

**REPORT OF
CITY OF BULLARD
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bullard, Texas, as of and for the year ended September 30, 2009, 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 included 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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bullard, Texas, as of September 30, 2009, 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*, we have also issued our report dated August 5, 2010, on our consideration of the City of Bullard, Texas, internal control over financial reporting on our 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bullard, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Hugh L. Goodpasture".

Hugh L. Goodpasture, P.C.
Jacksonville, TX
August 5, 2010

**CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,871,554 (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 \$3,871,554 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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 985,446	\$ 611,593	\$ 1,605,483	\$ 1,338,072	\$ 2,590,929	\$ 1,949,665
Capital assets	1,045,128	395,377	5,015,869	4,985,900	6,060,997	5,381,277
Total assets	2,030,574	1,006,970	6,621,352	6,323,972	8,651,926	7,330,942
Long-term debt outstanding	34,376	16,734	3,707,691	4,137,519	3,742,067	4,154,253
Other liabilities	294,633	54,419	743,673	79,439	1,038,306	133,858
Total liabilities	329,009	71,153	4,451,364	4,216,958	4,780,373	4,288,111
Net assets:						
Invested in capital assets, net of debt	1,010,752	387,698	1,001,611	848,381	2,012,363	1,236,079
Restricted	29,639	15,198	-	-	29,639	15,198
Restricted Matching	423,070				423,070	
Unrestricted (deficit)	238,103	532,921	1,168,378	1,258,633	1,406,481	1,791,554
Total net assets	\$ 1,701,565	\$ 935,817	\$ 2,169,989	\$ 2,107,014	\$ 3,871,554	\$ 3,042,831

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 460,047	\$ 444,162	\$ 1,046,251	\$ 1,006,113	\$ 1,506,298	\$ 1,450,275
Grants & Match Funds	675,070	-	-	-	675,070	-
Investment income	1,152	2,606	6,642	50,737	7,794	53,343
General revenues:						
Property taxes	637,282	578,776	-	-	637,282	578,776
Sales and use tax	151,521	147,629	-	-	151,521	147,629
Franchise tax	89,359	74,657	-	-	89,359	74,657
Total revenues	<u>2,014,431</u>	<u>1,247,830</u>	<u>1,052,893</u>	<u>1,056,850</u>	<u>3,067,324</u>	<u>2,304,680</u>
Program expenses						
General government	459,690	274,810	-	-	459,690	274,810
Street maintenance	10,128	247,392	-	-	10,128	247,392
Public safety	592,713	343,166	-	-	592,713	343,166
Services and supplies	16,395	14,311	-	-	16,395	14,311
Interest expense	168,242	168,509	6,355	7,190	174,597	175,699
Utilities	-	-	969,156	1,010,306	969,156	1,010,306
Total expenses	<u>1,247,168</u>	<u>1,048,188</u>	<u>975,511</u>	<u>1,017,496</u>	<u>2,222,679</u>	<u>2,065,684</u>
Excess (deficiency) before transfers	767,263	199,642	77,382	39,354	844,645	238,996
Extraordinary Loss	-	-	-	(13,523)	-	(13,523)
Transfers	<u>(12,872)</u>	<u>(48,193)</u>	<u>-</u>	<u>48,193</u>	<u>(12,872)</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 754,391</u>	<u>\$ 151,449</u>	<u>\$ 77,382</u>	<u>\$ 74,024</u>	<u>\$ 831,773</u>	<u>\$ 225,473</u>

The City of Bullard has been enjoying a period of rapid growth for several years. The growth continues, but due to general economic slowdown, it was not as rapid as the prior year. In the construction area, revenue from building permits and related fees decreased some 29% from the prior year. However, as finished construction came onto the tax rolls, property taxes increased approximately 11%.

Due partially to the road construction activity, fines increased some 28%. The police department expenses increased due to the addition of officers and the salaries and other associated cost this entailed.

In the budget to actual comparison there is a large increase in actual revenues to budgeted revenues. In the year the city received \$423,070 in matching funds from the Bullard Economic Development Corporation for utility improvements as well as a \$250,000 ORCA grant which were not budgeted. Excluding these, the correlation of budget to actual during the year is very close.

The City is working hard to increase efficiency and reduce cost where possible without abandoning its overall commitment to serving the residents of the city and enhancing services to them.

Governmental activities. Governmental activities increased the City's net assets by \$ 754,391

Business-type activities. Business-type activities increased the City's net assets by \$ 77,382

MAJOR FUND BUDGETARY HIGHLIGHTS

During the year, general fund revenues exceeded budgetary estimates. Budgetary estimates exceeded general fund expenditures, resulting in an actual increase in fund balance. This year the City of Bullard ended with a budgetary surplus. This is a direct result of management of programs and funds from the bottom up. The City has done a superb job of operating its day to day operations. The total budgetary surplus for this year was \$ 856,466. This included funds from BEDCO and grants which were not budgeted.

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, 2009, amounted to \$5,387,926 (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 \$6,060,997. Principal payments for the year totaled \$295,067.

LOOKING AHEAD

The recession has finally hit East Texas and the primary goods and services that the city uses has escalated in cost however our sales and property taxes have held steady and in some cases increased, through the constant monitoring of our budgets and the expenditures associated with them we found ways to reduce costs and eliminate waste. One of the creative ways the city has reduced necessary expenditures, is through inter local agreements with state agencies and our county government. In our county government the inter local agreement provides an opportunity to "piggyback" on their purchasing power there by reducing our cost.

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, 2009

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 659,071	\$ 352,144	\$ 1,011,215
Investments	-	713,297	713,297
Accounts Receivable	12,709	95,785	108,494
Due from ORCA Grant	3,071	-	3,071
Inventory	-	42,375	42,375
Due from Other Funds	310,155	208,405	518,560
Prepaid Expenses	440	1,837	2,277
Total Current Assets	<u>985,446</u>	<u>1,413,843</u>	<u>2,399,289</u>
Fixed Assets:			
Land	23,842	18,028	41,870
Buildings	313,469	5,109	318,578
Construction in Progress	673,070	2,200,373	2,873,443
Equipment	216,978	237,867	454,845
Infrastructure	20,412,500	4,295,057	24,707,557
Less Accumulated Depreciation	(20,594,731)	(1,740,565)	(22,335,296)
Total Fixed Assets	<u>1,045,128</u>	<u>5,015,869</u>	<u>6,060,997</u>
Other Assets:			
Bond Costs	-	191,640	191,640
Total Other Assets	<u>-</u>	<u>191,640</u>	<u>191,640</u>
TOTAL ASSETS	<u>2,030,574</u>	<u>6,621,352</u>	<u>8,651,926</u>
LIABILITIES			
Accounts Payable	57,146	47,742	104,888
Accrued Liabilities	9,360	7,366	16,726
Refundable Meter Deposits	-	72,210	72,210
Interfund Loan/Due to Other Funds	208,405	309,788	518,193
Notes Payable - Due Within One Year	19,722	306,567	326,289
Notes Payable - Due In More Than One Year	34,376	3,707,691	3,742,067
TOTAL LIABILITIES	<u>329,009</u>	<u>4,451,364</u>	<u>4,780,373</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,010,752	1,001,611	2,012,363
Restricted for Debt Service	29,639	-	29,639
Restricted Matching Funds	423,070	-	423,070
Unrestricted	202,930	1,168,378	1,371,308
Unrestricted, reported in nonmajor:			
Special Revenues	35,173	-	35,173
TOTAL NET ASSETS	<u>\$ 1,701,565</u>	<u>\$ 2,169,989</u>	<u>\$ 3,871,554</u>

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

CITY OF BULLARD
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2009

<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>
Governmental:			
General Government	459,690	743,494	283,804
Street Maintenance	10,128	349,134	339,006
Public Safety	609,180	42,489	(566,691)
Services and Supplies	-		-
Interest Expense	168,242		(168,242)
Total governmental activities	<u>1,247,240</u>	<u>1,135,117</u>	<u>(112,123)</u>
Business-type:			
Utility	975,511	1,046,251	70,740
Total business-type activities	<u>975,511</u>	<u>1,046,251</u>	<u>70,740</u>
Change in Net Assets:			
	Governmental	Business-Type	Total
	Activities	Activities	
Net (Expense) / Revenue	\$ (112,123)	\$ 70,740	\$ (41,383)
General Revenues:			
Sale of Assets	-	-	-
Taxes:			
Property Tax	637,282	-	637,282
Sales and Use Tax	151,521	-	151,521
Franchise Tax	89,359	-	89,359
Investment Income	1,152	6,642	7,794
Transfers - Internal Activities	(12,872)	-	(12,872)
Total General Revenues and Transfers	<u>866,442</u>	<u>6,642</u>	<u>873,084</u>
Change in Net Assets	754,319	77,382	831,701
Net Assets - Beginning	935,817	2,092,607	3,028,424
Prior Period Adjustment	11,429	-	11,429
Net Assets - Ending	<u>\$ 1,701,565</u>	<u>\$ 2,169,989</u>	<u>\$ 3,871,554</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 594,259	\$ 35,173	\$ 29,639	\$ 659,071
Receivables:				
Sales Tax	10,941	-	-	10,941
Other Receivables	1,597	-	-	1,597
Prepaid Expenses	440	-	-	440
Prepaid Interest	172	-	-	172
Due From ORCA Grant	3,071	-	-	3,071
Due From Other Funds	367	-	-	367
Total Assets	<u>\$ 610,847</u>	<u>\$ 35,173</u>	<u>\$ 29,639</u>	<u>\$ 675,659</u>
LIABILITIES				
Accounts Payable	\$ 57,145	-	-	\$ 57,145
Accrued Liabilities	9,360	-	-	9,360
Due to Bedco	-	-	-	-
Interfund Loan	40,439	-	-	40,439
Total Liabilities	<u>106,944</u>	<u>-</u>	<u>-</u>	<u>106,944</u>
FUND BALANCES				
Reserved for debt service	-	-	29,639	29,639
Unreserved	503,903	-	-	503,903
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	35,173	-	35,173
Total Fund Balances	<u>503,903</u>	<u>35,173</u>	<u>29,639</u>	<u>568,715</u>
Total Liabilities and Fund Balances	<u>\$ 610,847</u>	<u>\$ 35,173</u>	<u>\$ 29,639</u>	<u>\$ 675,659</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, 2009**

Total Fund Balance - Total Governmental Funds	\$	568,715
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		1,045,128
Depreciation		83,919
Debt Service		29,639
Prior Period Adjustment		11,429
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet		<u>(37,265)</u>
Net Assets of Governmental Activities	\$	<u>1,701,565</u>

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

CITY OF BULLARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Special Revenue Funds	Debt Service Fund	Total Governmental Funds
REVENUES				
Property Taxes	\$ 327,627	-	\$ 309,655	\$ 637,282
Sales Tax Collected	151,521	-	-	151,521
Franchise Tax	89,359	-	-	89,359
Matching Funds	423,070	-	-	423,070
Miscellaneous	13,846	-	-	13,846
Building Permits & Fees	53,121	1,072	-	54,193
Salary Reimbursement	42,489	-	-	42,489
Grant Income	252,000	-	-	252,000
Interest Income	938	81	133	1,152
Donations	175	210	-	385
Fines	349,134	-	-	349,134
TOTAL REVENUES	<u>1,703,280</u>	<u>1,363</u>	<u>309,788</u>	<u>2,014,431</u>
EXPENDITURES				
General Government	459,690	-	-	459,690
Street Maintenance	10,128	-	-	10,128
Public Safety	565,284	-	-	565,284
Services and Supplies	-	13,749	1,646	15,395
Capital Outlay	60,599	3,345	-	63,944
Debt Service:				
Principal	29,614	-	-	29,614
Interest	1,922	-	166,320	168,242
TOTAL EXPENDITURES	<u>1,127,237</u>	<u>17,094</u>	<u>167,966</u>	<u>1,312,297</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	576,043	(15,731)	141,822	702,134
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	12,872	-	12,872
Operating Transfer Out	(12,872)	-	(125,220)	(138,092)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,872)</u>	<u>12,872</u>	<u>(125,220)</u>	<u>(125,220)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	563,171	(2,859)	16,602	576,914
FUND BALANCE, BEGINNING OF YEAR	520,729	21,247	15,198	557,174
FUND BALANCE, END OF YEAR	<u>\$ 1,083,900</u>	<u>\$ 18,388</u>	<u>\$ 31,800</u>	<u>\$ 1,134,088</u>

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, 2009**

Net Change in Fund Balances - Total Governmental Funds (General Fund and Special Revenues, see statement in supplementary information)	\$ 576,914
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Amounts reported for governmental activities
in the statement of activities are different because:

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.	83,944
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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.	83,919
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Governmental funds report repayment of debt principal as expenditures. However, in the government-wide statements this repayment reduces long-term liabilities.	<u>29,614</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 754,391</u></u>
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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, 2009

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 352,144
Investments	713,297
Accounts Receivable	95,785
Due From Other Funds	208,405
Inventory	42,375
Prepaid Expenses	1,837
Total Current Assets	<u>1,413,843</u>
Fixed Assets:	
Land	18,028
Buildings	5,109
Construction in Progress	2,200,372
Equipment	237,867
Infrastructure	4,295,058
Less Accumulated Depreciation	<u>(1,740,565)</u>
Total Fixed Assets	<u>5,015,869</u>
Other Assets:	
Bond Costs	<u>191,640</u>
Total Other Assets	<u>191,640</u>
TOTAL ASSETS	<u><u>6,621,352</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	47,742
Accrued Expenses	7,366
Due To Other Funds	309,788
Refundable Meter Deposits	72,210
Current Portion of Long-Term Debt	306,567
Total Current Liabilities	<u>743,673</u>
Long-term Liabilities:	
Long-Term Portion of Debt	<u>3,707,691</u>
Total Long-term Liabilities	<u>3,707,691</u>
TOTAL LIABILITIES	4,451,364
NET ASSETS	
Invested in Fixed Assets, Net of Related Debt	1,001,611
Unrestricted	<u>1,168,378</u>
TOTAL NET ASSETS	<u><u>\$ 2,169,989</u></u>

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

CITY OF BULLARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Utility</u> <u>Fund</u>
<u>OPERATING REVENUES</u>	
Water Revenue	\$ 595,509
Garbage Revenue	180,327
Sewer Revenue	207,938
Miscellaneous	11,804
Reconnections	20,305
Meter Fees	12,900
Impact Fees	11,400
Service Charges	4,718
Sewer Activation/Tap Fees	1,350
	\$ 1,046,251
 <u>OPERATING EXPENDITURES</u>	
Advertising	2,943
Contract Services	150,102
Computer Services	3,061
Water Line Supplies	9,544
Engineering Services	9,252
Bank Charges	1,463
Contract Labor	2,998
Salaries	229,810
Dues/Subscriptions/Permits	3,533
Insurance	12,860
Infrastructure Expenditures	23,469
Depreciation	138,347
Miscellaneous	25
Office Supplies	4,288
Retirement Contribution	15,363
Equipment Leasing	11,900
Postage	3,901
Payroll Taxes	17,849
Legal & Professional	19,687
Telephone	8,664
Utilities	136,852
Repairs & Maintenance	125,962
Medical Insurance	33,073
Training & Education	4,210
	969,156
 TOTAL EXPENDITURES	 969,156
 OPERATING INCOME (LOSS)	 77,095

(Continued)

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, 2009

<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	6,642
Interest Expense	<u>(6,355)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 287
 INCOME (LOSS) BEFORE TRANSFERS	 77,382
 TRANSFERS IN	
TRANSFERS OUT	
 NET PROFIT (LOSS)	 77,382
 NET ASSETS, BEGINNING OF YEAR	 <u>2,092,607</u>
NET ASSETS, END OF YEAR	<u>\$ 2,169,989</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, 2009**

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	2009
Net Income (Less Extraordinary Loss)	\$ 77,382
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	138,347
Change in Assets and Liabilities:	
<Increase> Decrease in:	
Investments	93,843
Accounts Receivable	(2,158)
Due from Other Funds	(159,048)
Prepaid Expenses	(1,425)
Increase <Decrease> in:	
Accounts Payable	43,993
Due to Other Funds	307,398
Refundable Meter Deposits	(7,405)
Other Accrued Payables	(1,029)
Net Cash Provided by Operating Activities	489,898
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Acquisition and Construction of Capital Assets	(168,015)
Proceeds from Bonds	-
Net Cash Provided by Investing Activities	(168,015)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from Debt	-
Principal Payments of Long-term Liabilities	(123,260)
Net Cash Provided by Financing Activities	(123,260)
Net Increase <Decrease> in Cash	198,623
Transfers	-
Cash at Beginning of Year	153,521
CASH AT END OF YEAR	\$ 352,144

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

**CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2009**

NOTE A: SUMMARY OF ACCOUNTING POLICIES:

1) GENERAL STATEMENT

The City of Bullard, Texas, (the "City") 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, 2009

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, 2009

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. "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. 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, 2009

NOTE A: SUMMARY OF ACCOUNTING POLICIES: Continued

6) CASH, CASH EQUIVALENTS, AND TEMPORARY INVESTMENTS

State Statutes 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 \$1,011,215. 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 9/30/09 was \$713,297.

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, 2009

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, 2009

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:	8.76%
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, 2009

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	12/31/08
Actuarial Value of Assets	\$284,915
Actuarial Accrued Liability (AAL)	\$540,893
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$255,978
Funded Ratio	52.7%
Annual Covered Payroll	\$554,170
UAAL as a Percentage of Covered Payroll	46.2%

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 (Continued)

Investment Rate of Return -	7.5%
Projected Salary Increases -	None
Includes Inflation at -	3.00%
Cost-of-Living Adjustments -	None

CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2009

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, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land	\$ 23,842	\$ -	\$ -	\$ 23,842
Construction in Progress		\$ 673,070		\$ 673,070
Depreciable Capital Assets:				
Buildings	313,469	-	-	313,469
Equipment	156,378	60,600	-	216,978
Infrastructure	20,412,500	-	-	20,412,500
Total Depreciable	<u>20,882,347</u>	<u>60,600</u>	<u>-</u>	<u>20,942,947</u>
Accumulated Depreciation	<u>(20,510,812)</u>	<u>(83,919)</u>	<u>-</u>	<u>(20,594,731)</u>
Governmental Activities Capital Assets, Net	<u>\$ 395,377</u>	<u>\$ (23,319)</u>	<u>\$ -</u>	<u>\$ 1,045,128</u>

Capital asset activity for business-type activities for the year ended September 30, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land	\$ 18,028	\$ -	\$ -	\$ 18,028
Construction in Progress	2,074,381	125,991	-	2,200,372
Depreciable Capital Assets:				
Buildings	5,109	-	-	5,109
Equipment	195,543	42,324	-	237,867
Infrastructure	4,295,058	-	-	4,295,058
Total Depreciable	<u>4,495,710</u>	<u>168,315</u>	<u>-</u>	<u>6,738,406</u>
Accumulated Depreciation	<u>(1,602,219)</u>	<u>(138,347)</u>	<u>-</u>	<u>(1,740,565)</u>
Business Type Activities Capital Assets, Net	<u>\$ 4,985,900</u>	<u>\$ 29,968</u>	<u>\$ -</u>	<u>\$ 5,015,868</u>

CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2009

NOTE D: LONG TERM DEBT:

Government-Type Activities

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.

In February of 2006, the City borrowed \$22,774.07 from Austin Bank for the purchase of a police car. The interest rate is 6.5%, with ten semi-annual payments of \$2,671.48.

Principal payments projected for the following five years:

2010	19,722
2011	18,070
2012	12,129
2013	4,177
2014	-0-

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 2000, were issued December 5, 2000, in the amount of \$164,000, and bear interest at the rate of 6%. Payments are due annually in the amount of \$21,307.06.

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 April of 2007, the City of borrowed \$53,957 from Caterpillar Financial Services. The interest rate is 5.5%; sixty payments of \$1,030.63 are due monthly.

In July of 2007, the City borrowed \$19,700 from Austin Bank. The interest rate is 7.25%, 10 payments of \$2,390.08 are due semi-annually.

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.

CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2009

NOTE D: LONG TERM DEBT Continued:

Principal payments projected for the following five years:

2010	306,567
2011	305,935
2012	304,470
2013	312,273
2014	310,014

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. A separate bank account is to be established for the deposit of revenues and disbursement of debt service funds. The current year's financial statements reflect the Debt Service Fund and the accounting of appropriate activities through it. Because of this some balances do not tie to the beginning balances individually, but do tie collectively.

NOTE H: SUBSEQUENT EVENTS

The City has received a grant through the Office of Rural Community Affairs (ORCA) from the Texas Community Block Grant Program in the amount of \$250,000. The City will provide matching funds. The funds are to update and improve sewer facilities especially in low income neighborhoods.

Work has commenced and costs are being charged to an ORCA receivable account. Cash has been received in the amount of 250,000. Upon completion the assets will become capitalized into the City's infrastructure.

HUGH L. GOODPASTURE, P.C.
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Jacksonville, Texas 75766

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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, 2009, and have issued my report thereon dated August 5, 2010. 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.


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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Bullard's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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
August 5, 2010

**CITY OF BULLARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2009**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Property Tax	\$ 303,730	\$ 303,730	\$ 637,282	\$ 333,552
Sales Tax	175,000	175,000	151,521	(23,479)
Franchise Tax	85,000	85,000	89,359	4,359
Matching Funds -BEDCO			423,070	423,070
Miscellaneous	2,100	2,100	14,918	12,818
Building Permit & Fees	65,000	65,000	40,611	(24,389)
Salary Reimbursement	41,562	41,562	42,489	927
Interest Income	3,000	3,000	1,152	(1,848)
Inspections Only	24,000	24,000	12,511	(11,489)
Donations	600	600	384	(216)
Cash Reserves	126,657	126,657		(126,657)
Grant Revenue	-	-	252,000	252,000
Fines	236,000	236,000	349,134	113,134
Total Revenues	<u>1,062,649</u>	<u>1,062,649</u>	<u>2,014,431</u>	<u>951,782</u>
<u>EXPENDITURES</u>				
General Government	272,432	272,432	459,690	(187,258)
Street Maintenance	363,267	363,267	10,128	353,139
Public Safety & Court	432,792	432,233	693,430	(261,197)
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,068,491</u>	<u>1,067,932</u>	<u>1,163,248</u>	<u>(95,316)</u>
Excess revenues over (under) expenditures	(5,842)	(5,283)	851,183	856,466
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Fund Balance at beginning of year	272,331	271,814	520,729	248,915
	<u>\$ 266,489</u>	<u>\$ 266,531</u>	<u>\$ 1,371,912</u>	<u>\$ 1,105,381</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

Actual amounts shown above include \$423,070 matching funds from the Bullard Economic Development Corp and Grants of \$252,000 which were not budgeted. The excess of revenues over expenditures included these funds. The figure shown, therefore, does not represent a surplus from the city's ordinary operations.

CITY OF BULLARD
SPECIAL REVENUES FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	PARK FUND	SECURITY FUND	TECHNOLOGY FUND	TOTAL
REVENUE				
Grant Income	\$ -	\$ -	\$ -	\$ -
Donations	210	-	-	210
Interest Income	81	-	-	81
Miscellaneous Income	1,072	-	-	1,072
TOTAL REVENUES	1,363	-	-	1,363
EXPENSES				
Capital Outlay	3,345	-	-	3,345
Services and Supplies	7,882	-	5,867	13,749
TOTAL	11,227	-	5,867	17,094
EXCESS OF REVENUES OVER (UNDER)	(9,864)	-	(5,867)	(15,731)
EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers In	-	5,530	7,343	12,873
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	5,530	7,343	12,873
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(9,864)	5,530	1,476	(2,858)
Fund Balances - Beginning	5,958	6,295	8,994	21,247
Fund Balances - Ending	\$ (3,906)	\$ 11,825	\$ 10,470	\$ 18,389