>\$ 3,516,787</u>	<u>4,724,771</u>	<u>\$ 4,649,331</u>

Table II  
CITY OF BULLARD  
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2012	2011	2011	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 307,545	\$ 391,946	\$ 1,120,071	\$ 1,222,520	\$ 1,427,616	\$ 1,614,466
Grants & Match Funds	-	25,884	-	-	-	25,884
Investment income	1,549	1,146	2,238	2,566	3,787	3,712
General revenues:						
Property taxes	833,082	800,232	-	-	833,082	800,232
Sales and use tax	190,290	175,249	-	-	190,290	175,249
Franchise tax	121,998	110,613	-	-	121,998	110,613
Total revenues	<u>1,454,464</u>	<u>1,505,071</u>	<u>1,122,309</u>	<u>1,225,086</u>	<u>2,576,773</u>	<u>2,730,157</u>
<b>Program expenses</b>						
General government	462,835	445,984	-	-	462,835	445,984
Street maintenance	67,888	72,394	-	-	67,888	72,394
Public safety	665,017	750,979	-	-	665,017	750,979
Special Funds Expense	27,934	-	-	-	27,934	-
Debt Service	487,009	152,565	-	5,823	487,009	158,388
Utilities	-	-	1,302,928	1,023,746	1,302,928	1,023,746
Total expenses	<u>1,710,683</u>	<u>1,421,922</u>	<u>1,302,928</u>	<u>1,029,569</u>	<u>2,335,654</u>	<u>2,451,491</u>
Excess (deficiency) before transfers	(256,219)	83,149	(180,619)	195,517	(436,838)	278,666
Extraordinary Loss	-	-	-	-	-	-
Transfers	215,000	-	-	-	215,000	-
Increase (decrease) in net assets	<u>\$ (41,219)</u>	<u>\$ 83,149</u>	<u>\$ (180,619)</u>	<u>\$ 195,517</u>	<u>\$ (221,838)</u>	<u>\$ 278,666</u>

This past year has been an exceptional year for our City. Our sales tax has continued to grow during the current economic conditions. Property values have remained above average for the East Texas area. Our city is currently prospering while other is falling short of the mark.

The City has continued its evaluation of the “window pane” or “doughnut holes” and has continued to successfully annex those properties. The new construction of the sewer plant has been well on its way for this fiscal year. As of September 30, 2012 it is about three quarters of the way completed. The new plant will position the city for future growth.

**Governmental activities.** Governmental activities decreased the City=s net assets by \$41,219.

**Business-type activities.** Business-type activities decreased the City=s net assets by \$180,619.

## MAJOR FUND BUDGETARY HIGHLIGHTS

During the year, general fund revenues exceeded budgeted amounts. However, actual expenses exceeded budgeted expenses. There is a small negative variance but is immaterial when taken as a whole.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounted to \$6,661,991 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles and infrastructure assets.

**Debt Administration.** At the end of the current fiscal year, the City had total debt outstanding of \$4,961,984.

## LOOKING AHEAD

As we are seeing the increase in building and tax revenues, I anticipate in the near future that vacant property will be developed and become a vibrant addition to our city. Bullard is destined to be a shining star in East Texas.

## CONTACTING THE CITY'S MANAGER

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Manager, Larry Morgan, at P.O. Box 107 Bullard, Texas 75757.



**CITY OF BULLARD**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 662,804	\$ 743,314	\$ 1,406,118	\$ 138,200
Investments	-	1,347,953	1,347,953	-
Accounts Receivable/Taxes Receivable	46,379	22,828	69,207	13,571
Accounts Recievable ORCA Grant	2,183	-	2,183	-
Allowance for Bad Debt	(15,567)	(3,125)	(18,692)	-
Inventory	2,094	42,375	44,469	-
Due from Other Funds	-	8,918	8,918	-
Employee Advance	300	-	300	-
<b>Total Current Assets</b>	<b>698,193</b>	<b>2,162,263</b>	<b>2,860,456</b>	<b>151,771</b>
<b>Fixed Assets:</b>				
Land	23,842	18,028	41,870	-
Buildings	329,321	5,109	334,430	-
Construction in Progress	-	936,696	936,696	-
Equipment	380,728	304,147	684,875	-
Infrastructure	20,412,500	7,216,892	27,629,392	-
Less Accumulated Depreciation	(20,777,640)	(2,187,632)	(22,965,272)	-
<b>Total Fixed Assets</b>	<b>368,751</b>	<b>6,293,240</b>	<b>6,661,991</b>	<b>-</b>
<b>Other Assets:</b>				
Bond Costs	-	164,308	164,308	-
<b>Total Other Assets</b>	<b>-</b>	<b>164,308</b>	<b>164,308</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,066,944</b>	<b>8,619,811</b>	<b>9,686,755</b>	<b>151,771</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>LIABILITIES</b>				
Accounts Payable (Due to Pool)	\$ 31,684	\$ 31,339	\$ 63,023	\$ 2,183
Accounts Payable EMS		2,420	2,420	-
Accounts BEDCO	13,571		13,571	-
Accrued Liabilities	213	271	484	-
Defered Comp Payable	1,600		1,600	-
Defered Revenue Prior Years Taxes	30,457	-	30,457	-
Refundable Meter Deposits	-	66,070	66,070	-
Sales Tax Payable		1,393	1,393	-
TMRS Payable	6,979	2,327	9,306	-
Utility Refunds Payable		300	300	-
Notes Payable - Due Within One Year	43,472	321,943	365,415	24,000
Notes Payable - Due In More Than One Year	81,771	4,326,174	4,407,945	336,293
<b>TOTAL LIABILITIES</b>	<u>209,747</u>	<u>4,752,237</u>	<u>4,961,984</u>	<u>362,476</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	376,735	1,333,289	1,710,024	-
Restricted for Debt Service	106,325	-	106,325	-
Restricted Meter Deposit Funds	-	15,647	15,647	-
Unrestricted	360,430	2,518,638	2,879,068	(210,705)
Unrestricted, reported in nonmajor:				
Special Revenues	13,707	-	13,707	-
<b>TOTAL NET ASSETS</b>	<u>\$ 857,197</u>	<u>\$ 3,867,574</u>	<u>\$ 4,724,771</u>	<u>\$ (210,705)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2012**

<u>Activities</u>	<u>Expenses</u>	<u>Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Net</u> <u>(Expense)/</u> <u>Revenue</u>	<u>Component</u> <u>Unit</u>
Governmental:				
General Administration	462,835	122,387	(340,448)	-
Police	569,909	150,371	(419,538)	-
Municipal Court	95,108	10,013	(85,095)	-
Street/Park	67,888	-	(67,888)	-
Special Fund Expense	27,934	-	(27,934)	-
Debt Service	487,009	-	(487,009)	-
Total governmental activities	<u>1,710,683</u>	<u>282,771</u>	<u>(1,427,912)</u>	<u>-</u>
Business-type:				
Utility	1,302,928	1,122,309	(180,619)	-
Total business-type activities	<u>1,302,928</u>	<u>1,122,309</u>	<u>(180,619)</u>	<u>-</u>
Component Unit:				
Bullard Economic Development	\$ 66,276			\$ 66,276
Total Component Unit	<u>\$ 66,276</u>			<u>\$ 66,276</u>
<b>Change in Net Assets:</b>				
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	<b><u>Total</u></b>	<b><u>Component</u></b>
Net (Expense) / Revenue	\$ (1,427,912)	\$ (180,619)	\$ (1,608,531)	(66,276)
General Revenues:				
Sale of Assets	12,476	-	12,476	-
Taxes:				
Property Tax	833,082	-	833,082	-
Sales and Use Tax	190,290	-	190,290	95,848
Franchise Tax	121,998	-	121,998	-
Investment Income	1,549	-	1,549	101
Miscellaneous Income	12,298	-	12,298	-
Transfers - Internal Activities	215,000	-	215,000	-
Total General Revenues and Transfers	<u>1,386,693</u>	<u>-</u>	<u>1,386,693</u>	<u>-</u>
Change in Net Assets	(41,219)	(180,619)	(221,838)	29,673
Net Assets - Beginning	898,416	4,048,193	4,946,609	122,098
Net Assets - Ending	<u>\$ 857,197</u>	<u>\$ 3,867,574</u>	<u>\$ 4,724,771</u>	<u>\$ 151,771</u>

The accompanying notes are an integral part of these financial statements.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 534,391	\$ 13,706	\$ 114,707	\$ 662,804
Receivables:				
Sales Tax	15,923	-	-	15,923
Prior Taxes Receivable	14,057	-	16,399	30,456
ORCA Grant	2,183			2,183
Allowance for Bad Debt	(7,185)		(8,382)	(15,567)
Inventory	2,094			2,094
Employee Advances	300			300
Total Assets	<u>\$ 561,763</u>	<u>\$ 13,706</u>	<u>\$ 122,724</u>	<u>\$ 698,193</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 31,684	\$ -	\$ -	\$ 31,684
Accrued Liabilities	7,191	-	-	7,191
BEDCO Payable	13,571	-	-	13,571
Deferred Comp	1,600			
Deferred Revenue Rrior Years Tax	14,058	-	16,399	30,457
Total Liabilities	<u>68,104</u>	<u>-</u>	<u>16,399</u>	<u>84,503</u>
<b>FUND BALANCES</b>				
Reserved for debt service	-	-	106,325	106,325
Unreserved	493,659	-	-	493,659
Unreserved, reported in nonmajor:				-
Special Revenue Funds	-	13,706	-	13,706
Total Fund Balances	<u>493,659</u>	<u>13,706</u>	<u>106,325</u>	<u>613,690</u>
Total Liabilities and Fund Balances	<u>\$ 561,763</u>	<u>\$ 13,706</u>	<u>\$ 122,724</u>	<u>\$ 698,193</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BULLARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

Total Fund Balance - Total Governmental Funds per Balance Sheet	\$ 613,690
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets are not current financial resources and, therefore, are not reported in the governmental funds balance sheet	368,751
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet	<u>(125,243)</u>
Net Assets of Governmental Activities	<u>\$ 857,198</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED 2012**

<u>REVENUES</u>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
Property Taxes	\$ 387,446	\$ -	\$ 445,636	\$ 833,082
Sales Tax Collected	190,290	-	-	190,290
Franchise Tax	121,998	-	-	121,998
Charges for Services	61,849	-	-	61,849
Building Permits & Fees	42,096	-	-	42,096
Grant Income	15,526	-	-	15,526
Interest Income	1,549	-	-	1,549
Insurance Proceeds	2,916	-	-	2,916
Fines	150,371	10,013	-	160,384
Sale of Asset	12,476	-	-	12,476
Budgeted Transfers	135,000	-	80,000	215,000
Miscellaneous Income	12,298	-	-	12,298
<b>TOTAL REVENUES</b>	<b>1,133,815</b>	<b>10,013</b>	<b>525,636</b>	<b>1,669,464</b>
 <u>EXPENDITURES</u>				
General Government Administrative	349,244	-	-	349,244
Municipal Court	95,108	-	-	95,108
Public Safety	566,509	-	-	566,509
Street & Park Department	67,888	25,174	1,318	94,379
Capital Outlay	27,468	-	-	27,468
Debt Service:				
Principal	-	-	285,555	285,555
Interest	-	2,760	200,136	202,897
<b>TOTAL EXPENDITURES</b>	<b>1,106,217</b>	<b>27,934</b>	<b>487,009</b>	<b>1,621,160</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>27,598</b>	<b>(17,921)</b>	<b>38,627</b>	<b>48,304</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE</b>	<b>27,598</b>	<b>(17,921)</b>	<b>38,627</b>	<b>48,304</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>799,090</b>	<b>31,627</b>	<b>67,699</b>	<b>898,416</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 826,688</b>	<b>\$ 13,706</b>	<b>\$ 106,325</b>	<b>\$ 946,719</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	48,304
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Governmental funds report capital outlay as expenditures However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		(27,648)
--	--	----------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(61,875)
--	--	----------

Governmental funds report repayment of debt principal as expenditures. However, in the government-wide statements this repayment reduces long-term liabilities.		<hr style="border: 0.5px solid black;"/> -
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Change in Net Assets of Governmental Activities	\$	<hr style="border: 0.5px solid black;"/> (41,219)
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The accompanying notes are an integral part of these financial statements.



**CITY OF BULLARD**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 743,314
Investments	1,347,953
Accounts Receivable	19,703
Due From TXDOT	8,918
Inventory	42,375
Prepaid Expenses	-
Total Current Assets	<u>2,162,263</u>
Fixed Assets:	
Land	18,028
Buildings	5,109
Construction in Progress	936,696
Equipment	304,147
Infrastructure	7,216,892
Less Accumulated Depreciation	<u>(2,187,632)</u>
Total Fixed Assets	<u>6,293,240</u>
Other Assets:	
Accumulated Amortization of Bonds	(62,132)
Bond Costs	<u>226,440</u>
Total Other Assets	<u>164,308</u>
<b>TOTAL ASSETS</b>	<u><u>8,619,811</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable (Due to Pool)	31,339
Accrued Expenses	271
Accounts Payable	6,439
Refundable Meter Deposits	66,070
Current Portion of Long-Term Debt	<u>321,944</u>
Total Current Liabilities	<u>426,063</u>
Long-term Liabilities:	
Long-Term Portion of Debt	<u>4,326,174</u>
Total Long-term Liabilities	<u>4,326,174</u>
<b>TOTAL LIABILITIES</b>	4,752,237
<b>NET ASSETS</b>	
Invested in Fixed Assets, Net of Related Debt	1,348,936
Unrestricted	<u>2,518,638</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 3,867,574</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>OPERATING REVENUES</u>	<u>Utility Fund</u>
Water Revenue	\$ 605,887
Garbage Revenue	261,863
Sewer Revenue	218,290
Miscellaneous	1,680
Service Charges	32,351
TOTAL OPERATING REVENUES	\$ 1,120,071
<u>OPERATING EXPENDITURES</u>	
Administration	15,000
Advertising	632
Amortization Expense Bonds	11,902
Capital Outlay	9,733
Computer ServicesSoftware	5,943
Credit Card Fees	1,870
Engineering Services	2,300
Contractural	213,690
Personnel	261,993
Dues/Subscriptions/Permits	4,175
Insurance	6,227
Lab Services	5,650
Depreciation	163,723
Maintenance	74,921
Supplies	46,650
Sundry Charges	235,839
Office Supplies	13,616
Rental	1,076
Legal & Professional	11,370
Telephone	8,431
Utilities	115,925
Repairs & Maintenance	82,135
Miscellaneous	2,675
Training & Education	4,566
TOTAL EXPENDITURES	<u>1,300,044</u>
OPERATING INCOME (LOSS)	<u>(179,973)</u>

The accompanying are an integral part of these financial statements. (Continued)

**CITY OF BULLARD**  
**STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCE**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**Continued**

<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	2,238
Interest Expense	<u>(2,884)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 (646)
 NET PROFIT (LOSS)	 (180,619)
 NET ASSETS, BEGINNING OF YEAR	 <u>4,048,193</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 3,867,574</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>
Receipts from Customers	1,120,071
Payments to Suppliers	(519,172)
Payment to Employees	(192,720)
	408,179
Net Cash Provided by Operations	408,179
Net Non-operating Revenue/Expense	(646)
	407,533
Cash Flows from Financing Activities:	-
Purchase of PP&E	(796,679)
Long Term Debt Changes	322,215
Net Increase (Decrease) in Cash Equivalents	(66,931)
Cash Beginning	810,245
Cash Ending Balance	743,314
Net Income (Less Extraordinary Loss)	(180,619)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	163,723
Change in Assets and Liabilities:	
<Increase> Decrease in:	
Investments	738,128
Accounts Receivable	95,241
Due from Other Funds	31,339
Increase <Decrease> in:	
Accounts Payable	(50,452)
Adjustment Due to Accounting System Transfer	(6,519)
Refundable Meter Deposits	4,875
Other Accrued Payables	(4,684)
Purchase of PP & E	(796,679)
Change in Long- term Debt	322,215
	(66,931)
Net Increase/Decrease in Cash/Equivalents	(66,931)
Cash beginning balance	810,245
Net Cash Provided by Operating Activities	743,314

The accompanying notes are an integral part of these financial statements.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE A: SUMMARY OF ACCOUNTING POLICIES:

1) GENERAL STATEMENT

The City of Bullard, Texas, (the ACityA) operates under a Council - Mayor Form of government and provides the following services: recreation, utilities, general administrative services, public safety (police), streets, public improvements and planning and zoning.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), The American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB=s Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant accounting policies of the City are described below.

2) FINANCIAL REPORTING ENTITY

The City=s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City=s reporting entity, as set forth in Section 2100 of GASB=s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization=s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Bullard has no component units.

3) BASIS OF PRESENTATION

The government-wide financial statements (the statements of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE A: SUMMARY OF ACCOUNTING POLICIES: Continued

3) BASIS OF PRESENTATION - (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The city segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental fund.

General Fund

General Fund is the main operating fund of the City. This fund is used to account for the financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund=s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4) MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured: basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE A: SUMMARY OF ACCOUNTING POLICIES: Continued

4) MEASUREMENT FOCUS/BASIS OF ACCOUNTING - (continued)

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets, and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. A Measurable means the amount of the transaction can be determined and Aavailable means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are franchise fees, licenses, charges for service and interest income. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

5) BUDGETARY CONTROL

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The City Secretary submits a budget of estimated expenditures and revenues to the City Council by the Council meeting date in August.

Revisions that alter the total expenditures of any fund must be approved by City Council.

The Budgetary Comparison Schedule - General Fund presented in the required Supplementary Information, presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The City's special revenue funds, though governmental, are not budgeted. The City has no control of revenues and their specified purposes do not lend themselves to budgetary accountability.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE A: SUMMARY OF ACCOUNTING POLICIES: Continued

6) CASH, CASH EQUIVALENTS, AND TEMPORARY INVESTMENTS

State Statues require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the carrying amount and market value of the City=s deposits was \$1,432,759. Throughout the current fiscal year, all deposits were entirely insured by federal depository insurance or by collateral held by the pledging financial institution in the City=s name.

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's temporary investments were deposited in TexPool, a state depository. The balance at 9/30/2012 was \$1,347,953.

7) INVENTORY

Inventory consists of utility line pipe purchased near year-end and is stated at cost. These parts are not inventory as defined by generally accepted accounting principles (ARB 43, ch 4, par2), therefore audit procedures which are normally applied to inventory, were not performed.

8) TRANSACTIONS BETWEEN FUNDS

Legally authorized transfers are treated as interfund transfers and are included in the results of operation of both Governmental and Proprietary funds.

The City allocated to the Utility Fund an indirect cost percentage of salaries and wages of personnel who perform administrative services for those funds but are paid through the General Fund. There is a state mandate that a portion of certain fees collected through the court are to be transferred to a Technology Fund and to a Security Fund. These funds are to be used for the special functions designated.

9) CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest had not been capitalized during the construction period on property, plant and equipment.



**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE A: SUMMARY OF ACCOUNTING POLICIES: Continued

9) CAPITAL ASSETS - (continued)

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over five years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Water and Sewer System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5-10 years

10) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

11) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12) PROPERTY TAXES

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, each year, a tax lien attached to property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those expected to be collected during a 60-day period after the close to the City=s fiscal year.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE B: EMPLOYEE PENSION PLAN:

1) 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, TX 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:

Deposit Rate:	5%
City's Rate:	8.86%
Matching Ration (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 yrs/age 60; 25 yrs/any age

2) CONTRIBUTIONS

Under the state law governing TMRS, the contribution rate for city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consist 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 (over funded) actuarial liability (asset) over the applicable period for that 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.

**CITY OF BULLARD  
NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2012**

NOTE B: EMPLOYEE PENSION PLAN: (Continued)

2) CONTRIBUTIONS - (Continued)

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.

3) SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

Actuarial Valuation Date	12/31/10
Actuarial Value of Assets	\$469,118
Actuarial Accrued Liability (AAL)	\$694,140
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$225,022
Funded Ratio	67.6%
Annual Covered Payroll	\$620,966
UAAL as a Percentage of Covered Payroll	36.2 %

ACTUARIAL ASSUMPTIONS

Actuarial Cost Method -	Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	25 Years - Open Period
Asset Valuation Method -	Amortized Cost
	(To accurately reflect the requirements of GASB stat., No. 25, paragraphs 36e and 138)

3) SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

ACTUARIAL ASSUMPTIONS

Investment Rate of Return -	7.0%
Projected Salary Increases -	Varies by age & service
Includes Inflation at -	3.00%
Cost-of-Living Adjustments -	None

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE C: CAPITAL ASSETS:

GASB No. 34 requires the City to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, and in ground pipe, traffic signals, etc...

Capital asset activity for the governmental activities for the year ended September 30, 2012 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Land	\$ 23,842	\$ -	\$ -	\$ 23,842
Construction in Progress	-	-	-	-
Depreciable Capital Assets:				
Buildings	313,469	15,852	-	329,321
Equipment	346,779	33,949	-	380,728
Infrastructure	<u>20,412,500</u>	<u>-</u>	<u>-</u>	<u>20,412,500</u>
Total Depreciable	21,072,748	49,801	-	21,122,549
Accumulated Depreciation	<u>(20,722,295)</u>	<u>(89,522)</u>	<u>(34,178)</u>	<u>(20,777,640)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 374,295</u>	<u>\$ (39,721)</u>	<u>\$ (34,178)</u>	<u>\$ 368,751</u>

Capital asset activity for business-type activities for the year ended September 30, 2012 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Land	\$ 18,028	\$ -	\$ -	\$ 18,028
Construction in Progress	2,292,654	-	1,355,958	936,696
Depreciable Capital Assets:				
Buildings	5,109	-	-	5,109
Equipment	311,964	-	7,817	304,147
Infrastructure	<u>5,064,255</u>	<u>2,152,637</u>	<u>-</u>	<u>7,216,892</u>
Total Depreciable	5,381,328	2,152,637	1,363,775	8,462,844
Accumulated Depreciation	<u>(2,041,459)</u>	<u>(163,723)</u>	<u>(17,550)</u>	<u>(2,187,632)</u>
Business Type Activities				
Capital Assets, Net	<u>\$ 5,650,551</u>	<u>\$ 1,988,914</u>	<u>\$ 1,346,225</u>	<u>\$ 6,293,240</u>

**CITY OF BULLARD  
NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2012**

NOTE D: LONG TERM DEBT:

Government-Type Activities

In September 2011 the City borrowed \$75,110 from Austin Bank for the purchase of Incode Software. Interest rate 4.25% and payments due monthly until 11-16-2016.

In August 2011 the City borrowed 31,390 from Austin Bank for 2011 Ford. Interest rate of 3.95% With payments due semi-annually in the amount of 4285.50.

In October of 2009. The City borrowed from Bancorp South for the purchase of Tahoe Police vehicles the amount was \$24,617.26 with interest rate of 3.59%. Payment due Oct 25, 2010 and yearly for 3years.

In October of 2008, the City borrowed from Southside Bank for the purchase of a police car. The loan amount was \$31,181 and bear interest at the rate of 4.25%. Payments are due in 8 semi-annual payments of \$4,279.

In December of 2007 the City borrowed from Southside Bank for the purchase of a police car. The loan amount was \$ 29,419, 4.9% interest, and due in 8 payments of \$ 4,086.

Principal and interest payments projected for the following five years:

	Principal	Interest
2013	43,472	\$4,374
2014	32,005	2,924
2015	28,973	1,651
2016	20,794	584

Business-Type Activities

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 1999, were issued February 1, 1999, in the amount of \$275,000, and bear interest at the rate of 4.896%. Payments are due monthly in the amount of \$2,159.81.

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 2003, were issued November 1, 2003, in the amount of \$933,000. Payments are due annually.

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 2006, were issued August 31, 2006, in the amount of \$3,200,000. Payments are due annually.

In July of 2003, the City borrowed \$50,000 from Austin Bank. The interest rate is 4.25%, 10 payments of \$6,476.82 are due annually. Maturity 6-30-2013.

In September of 2008, the City borrowed \$21,843.53 from Austin Bank. The interest rate is 5%, 10 payments of \$2,453.91 are due semi-annually. Maturity 5/15/2013.

In September of 2008, the City borrowed \$19,725 from Austin Bank. The interest rate is 5%, 10 payments of \$2,257.69 are due semi-annually. Maturity 9/30/2013

**CITY OF BULLARD  
NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2012**

**NOTE D: LONG TERM DEBT Continued:**

The City of Bullard, Texas Combination Tax and Revenue Certificate of Obligation, Series 2011 were issued April 4, 2011, in the amount of \$1,534,800 and bear interest at the rate of 3.970%. Principal payments began in April 2014.

In July 2010, the City borrowed \$38,289 from Southside Bank. The interest rate is 4.5% with payments of \$5,285.43 semi-annually. Maturity August 1, 2014.

Principal and interest payments projected for the following five years:

	Principal	Interest
2013	321,943	189,557
2014	316,374	176,256
2015	254,800	163,137
2016	265,000	152,765
2017	275,000	141,825
BALANCE	3,215,000	693,417

**NOTE E: FEDERAL AND STATE GRANT REVENUE:**

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

**NOTE F: COMPENSATED ABSENCES:**

City employees earn ten days of vacation pay and twelve days of sick leave per year. Sick leave may be accumulated to a maximum of 10 days. Vacation pay must be taken in the anniversary year in which it becomes due. No accrual for compensated absences is reflected in the accompanying general-purpose financial statements because the amount would be insignificant.

**NOTE G: DEBT SERVICE FUND**

According to generally accepted accounting principles, when taxes are assessed to service the interest and principle payments of a debt obligation, a debt service fund should be established and used for this purpose. The current year's financial statements reflect the Debt Service Fund and the accounting of appropriate activities through it.

**CITY OF BULLARD**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2012**

NOTE H: SUBSEQUENT EVENTS

The City has evaluated subsequent events through September 6, 2013 the date of which the financial statements were made available to be issued.

NOTE I: NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has recently announced several new or revised accounting standards. Those which are relevant have been incorporated in the current auditing procedures. Those with a subsequent effective date or a permissible optional adoption date not exercised are being evaluated as to the possible impact on the City's financial statements.

NOTE J: RISK MANAGEMENT:

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. Coverage of this risk is provided through the Texas Municipal League's Intergovernmental Risk Pool.

NOTE K: SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT:

The City has an agreement with the Bullard Development Corporation whereby one-third of the sales tax revenue of the City is paid to the Development Corporation. During the year ended September 30, 2013, \$95,848 of sales tax revenue received by the City was allocated to Bullard Development Corporation. Transactions with the City involved their assistance in the funding of authorized projects related to the betterment of the local environment for business and commerce.

**HUGH L. GOODPASTURE, P.C.**  
**Certified Public Accountant**  
**P.O. Box 95, 215 East Commerce St.**  
**Jacksonville, Texas 75766**  
(903) 586-2275

INDEPENDENT AUDITOR=S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

City of Bullard  
Bullard, Texas

I have audited the financial statements of the City of Bullard, as of and for the year ended September 30, 2012, and have issued my report thereon dated September 06, 2013. I conducted my audit in accordance with generally accepted auditing standards and the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Bullard, Texas's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bullard's control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Bullard's internal control over financial reporting. A *deficiency in internal control* exist 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.

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above.

Compliance

As part of obtaining reasonable assurance about whether City of Bullard=s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of the City of Bullard, Texas in a separate letter dated September 6, 2013.

This report is intended for the information of the audit committee, the management, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specific parties.

Jacksonville, Texas  
September 06, 2013



**CITY OF BULLARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
SEPTEMBER 30, 2012**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b><u>REVENUES</u></b>				
Property Tax	\$ 396,002	\$ 396,002	\$ 387,446	\$ (8,556)
Sales Tax	184,449	184,449	190,290	5,841
Franchise Tax	105,000	105,000	121,998	16,998
Licenses & Permits	23,000	23,000	42,096	19,096
Fines & Forfeitures	210,000	210,000	150,371	(59,629)
Charges for Services	43,000	43,000	61,849	18,849
Miscellaneous Revenue	2,200	2,200	44,765	42,565
Interfund transfers	135,000	135,000	135,000	-
Total Revenues	<u>1,098,651</u>	<u>1,098,651</u>	<u>1,133,815</u>	<u>35,164</u>
<b><u>EXPENDITURES</u></b>				
Administration	335,455	335,455	462,835	(127,380)
Police	608,568	611,463	569,909	41,554
Municipal Court	97,382	97,382	95,108	2,274
Streets	40,500	40,500	45,797	(5,297)
Parks	3,000	3,000	22,091	(19,091)
Total Expenditures	<u>1,084,905</u>	<u>1,087,800</u>	<u>1,195,739</u>	<u>(107,939)</u>
Excess revenues over (under) expenditures	13,746	10,851	(61,924)	(72,775)
Fund Balance at beginning of year	<u>747,853</u>	<u>747,853</u>	<u>747,853</u>	<u>-</u>
	<u>\$ 761,599</u>	<u>\$ 758,704</u>	<u>\$ 685,929</u>	<u>\$ (72,775)</u>

**CITY OF BULLARD  
SPECIAL REVENUES FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>CHILD SAFTEY</u>	<u>SECURITY FUND</u>	<u>TECHNOLOGY FUND</u>	<u>TOTAL</u>
<b>REVENUE</b>				
Grant Income	\$ -	\$ -	\$ -	\$ -
Court Fines	3,006	3,005	4,003	10,013
Interest Income	-	-	-	-
Due from Other Funds	-	-	-	-
<b>TOTAL REVENUES</b>	<u>3,006</u>	<u>3,005</u>	<u>4,003</u>	<u>10,013</u>
<b>EXPENSES</b>				
Software Lease	-	-	11,873	11,873
Interest Expense	4,150	9,151	2,761	16,061
<b>TOTAL</b>	<u>4,150</u>	<u>9,151</u>	<u>14,634</u>	<u>27,934</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,144)	(6,146)	(10,631)	(17,921)
<b>Fund Balances - Beginning</b>	<u>5,947</u>	<u>18,119</u>	<u>7,562</u>	<u>31,627</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,803</u>	<u>\$ 11,973</u>	<u>\$ (3,069)</u>	<u>\$ 13,706</u>