

REPORT OF
CITY OF BULLARD
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Table of Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Government Funds Balance Sheet to Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	18
Notes to Basic Financial Statements	19
Report on Compliance & Internal Control (Yellow Book)	29
Statement of Findings and Responses	31
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	32
Nonmajor Governmental Funds:	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds - by Fund Type	33

HUGH L. GOODPASTURE, P.C.
Certified Public Accountant
P.O. Box 95, 215 East Commerce St.
Jacksonville, Texas 75766

(903) 586-2275
FAX (903) 586-0524

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, each major fund, and the aggregate remaining fund information of the City of Bullard, Texas, as of and for the year ended September 30, 2011, 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, each major fund, and the aggregate remaining fund information of the City of Bullard, Texas, as of September 30, 2011, 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, 2012, 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 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 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. We 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 management's responses to my inquiries, the basic

financial statements, and other knowledge I obtained during our 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.

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 as a whole. The introductory section, combining and individual nonmajor fund financial, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

A handwritten signature in black ink, appearing to read "Hugh L. Goodpasture". The signature is fluid and cursive, with a large initial "H" and "G".

Hugh L. Goodpasture, P.C.
Jacksonville, TX
September 6, 2012

**CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,649,331 (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 \$4,649,331 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,135,859	\$ 1,597,990	\$ 3,262,167	\$ 1,900,647	\$ 4,398,026	\$ 3,498,637
Capital assets	374,295	338,645	5,826,761	5,651,309	6,201,056	5,989,954
Total assets	1,510,154	1,936,635	9,088,927	7,551,956	10,599,081	9,488,591
Long-term debt outstanding	112,053	32,591	4,969,509	3,407,721	5,081,562	3,440,312
Other liabilities	265,557	461,119	602,631	1,202,137	868,188	1,663,256
Total liabilities	377,610	493,710	5,572,140	4,609,858	5,949,750	5,103,568
Net assets:						
Invested in capital assets, net of debt	262,242	306,054	3,516,787	2,243,588	3,779,029	2,549,642
Restricted	69,607	45,004	-	-	69,607	45,004
Restricted	40,646	38,954	-	-	40,646	38,954
Restricted Matching	-	63,589	-	-	-	63,589
Unrestricted (deficit)	760,049	989,324	-	698,510	760,049	1,687,834
Total net assets	\$ 1,132,544	\$ 1,442,925	\$ 3,516,787	\$ 2,942,098	4,649,331	\$ 4,385,023

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 391,946	\$ 495,149	\$ 1,222,520	\$ 1,099,382	\$ 1,614,466	\$ 1,594,531
Grants & Match Funds	25,884	79,589	-	-	25,884	79,589
Investment income	1,146	1,086	2,566	2,273	3,712	3,359
General revenues:						
Property taxes	800,232	776,572	-	-	800,232	776,572
Sales and use tax	175,249	157,358	-	-	175,249	157,358
Franchise tax	110,613	232,718	-	-	110,613	232,718
Total revenues	1,505,071	1,742,472	1,225,086	1,101,655	2,730,157	2,844,127
Program expenses						
General government	445,984	351,671	-	-	445,984	351,671
Street maintenance	72,394	16,265	-	-	72,394	16,265
Public safety	750,979	736,874	-	-	750,979	736,874
Services and supplies	-	-	-	-	-	-
Interest expense	152,565	164,639	5,823	4,527	158,388	169,166
Utilities	-	-	1,023,746	1,061,678	1,023,746	1,061,678
Total expenses	1,421,922	1,269,450	1,029,569	1,066,205	2,335,654	2,335,655
Excess (deficiency) before transfers	83,149	473,022	195,517	35,450	278,666	508,472
Extraordinary Loss	-	-	-	-	-	-
Transfers	-	(14,151)	-	-	-	(14,151)
Increase (decrease) in net assets	\$ 83,149	\$ 458,871	\$ 195,517	\$ 35,450	\$ 278,666	\$ 494,321

This past year has been a banner one for our City. Our sales tax has remained steady and in the black. Property values have remained above average, with communities around us falling short of the mark.

Our City has completed its evaluation of the "window pane" or "doughnut holes" and has successfully annexed over one-half of the eligible properties.

Governmental activities. Governmental activities increased the City's net assets by \$ 83,149.

Business-type activities. Business-type activities increased the City's net assets by \$195,517.

MAJOR FUND BUDGETARY HIGHLIGHTS

During the year, general fund revenues exceeded budgeted amounts. However, actual expenses exceeded budgeted expenses. Cumulatively there was a net actual to budget deficit of \$6,943, which is a negligible variance.

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, 2010, amounted to \$6,201,056 (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 \$5,949,750.

LOOKING AHEAD

The City of Bullard continues to be one of the brightest stars in this area of East Texas. Our sales tax has continued to be in the black this entire year and our property tax as well. We are the place where families want to locate and purchase a home.

I anticipate property that is currently vacant will be developed and become a vibrant addition to our City.

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, 2011

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 622,514	\$ 810,245	\$ 1,432,759
Investments	-	2,086,081	2,086,081
Accounts Receivable	13,315	123,862	137,177
Accounts Recievable ONCOR & SECO Grant	24,884	-	24,884
Inventory Gasoline & Postage	2,536	42,375	44,911
Due from Other Funds	472,410	199,604	672,014
Employee Advance	200	-	200
Total Current Assets	1,135,859	3,262,167	4,398,026
Fixed Assets:			
Land	23,842	18,028	41,870
Buildings	313,469	5,109	318,578
Construction in Progress	-	2,292,654	2,292,654
Equipment	346,779	311,964	658,742
Infrastructure	20,412,500	5,064,255	25,476,755
Less Accumulated Depreciation	(20,722,295)	(2,041,459)	(22,763,754)
Total Fixed Assets	374,295	5,650,551	6,024,845
Other Assets:			
Bond Costs	-	176,210	176,210
Total Other Assets	-	176,210	176,210
TOTAL ASSETS	1,510,154	9,088,927	10,599,081
LIABILITIES			
Accounts Payable	72,234	56,891	129,125
Accrued Liabilities	12,841	4,956	17,796
Refundable Meter Deposits	-	61,195	61,195
Interfund Loan/Due to Other Funds	180,482	479,589	660,071
Notes Payable - Due Within One Year	33,446	321,120	354,566
Notes Payable - Due In More Than One Year	78,607	4,648,389	4,726,996
TOTAL LIABILITIES	377,610	5,572,140	5,949,750
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	295,688	1,002,162	1,297,850
Restricted for Debt Service	69,607	-	69,607
Restricted Matching Funds	-	-	-
Unrestricted	726,603	2,514,625	3,241,228
Unrestricted, reported in nonmajor:			
Special Revenues	40,646	-	40,646
TOTAL NET ASSETS	\$ 1,132,544	\$ 3,516,787	\$ 4,649,331

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

CITY OF BULLARD
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

<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	445,984	45,715	(400,269)
Street Maintenance	72,394	-	(72,394)
Public Safety	750,979	370,116	(380,863)
Services and Supplies	-	-	-
Interest Expense	152,565	-	(152,565)
Total governmental activities	<u>1,421,922</u>	<u>415,831</u>	<u>(1,006,091)</u>
Business-type:			
Utility	1,029,569	1,222,520	192,951
Total business-type activities	<u>1,029,569</u>	<u>1,222,520</u>	<u>192,951</u>
Change in Net Assets:			
	Governmental	Business-Type	Total
	Activities	Activities	
Net (Expense) / Revenue	\$ (1,006,091)	\$ 192,951	\$ (813,140)
General Revenues:			
Sale of Assets	2,000	-	2,000
Taxes:			
Property Tax	800,232	-	800,232
Sales and Use Tax	175,249	-	175,249
Franchise Tax	110,613	-	110,613
Investment Income	1,146	2,566	3,712
Extraordinary Loss	-	-	-
Transfers - Internal Activities	<u>(393,530)</u>	<u>379,172</u>	<u>(14,358)</u>
Total General Revenues and Transfers	<u>695,710</u>	<u>381,738</u>	<u>1,077,448</u>
Change in Net Assets	(310,381)	574,689	264,308
Net Assets - Beginning	1,442,925	2,942,098	4,385,023
Prior Period Adjustment	-	-	-
Net Assets - Ending	<u>\$ 1,132,544</u>	<u>\$ 3,516,787</u>	<u>\$ 4,649,331</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	General Fund	Special Revenue Funds	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 517,524	\$ 35,383	\$ 69,607	\$ 622,514
Receivables:				
Sales Tax	13,315	-	-	13,315
Other Receivables	25,084	-	-	25,084
Prepaid Expenses				
Inventory	2,536			2,536
Prepaid Interest				
Due from IRS	841			841
Due From ORCA Grant	2,183			2,183
Due From Other Funds	11,147	6,039	-	17,186
Total Assets	<u>\$ 572,629</u>	<u>\$ 41,422</u>	<u>\$ 69,607</u>	<u>\$ 683,659</u>
LIABILITIES				
Accounts Payable	\$ 72,234	-	-	\$ 72,234
Accrued Liabilities	12,841	-	-	12,841
Due to Other Funds	6,642	776	-	7,418
Interfund Loan	20,499	-	-	20,499
Total Liabilities	<u>112,216</u>	<u>776</u>	<u>-</u>	<u>112,992</u>
FUND BALANCES				
Reserved for debt service	-	-	69,607	69,607
Unreserved	460,413	-	-	460,413
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	40,646	-	40,646
Total Fund Balances	<u>460,413</u>	<u>40,646</u>	<u>69,607</u>	<u>570,666</u>
Total Liabilities and Fund Balances	<u>\$ 572,629</u>	<u>\$ 41,422</u>	<u>\$ 69,607</u>	<u>\$ 683,659</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

	General Fund	Special Revenue Funds	Debt Service Fund	Total Governmental Funds
<u>REVENUES</u>				
Property Taxes	\$ 348,032	\$ -	\$ 452,200	\$ 800,232
Sales Tax Collected	175,249	-	-	175,249
Franchise Tax	110,613	-	-	110,613
Miscellaneous	15,623	-	-	15,623
Building Permits & Fees	23,891	-	-	23,891
Salary Reimbursement	41,714	-	-	41,714
Grant Income	25,884	-	-	25,884
Interest Income	769	58	319	1,146
Donations	3,676	525	-	4,201
Fines	304,517	-	-	304,517
Sale of Asset	2,000	-	-	-
Due to Other Funds	-	6,039	2,160	8,199
TOTAL REVENUES	1,051,970	6,622	454,678	1,513,271
<u>EXPENDITURES</u>				
General Government	455,984	-	-	455,984
Street Maintenance	72,394	-	-	72,394
Public Safety	489,350	-	-	489,350
Services and Supplies	289,749	10,059	2,335	302,143
Capital Outlay	89,184	-	-	89,184
Debt Service:				
Due to Utility Fund			251	
Principal	21,725	-	277,260	298,985
Interest	2,008	-	150,230	152,237
TOTAL EXPENDITURES	1,420,395	10,059	430,075	1,860,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(368,425)	(3,437)	24,603	(347,258)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfer In	(5,905)	5,905	-	(0)
Operating Transfer Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,905)	5,905	-	(0)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(374,330)	2,468	24,603	(347,259)
FUND BALANCE BEGINNING OF YEAR	1,395,844	38,954	45,004	1,479,802
FUND BALANCE, END OF YEAR	\$ 1,021,514	\$ 41,422	\$ 69,607	\$ 1,132,544

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, 2011**

Net Change in Fund Balances - Total Governmental Funds (General Fund and Special Revenues, see statement in supplementary information)	\$ (347,259)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	89,184
<p>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.</p>	(74,031)
<p>Governmental funds report repayment of debt principal as expenditures. However, in the government-wide statements this repayment reduces long-term liabilities.</p>	<u>21,725</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (310,381)</u></u>

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, 2011

	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 810,245
Investments	2,086,081
Accounts Receivable	123,862
Due From Other Funds	199,604
Inventory	42,375
Prepaid Expenses	-
Total Current Assets	3,262,167
Fixed Assets:	
Land	18,028
Buildings	5,109
Construction in Progress	2,292,654
Equipment	311,964
Infrastructure	5,064,255
Less Accumulated Depreciation	(2,041,459)
Total Fixed Assets	5,650,551
Other Assets:	
Accumulated Amortization of Bonds	(50,230)
Bond Costs	226,440
Total Other Assets	176,210
TOTAL ASSETS	9,088,927
LIABILITIES	
Current Liabilities:	
Accounts Payable	56,891
Accrued Expenses	4,955
Due To Other Funds	479,589
Refundable Meter Deposits	61,195
Current Portion of Long-Term Debt	321,120
Total Current Liabilities	923,751
Long-term Liabilities:	
Long-Term Portion of Debt	4,648,389
Total Long-term Liabilities	4,648,389
TOTAL LIABILITIES	5,572,140
NET ASSETS	
Invested in Fixed Assets, Net of Related Debt	3,516,787
Unrestricted	-
TOTAL NET ASSETS	\$ 3,516,787

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, 2011

<u>OPERATING REVENUES</u>	<u>Utility Fund</u>
Water Revenue	\$ 715,983
Garbage Revenue	214,071
Sewer Revenue	230,979
Miscellaneous	10,028
Reconnections	29,521
Meter Fees	8,510
Impact Fees	7,500
Service Charges	3,228
Sewer Activation/Tap Fees	<u>2,700</u>
 TOTAL OPERATING REVENUES	 \$ 1,222,520
 <u>OPERATING EXPENDITURES</u>	
Accounting	5,964
Advertising	1,662
Amortization Expense Bonds	50,230
Contract Services	188,309
Computer Services	3,796
Neches Compost & Mosquito Spray	19,829
Engineering Services	405
Bank Charges	2,993
Contract Labor	22,120
Salaries	178,470
Dues/Subscriptions/Permits	4,430
Insurance	12,228
Infrastructure Expenditures	1,855
Depreciation	168,377
Miscellaneous	2,773
Office Supplies	13,829
Retirement Contribution	14,520
Postage	5,391
Payroll Taxes	14,124
Legal & Professional	980
Telephone	7,930
Utilities	103,872
Repairs & Maintenance	169,380
Medical Insurance	25,964
Training & Education	<u>4,316</u>
 TOTAL EXPENDITURES	 <u>1,023,746</u>
 OPERATING INCOME (LOSS)	 <u>198,774</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, 2011
Continued

<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	2,566
Interest Expense	<u>(5,823)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,257)
NET PROFIT (LOSS)	195,517
NET ASSETS, BEGINNING OF YEAR	<u>2,942,098</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,137,615</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, 2011**

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2011</u>
Receipts from Customers	1,222,520
Payments to Suppliers	(831,152)
Payment to Employees	(192,594)
	<u>198,774</u>
Net Cash Provided by Operations	198,774
Net Non-operating Revenue/Expense	(3,257)
	<u>195,517</u>
Cash Flows from Financing Activities:	195,517
Purchase of PP&E	(161,957)
Long Term Debt Changes	984,907
Net Increase (Decrease) in Cash Equivalents	(383,499)
Cash Beginning	532,115
Transfer In/Int Income	661,629
Cash Ending Balance	<u>810,245</u>
Net Income (Less Extraordinary Loss)	195,517
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	168,377
Change in Assets and Liabilities:	
<Increase> Decrease in:	
Investments	(1,441,405)
Accounts Receivable	(10,148)
Due from Other Funds	176,523
Increase <Decrease> in:	
Accounts Payable	(6,547)
Due to Other Funds	(273,488)
Refundable Meter Deposits	16,021
Other Accrued Payables	743
Purchase of PP & E	(161,957)
Change in Long- term Debt	984,907
	<u>383,499</u>
Net Increase/Decrease in Cash/Equivalents	(383,499)
Cash beginning balance	532,115
Transfers	661,629
Net Cash Provided by Operating Activities	<u>810,245</u>

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

CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2011

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, 2011

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, 2011

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, 2011

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 \$1,432,759. 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 9/30/2011 was \$2,086,081.

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, 2011

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, 2011

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:	8.65%
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, 2011**

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	12/31/09
Actuarial Value of Assets	\$382,160
Actuarial Accrued Liability (AAL)	\$651,713
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$269,553
Funded Ratio	58.6%
Annual Covered Payroll	\$605,096
UAAL as a Percentage of Covered Payroll	44.5 %

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

CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2011

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, 2011 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	-	-	-	-
Depreciable Capital Assets:				
Buildings	313,469	-	-	313,469
Equipment	257,595	89,184	-	346,779
Infrastructure	20,412,500	-	-	20,412,500
Total Depreciable	<u>20,983,564</u>	<u>89,184</u>	<u>-</u>	<u>21,072,748</u>
Accumulated Depreciation	<u>(20,669,060)</u>	<u>(53,235)</u>	<u>-</u>	<u>(20,722,295)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 338,346</u>	<u>\$ 35,949</u>	<u>\$ -</u>	<u>\$ 374,295</u>

Capital asset activity for business-type activities for the year ended September 30, 2011 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	2,204,156	88,498	-	2,292,654
Depreciable Capital Assets:				
Buildings	5,109	-	-	5,109
Equipment	245,067	66,897	-	311,964
Infrastructure	5,057,692	6,563	-	5,064,255
Total Depreciable	<u>5,307,868</u>	<u>161,958</u>	<u>-</u>	<u>7,673,982</u>
Accumulated Depreciation	<u>(1,878,744)</u>	<u>(138,179)</u>	<u>-</u>	<u>(2,041,459)</u>
Business Type Activities				
Capital Assets, Net	<u>\$ 5,651,308</u>	<u>\$ 23,779</u>	<u>\$ -</u>	<u>\$ 5,650,551</u>

**CITY OF BULLARD
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2011**

NOTE D: LONG TERM DEBT:

Government-Type Activities

In September 2011 the City borrowed from Austin Bank for the purchase of Incode Software. Payments to be set when final amount of note is known.

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
2012	37,974	\$4,902
2013	35,356	3,476
2014	23,280	2,272
2015	19,971	1,283
2016	18,472	524

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 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 5.25%, 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.

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.

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.

NOTE D: LONG TERM DEBT Continued:

Principal and interest payments projected for the following five years:

	Principal	Interest
2012	321,120	203,350
2013	322,317	189,557
2014	406,072	176,256
2015	206,000	163,137
2016	270,000	152,765
BALANCE	3,444,000	972,732

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

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bullard, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Bullard, Texas's basic financial statements and have issued our report there on dated September 6, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Bullard, Texas is responsible for establishing and maintaining effective 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 effectiveness of the City of Bullard, Texas internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Bullard, Texas'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. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses.

Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

A handwritten signature in black ink, appearing to read "R. L. ...". The signature is fluid and cursive, with a large initial letter.

Jacksonville, Texas
September 06, 2012

**CITY OF BULLARD
STATEMENT OF FINDINGS AND RESPONSES
SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

2011-1

After the input of billing calculation information for preparation of utility bills, approximately 80% had to be adjusted out to correct customer accounts, indication a lack of training and/or performance by clerical personnel

Response:

Utility bills that are to be entered by the utility clerk will be verified by either the office administrator or the finance director. Further training will take place for utility billing personnel. A procedure manual is being developed to make sure that all the steps to the job are done correctly. No adjustments will be made without authorization by management and along with details of adjustment kept contemporaneously.

2011-2

There was no separation of functions with the same person preparing the bills, collecting the payments and assisting in depositing the funds.

Response:

Daily reconciliation of all utility transactions will be verified by the finance director or the office administrator. Daily receipts will be reconciled to billing records and the deposit prepared by the finance director.

2011-3

Hard copies of calculation reports which the system cannot duplicate when closing had occurred, could not be located.

Response:

All reports will be printed out, filed monthly and achieved in a central location, i.e. billing calculations, meter readings, water-sewer loss reports, etc.

2011-4

The lack of supervisory oversight was indicated by the fact that these errors persisted throughout the year without recognition and correction.

Response:

A new finance director has been hired and as indicated above, addressed the situation at each point of weakness. The city has implemented a cash handling policy that addresses internal control issues. Stepped up training for personnel has been planned.

**CITY OF BULLARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2011**

	<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	\$ 321,313	\$ 329,364	\$ 348,032	\$ 18,668
Sales Tax	160,000	160,000	175,249	15,249
Franchise Tax	85,000	85,000	110,613	25,613
Matching Funds -BEDCO			-	-
Miscellaneous	1,800	3,000	17,623	14,623
Building Permit & Fees	36,000	36,000	20,046	(15,954)
Salary Reimbursement	42,516	42,516	41,714	(802)
Interest Income	1,000	1,300	1,146	(154)
Inspections Only	12,000	12,000	3,845	(8,155)
Donations	600	600	4,201	3,601
Cash Reserves	-	-		-
Grant Revenue	-	-	25,884	25,884
Fines	236,000	340,000	304,517	(35,483)
Total Revenues	<u>896,228</u>	<u>1,009,780</u>	<u>1,052,871</u>	<u>43,091</u>
<u>EXPENDITURES</u>				
General Government	272,432	279,526	445,984	(166,458)
Street / Court	363,267	505,995	72,394	433,601
Public Safety	432,792	522,985	750,979	(227,994)
Capital Outlay	-	-	89,184	(89,184)
Total Expenditures	<u>1,068,491</u>	<u>1,308,506</u>	<u>1,358,541</u>	<u>(50,035)</u>
Excess revenues over (under) expenditures	(172,263)	(298,726)	(305,670)	(6,943)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Fund Balance at beginning of year	226,725	285,484	412,275	126,791
	<u>\$ 54,462</u>	<u>\$ (13,242)</u>	<u>\$ 106,605</u>	<u>\$ 119,848</u>

CITY OF BULLARD
SPECIAL REVENUES FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	PARK FUND	SECURITY FUND	TECHNOLOGY FUND	TOTAL
REVENUE				
Grant Income	-	-	-	-
Donations	525	-	-	525
Interest Income	27	22	10	58
Due from Other Funds		2,415	3,625	6,039
TOTAL REVENUES	552	2,437	3,634	6,623
EXPENSES				
Capital Outlay	-	-	-	-
Services and Supplies	2,358	110	7,591	10,059
TOTAL	2,358	110	7,591	10,059
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,806)	2,327	(3,956)	(3,436)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,534	3,371	5,905
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	2,534	3,371	5,905
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(1,806)	4,861	(586)	2,469
Fund Balances - Beginning	17,549	13,258	8,147	38,954
Fund Balances - Ending	\$ 15,742	\$ 18,119	\$ 7,562	\$ 41,422