

**CITY OF BRUCEVILLE-EDDY, TEXAS**

**FINANCIAL STATEMENTS**

**September 30, 2011**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**

**AND SUPPLEMENTARY INFORMATION**



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## **Independent Auditors' Report**

Honorable Mayor and  
Members of the City Council  
City of Bruceville-Eddy, Texas

We 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 Bruceville-Eddy, Texas (the City) as 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's management. Our responsibility is to express our opinion on these financial statements based on our audit.

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

In our 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 Bruceville-Eddy, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the analysis and budgetary comparison information on pages 45 through 49 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. Other supplemental information on pages 50 through 51 is also included for additional analysis purposes. 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Brockway Gersbach, Franklin & Niemeier, P.C.*

January 3, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the managers of City of Bruceville-Eddy, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2011. Please read it in conjunction with the Independent Auditors' Report on page 1, and the City's Basic Financial Statements which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The City's net assets increased by \$ 375,043 as a result of this period's operations.
- The General Fund ended the period with a fund balance of \$ 600,128.
- During the year, the City had expenses that were \$ 49,974 less than the \$ 625,269 generated in tax and other revenues for governmental programs.
- The total cost of all the City's programs was \$ 1,940,492. Of this amount, \$ 1,590,575 was directly attributed to Public Safety (Police Department) and Water Services. The remainder of the cost was mainly for general government and street repair.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 13 through 15) These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**USING THIS ANNUAL REPORT (CONTINUED)**

**Reporting the City as a Whole**

*The Statement of Net Assets and the Statement of Activities*

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better or worse off as a result of the period's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the period while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the period.

All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

These two statements report the City's net assets and the changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

**Governmental activities**—Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

**Business-type activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water system activities are reported here.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**USING THIS ANNUAL REPORT (CONTINUED)**

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental funds—The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental fund statements are detailed in a reconciliation following the fund financial statements.

Proprietary funds - The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net assets were \$ 2,690,405 as of September 30, 2011. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$ 1,866,611 and the governmental activities net assets are \$ 823,794. The following condensed financial statements focuses on the net assets (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II) as of and for the years ended September 30, 2011 and 2010.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**Table I**

**NET ASSETS**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
	Current and other assets	\$ 625,216	\$ 557,339	\$ 1,601,408	\$ 625,253	\$ 2,226,624
Noncurrent and capital assets	237,842	266,656	1,503,786	1,381,718	1,741,628	1,648,374
<b>Total assets</b>	<b>863,058</b>	<b>823,995</b>	<b>3,105,194</b>	<b>2,006,971</b>	<b>3,968,252</b>	<b>2,830,966</b>
Other liabilities	17,458	14,805	192,583	94,429	210,041	109,234
Long-term liabilities	21,806	35,370	1,046,000	371,000	1,067,806	406,370
<b>Total liabilities</b>	<b>39,264</b>	<b>50,175</b>	<b>1,238,583</b>	<b>465,429</b>	<b>1,277,847</b>	<b>515,604</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	216,036	231,286	1,161,079	1,010,718	1,377,115	1,242,004
Restricted	21,768	12,617	107,013	104,245	128,781	116,862
Unrestricted	585,990	529,917	598,519	426,579	1,184,509	956,496
<b>Total net assets</b>	<b>\$ 823,794</b>	<b>\$ 773,820</b>	<b>\$ 1,866,611</b>	<b>\$ 1,541,542</b>	<b>\$ 2,690,405</b>	<b>\$ 2,315,362</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**Table II**

**CHANGE IN NET ASSETS**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 240,730	\$ 300,584	\$ 1,556,697	\$ 1,266,510	\$ 1,797,427	\$ 1,567,094
Operating grants and contributions	23,030	-	-	-	23,030	-
<b>General Revenues:</b>						
Property tax	243,190	225,447	-	-	243,190	225,447
Sales tax	57,865	65,666	-	-	57,865	65,666
Other taxes	62,856	66,785	-	-	62,856	66,785
Investment earnings	376	1,765	11,494	326	11,870	2,091
Grants (non-operating)	-	-	81,888	-	81,888	-
Miscellaneous	20,252	17,037	17,157	3,807	37,409	20,844
<b>Total Revenue</b>	<b>648,299</b>	<b>677,284</b>	<b>1,667,236</b>	<b>1,270,643</b>	<b>2,315,535</b>	<b>1,947,927</b>
<b>Expenses:</b>						
General government	332,916	259,260	-	-	332,916	259,260
Public safety	248,408	187,748	-	-	248,408	187,748
Streets	13,562	42,814	-	-	13,562	42,814
Culture and recreation	1,904	2,024	-	-	1,904	2,024
Interest on long-term debt	1,535	2,181	-	-	1,535	2,181
Water and sewer	-	-	1,342,167	1,132,247	1,342,167	1,132,247
<b>Total Expenses</b>	<b>598,325</b>	<b>494,027</b>	<b>1,342,167</b>	<b>1,132,247</b>	<b>1,940,492</b>	<b>1,626,274</b>
<b>Change in net assets before transfers</b>	<b>49,974</b>	<b>183,257</b>	<b>325,069</b>	<b>138,396</b>	<b>375,043</b>	<b>321,653</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>49,974</b>	<b>183,257</b>	<b>325,069</b>	<b>138,396</b>	<b>375,043</b>	<b>321,653</b>
<b>Net assets - beginning</b>	<b>773,820</b>	<b>590,563</b>	<b>1,541,542</b>	<b>1,403,146</b>	<b>2,315,362</b>	<b>1,993,709</b>
<b>Net assets - ending</b>	<b>\$ 823,794</b>	<b>\$ 773,820</b>	<b>\$ 1,866,611</b>	<b>\$ 1,541,542</b>	<b>\$ 2,690,405</b>	<b>\$ 2,315,362</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

A large portion of the City's net assets (62 percent) reflect its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment 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.

An additional portion of the City's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets, \$ 892,802, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal period, the City is able to report positive balances in all three categories of net assets for the government as a whole.

For the year ended September 30, 2011, revenues from governmental activities totaled \$ 648,299. Charges for public safety services account for 37% of these revenues, while property taxes account for 37% of the total.

For the year ended September 30, 2011, expenses for governmental activities totaled \$ 598,325. The City's three largest funded programs are for general government, public safety, and streets.

Revenues of the City's business-type activities were \$ 1,667,236 for the year ended September 30, 2011. Expenses for the City's business-type activities were \$ 1,342,167. The City's largest business-type activities expense is the purchase of water.

**THE CITY'S FUNDS**

As the City completed the period, its governmental fund (as presented in the balance sheet on page 16) reported a fund balance of \$ 600,128 which is higher than last year's total of \$ 535,714.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2011, the City had \$ 1,741,628 invested in a broad range of capital assets, including facilities and equipment and land. This amount represents a net increase of \$ 93,254 due to purchases being greater than current year depreciation and disposals. This period's major additions include purchases of \$ 12,104 for machinery and equipment, \$ 6,500 for water facilities, \$ 21,048 for land, and \$ 208,922 in construction in progress.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Debt**

At period-end, the City had \$ 1,067,806 in bonds and notes outstanding versus \$ 406,370 last year which is an increase due to new financing exceeding current period principal payments. The City refinanced its Series 2001 Revenue Bonds with Series 2011 Revenue Refunding Bonds totaling \$ 371,000. Another \$ 731,000 in additional revenue bonds were issued for the purpose of water system improvements, including acquisition and construction of a booster pump station and purchase and installation of water meters.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements starting on page 35.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered population growth and available resources from water, public safety and tax revenues when setting the fiscal year ending September 30, 2012 budget and tax rate.

The City adopted a \$ 1,979,868 combined budget for fiscal year ending September 30, 2012. It will be funded through property taxes, water and utility charges, and other local revenues.

If the City does not incur any unforeseen expenditures or reductions in revenue, current revenues should cover current expenses with no change estimated in the General Fund fund balance and no change in the Water Fund net assets.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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 questions about this report or need additional financial information, contact the City's business office at City of Bruceville-Eddy, 143 Wilcox Drive, # A, Bruceville-Eddy, Texas 76524.

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**BASIC FINANCIAL STATEMENTS**

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**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 553,643	\$ 629,880	\$ 1,183,523
Receivables, net of allowance for uncollectibles:			
Accounts	10,458	166,871	177,329
Other	310	-	310
Cash and cash equivalents - restricted	21,768	810,306	832,074
Deferred charges	-	33,388	33,388
Internal balances	39,037	(39,037)	-
Capital assets, not being depreciated:			
Land and improvements	48,710	61,330	110,040
Construction in progress	-	208,922	208,922
Capital assets, net of accumulated depreciation:			
Buildings and improvements	56,435	34,238	90,673
Water facilities	-	1,167,311	1,167,311
Machinery and equipment	69,738	31,985	101,723
Infrastructure	62,959	-	62,959
Total capital assets	237,842	1,503,786	1,741,628
Total Assets	863,058	3,105,194	3,968,252
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	15,001	165,946	180,947
Customer deposits	-	24,500	24,500
Compensated absences	2,457	2,137	4,594
Noncurrent liabilities:			
Due within one year	14,981	51,000	65,981
Due in more than one year	6,825	995,000	1,001,825
Total Liabilities	39,264	1,238,583	1,277,847
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	216,036	1,161,079	1,377,115
Restricted for:			
Court technology and building security	21,755	-	21,755
Drug enforcement	13	-	13
Debt service	-	107,013	107,013
Unrestricted	585,990	598,519	1,184,509
Total Net Assets	\$ 823,794	\$ 1,866,611	\$ 2,690,405

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

**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2011**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b><u>Functions/Programs</u></b>			
Primary government:			
Governmental activities:			
General government	\$ 332,916	\$ 1,345	\$ 23,030
Public safety	248,408	239,385	-
Highways and streets	13,562	-	-
Culture and recreation	1,904	-	-
Interest on long-term debt	1,535	-	-
Total governmental activities	598,325	240,730	23,030
Business-type activities:			
Water Utility	1,342,167	1,556,697	-
Total business-type activities	1,342,167	1,556,697	-
<b>Total primary government</b>	<b>\$ 1,940,492</b>	<b>\$ 1,797,427</b>	<b>\$ 23,030</b>

General revenues:

- Property taxes
- Sales and miscellaneous taxes
- Franchise taxes
- Investment income
- Grant revenue
- Miscellaneous
- Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (308,541)	\$ -	\$ (308,541)
(9,023)	-	(9,023)
(13,562)	-	(13,562)
(1,904)	-	(1,904)
(1,535)	-	(1,535)
<u>(334,565)</u>	<u>-</u>	<u>(334,565)</u>
-	214,530	214,530
<u>-</u>	<u>214,530</u>	<u>214,530</u>
(334,565)	214,530	(120,035)
243,190	-	243,190
57,865	-	57,865
62,856	-	62,856
376	11,494	11,870
-	81,888	81,888
20,252	17,157	37,409
<u>384,539</u>	<u>110,539</u>	<u>495,078</u>
49,974	325,069	375,043
<u>773,820</u>	<u>1,541,542</u>	<u>2,315,362</u>
<u>\$ 823,794</u>	<u>\$ 1,866,611</u>	<u>\$ 2,690,405</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUND  
September 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 553,643
Cash - restricted	21,768
Receivables, net of allowance for uncollectibles:	
Taxes	10,458
Due from other funds	39,037
Other	310
	<hr/>
Total Assets	<u><u>\$ 625,216</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 7,458
Deferred revenue	10,458
Other accrued liabilities	7,172
Total Liabilities	<hr/> 25,088
Fund Balance:	
Restricted for:	
Court technology and building security	21,755
Drug enforcement	13
Unassigned, reported in:	
General fund	578,360
Total Fund Balance	<hr/> 600,128
	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ 625,216</u></u>

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

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET ASSETS**  
**September 30, 2011**

Total fund balance-governmental fund (page 15) \$ 600,128

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 48,710	
Buildings	110,844	
Equipment	242,930	
Infrastructure	90,830	
Accumulated depreciation	<u>(255,472)</u>	
Total capital assets	<u>\$ 237,842</u>	237,842

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.

Property taxes not collected	<u>\$ 10,458</u>	10,458
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Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable	<u>\$ (21,806)</u>	(21,806)
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Accrued interest is not due and payable in the current period and therefore is not reported in the funds.

Accrued interest	<u>\$ (371)</u>	(371)
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Accrued vacation and comp time payable is not due and payable in the current period and therefore is not reported in the funds.

Compensated absences	<u>\$ (2,457)</u>	<u>(2,457)</u>
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Net assets of governmental activities (page 12)	<u>\$ 823,794</u>	<u>823,794</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Year Ended September 30, 2011**

	General Fund
<u>Revenues</u>	
Ad valorem tax	\$ 241,713
Sales tax	57,865
Franchise tax	62,856
Fines and forfeitures	239,385
Licenses and permits	1,345
Grants	23,030
Interest income	376
Lease and miscellaneous income	20,252
	646,822
 <u>Expenditures</u>	
Current:	
General government	329,621
Public safety	228,407
Streets	9,021
Debt service:	
Principal	13,564
Interest and fiscal charges	1,795
	582,408
 Excess (deficiency) of revenues over (under) expenditures	64,414
 Fund Balance- beginning of year	535,714
Fund Balance- end of year	\$ 600,128

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

**CITY OF BRUCEVILLE-EDDY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2011**

Net change in fund balance - total governmental fund (page 17) \$ 64,414

Amounts reported for governmental activities in the statement of activities  
(pages 13-14) are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated useful  
lives and reported as depreciation expense. This is the amount by which capital  
outlays exceeded depreciation in the current period.

Capital outlay	\$ 2,236	
Depreciation expense	(31,050)	
	<u>\$ (28,814)</u>	(28,814)

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds.

Property taxes not collected	\$ 10,458	
Less prior year	(8,979)	
	<u>\$ 1,479</u>	1,479

Some expenses reported in the statement of activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
governmental funds.

Decrease in accrued interest payable	\$ 260	
Increase in compensated absences liability	(929)	
	<u>\$ (669)</u>	(669)

Repayment of the principal of long-term debt consumes the current financial  
resources of governmental funds but reduces the long-term liability in the statement  
of activities.

Debt service - principal	\$ 13,564	<u>13,564</u>
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Change in net assets of governmental activities (pages 13-14) \$ 49,974

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

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**September 30, 2011**

	<u>Business-type Activities Water Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 629,880
Accounts receivable, net	166,871
Deferred charges - bond issue costs	11,051
Prepaid expenses	22,337
Total current assets	<u>830,139</u>
Noncurrent assets:	
Restricted cash and cash equivalents	810,306
Capital assets, net	<u>1,503,786</u>
Total Assets	3,144,231
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	162,753
Accrued liabilities	3,193
Customer deposits	24,500
Due to other funds	39,037
Liabilities payable from restricted assets:	
Revenue bonds payable - current portion	51,000
Total current liabilities	<u>280,483</u>
Noncurrent liabilities:	
Compensated absences	2,137
Liabilities payable from restricted assets:	
Revenue bonds payable	<u>995,000</u>
Total Liabilities	<u>1,277,620</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,161,079
Restricted	107,013
Unrestricted	598,519
Total Net Assets	<u><u>\$ 1,866,611</u></u>

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



**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
For the Year Ended September 30, 2011**

	<u>Business-type Activities Water Fund</u>
<u>Operating Revenues</u>	
Water	\$ 1,411,816
Garbage	101,938
Water tap fees	10,823
Other operating revenues	32,120
Total Operating Revenues	<u>1,556,697</u>
<u>Operating Expenses</u>	
Water purchases	516,236
Water system utilities	83,553
Water system supplies	43,724
Repairs and maintenance	34,583
Other water system expenses	12,722
Personnel and support	211,884
Professional fees	24,784
Administrative expenses	46,502
Garbage collection fees	100,450
Depreciation and amortization	138,537
Total Operating Expenses	<u>1,212,975</u>
Operating Income	343,722
<u>Nonoperating Revenues (Expenses)</u>	
Interest income	11,494
Interest expense	(44,548)
Donations emergency services income	3,305
Donations emergency services expense	(2,756)
Grant revenue	81,888
Grant expense	(81,888)
Proceeds from insurance claims	13,852
Total Nonoperating Revenues (Expenses)	<u>(18,653)</u>
Change in Net Assets	325,069
Net Assets - beginning	<u>1,541,542</u>
Net Assets - ending	<u><u>\$ 1,866,611</u></u>

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

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2011**

	<u>Business-type Activities Water Fund</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,531,646
Cash paid to suppliers	(842,029)
Cash paid to employees	(171,423)
Net Cash Provided by Operating Activities	<u>518,194</u>
<u>Cash Flows from NonCapital Financing Activities</u>	
Grant and contribution income	85,193
Grant and contribution expense	(84,644)
Proceeds from insurance claims	13,852
Net Cash Provided by NonCapital Financing Activities	<u>14,401</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(246,338)
Proceeds from long-term bonds	1,102,000
Payments on long-term bonds	(427,000)
Proceeds from loans from other funds	39,037
Interest paid	(44,548)
Net Cash Provided by Capital and Related Financing Activities	<u>423,151</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	11,494
Cash payments to restricted invested cash	(706,061)
Net Cash Used by Investing Activities	<u>(694,567)</u>
Net Increase in Cash and Cash Equivalents	261,179
Cash and cash equivalents - beginning of year	<u>368,701</u>
Cash and cash equivalents - end of year	<u><u>\$ 629,880</u></u>

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

**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (CONTINUED)  
For the Year Ended September 30, 2011**

	<u>Business-type Activities Water Fund</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 343,722
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	124,270
Increase in accounts receivable	(28,501)
Increase in prepaid expenses	(22,337)
Decrease in other current assets	2,886
Increase in accounts payable	128,662
Decrease in accrued liabilities	(33,958)
Increase in customer deposits	3,450
Total Adjustments	<u>174,472</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ 518,194</u></u>

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**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Bruceville-Eddy, Texas (the City) was incorporated in 1974 for the purpose of providing public safety, water and sanitation services, planning and general administrative services. The City's present population is approximately 1,570, and it serves approximately 1,786 metered customers.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include programs supported by primarily water revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after period end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

**D. FUND ACCOUNTING**

The City reports the following major governmental fund:

General Fund - the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water Fund - used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. FUND ACCOUNTING (CONTINUED)**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for financial statements for periods beginning after June 15, 2010, requires governmental fund balances to be reported in one of five classifications, replacing the previous classifications of reserved, unreserved, and designated. These five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balances are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances have constraints imposed either 1) by law through constitutional provisions or enabling legislation or 2) by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances represent funds set aside formally by the City Council for specific purposes or by contract. Assigned fund balances are earmarked for specific purposes by the City Council, but are neither restricted nor committed. These balances represent tentative management plans that are subject to change. Unassigned fund balance is the residual classification for the general fund for which the previous classifications do not apply. When different classifications of funds are available for expenditure, the City considers the most restrictive classification amount to have been spent first.

The following is a list of fund balance restrictions used by the City and a description of each:

***Fund Balance Restrictions:***

***Debt Service-*** Funds restricted for the retirement of general long-term debt.

***Court Technology and Building Security-*** Funds restricted for the purchase of goods and services that will benefit the court from specific court fees.

***Drug Enforcement-*** Funds restricted for drug enforcement costs from restricted revenues.

**E. OTHER ACCOUNTING POLICIES**

1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:
  - a. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
  - b. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
  - c. The budget is legally enacted by the City Council.
  - d. Budget revisions may be made during the period.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. OTHER ACCOUNTING POLICIES (CONTINUED)**

2. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.
3. Water utility customers deposits are restricted to disbursements for the application to customer account balances or refund to the customer. Amounts transferred to sinking fund cash accounts are restricted to paying for debt service on the revenue bonds indebtedness.
4. The City's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's water fund consist of charges for services (including tap fees) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
5. Fixed assets of the City are capitalized at cost. Gifts or contributions of fixed assets are recorded at fair market value at the time received. Repairs which do not increase the value or extended the life of such assets are charged against revenues in the year in which they are incurred. The City has elected to report major general infrastructure assets on a prospective basis.

Depreciation expense on the assets of the Primary Government is calculated by using the straight-line method and is based on estimated useful lives as follows:

<u>Category</u>	<u>Life</u>
Building and improvements	10-30 years
Machinery and equipment	3-10 years
Water facilities	30 years
Infrastructure	20 years

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The City adopts its annual budget on a basis consistent with accounting principles generally accepted in the United States of America (GAAP basis). All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund and function. The legal level of budgetary control is the fund level. The Council made supplemental budgetary appropriations throughout the period for the General Fund and the Water Fund. In addition to the Water Fund operating budget, the City also anticipated \$ 53,000 in principal payments on the bond as part of its budget process. This liability reduction is not reflected on GAAP basis budgetary statements. The following budget amendments were significant:

- The budget for salaries and wages was transferred from a public safety expense (the police department) to a general government expense (administrative), though governmental reporting requires that expenditures are reported by function (i.e. general government vs. public safety).



**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City over-expended its budget as follows:

General Fund

General govt. payroll taxes and insurance	\$	1,175
General govt. utilities	\$	1,069
General govt. legal and accounting	\$	8,523
General govt. grant expenditures	\$	23,030
Public safety equipment	\$	434
Debt service principal	\$	64

Proprietary Water Fund

Water purchases	\$	511
Personnel and support	\$	4,134
Administrative expenses	\$	402
Garbage collection fees	\$	7,450
Depreciation and amortization	\$	19,037
Interest expense	\$	19,548

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was not fully collateralized during the period.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.
4. Other Credit Risk Exposure – The City does not invest in debt securities.
5. Concentration Risk – The City's deposits and investments are exposed to concentration risk in that they are all deposited with the same bank.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits Credit Risk**

The cash deposits and savings accounts held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the City's cash deposits are classified as Category 1.

Deposits are stated at cost plus accrued interest and the carrying amounts are displayed on the balance sheet as "Cash and Cash Equivalents." Following is a summary of the City's deposits, by category:

1. Insured by FDIC	\$ 2,085,550
2. Collateralized by pledged securities	-
3. Uninsured and uncollateralized	<u>-</u>
 Total Bank Balance	 \$ <u>2,085,550</u>
 Carrying Amount	 \$ <u>2,015,597</u>

**B. RESTRICTED CASH**

The City had restricted cash of \$ 810,306 in the Water Fund and \$ 21,768 in the General Fund as of September 30, 2011. The restrictions stem from the need to protect customer utility deposits, to set aside a reserve for the payment of interest and principal on bonded indebtedness, and to set aside monies that are restricted by revenue sources as to use.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. RECEIVABLES**

Receivables at period end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund
Receivables:		
Taxes	\$ 41,305	\$ -
Accounts	-	166,871
Less: allowance for uncollectibles	(30,847)	-
Net total receivables	\$ 10,458	\$ 166,871

**D. INTERFUND RECEIVABLES AND PAYABLES**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The individual interfund receivables and payable balances at September 30, 2011, were:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 39,037	\$ -
Water Fund	-	39,037
Total All Funds	\$ 39,037	\$ 39,037

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 48,710	\$ -	\$ -	\$ 48,710
Total capital assets, not being depreciated	<u>48,710</u>	<u>-</u>	<u>-</u>	<u>48,710</u>
Capital assets, being depreciated:				
Buildings and improvements	110,844	-	-	110,844
Machinery and equipment	242,226	2,236	(1,532)	242,930
Infrastructure	90,830	-	-	90,830
Total capital assets, being depreciated	<u>443,900</u>	<u>2,236</u>	<u>(1,532)</u>	<u>444,604</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,925)	(3,484)	-	(54,409)
Machinery and equipment	(151,700)	(23,024)	1,532	(173,192)
Infrastructure	(23,329)	(4,542)	-	(27,871)
Total accumulated depreciation	<u>(225,954)</u>	<u>(31,050)</u>	<u>1,532</u>	<u>(255,472)</u>
Total capital assets, being depreciated, net	<u>217,946</u>	<u>(28,814)</u>	<u>-</u>	<u>189,132</u>
Governmental activities capital assets, net	<u>\$ 266,656</u>	<u>\$ (28,814)</u>	<u>\$ -</u>	<u>\$ 237,842</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. CAPITAL ASSETS (CONTINUED)**

	<u>Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 40,282	\$ 21,048	\$ -	\$ 61,330
Construction in progress	-	208,922	-	208,922
Total capital assets, not being depreciated	<u>40,282</u>	<u>229,970</u>	<u>-</u>	<u>270,252</u>
Capital assets, being depreciated:				
Buildings and improvements	126,738	-	-	126,738
Water facilities	3,138,213	6,500	-	3,144,713
Machinery and equipment	233,539	9,868	(50,686)	192,721
Total capital assets, being depreciated	<u>3,498,490</u>	<u>16,368</u>	<u>(50,686)</u>	<u>3,464,172</u>
Less accumulated depreciation for:				
Buildings and improvements	(89,866)	(6,037)	3,403	(92,500)
Water facilities	(1,865,944)	(108,055)	(3,403)	(1,977,402)
Machinery and equipment	(201,244)	(10,178)	50,686	(160,736)
Total accumulated depreciation	<u>(2,157,054)</u>	<u>(124,270)</u>	<u>50,686</u>	<u>(2,230,638)</u>
Total capital assets, being depreciated, net	<u>1,341,436</u>	<u>(107,902)</u>	<u>-</u>	<u>1,233,534</u>
Business-type activities capital assets, net	<u>\$ 1,381,718</u>	<u>\$ 122,068</u>	<u>\$ -</u>	<u>\$ 1,503,786</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,485
Public safety	21,121
Highways and streets	4,541
Culture and recreation	1,903
Total depreciation expense - governmental activities	<u>\$ 31,050</u>

Business-type activities:

Water and sewer	\$ 124,270
Total depreciation expense - business-type activities	<u>\$ 124,270</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT**

The City's long-term debt at September 30, 2011 is comprised of the following individual issues:

General Government Notes Payable:

\$ 20,425 refinance of auto loan with local bank, maturing March 2012; payable \$ 7,436 principal and interest annually; interest at 5%, secured by automobile	\$ 7,058
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\$ 28,000 auto loan with local bank; maturing June 2013; payable \$ 7,923 principal and interest annually; interest at 5%, secured by automobile	14,748
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Proprietary Water Fund Revenue Bonds:

\$ 750,000 Series 2001 Certificates of Obligation, maturing October 2016; 15 certificates with interest rates varying from 5.75% to 6%; payable between \$ 73,151 to \$ 78,168 principal and interest annually; secured by the revenues of the City's water system. Refinanced in 2011.	-
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Proprietary Water Fund Revenue Refunding Bonds

\$ 371,000 Series 2011 Certificates of Obligation, maturing September 2025 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$17,000 to \$35,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	348,000
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Proprietary Water Fund Revenue Bonds:

\$ 731,000 Series 2011 Certificates of Obligation, maturing September 2025 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$33,000 to \$70,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	<u>698,000</u>
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Total Long-term Debt	<u><u>\$ 1,067,806</u></u>
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**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Debt service requirements to maturity for the above long-term debt are as follows:

General Government Note Payable 1 of 2

Year Ending September 30	Principal	Interest	Total
2012	\$ 7,058	\$ 378	\$ 7,436
Total	<u>\$ 7,058</u>	<u>\$ 378</u>	<u>\$ 7,436</u>

General Government Note Payable 2 of 2

Year Ending September 30	Principal	Interest	Total
2012	\$ 7,923	\$ -	\$ 7,923
2013	6,825	1,098	7,923
Total	<u>\$ 14,748</u>	<u>\$ 1,098</u>	<u>\$ 15,846</u>

Water Revenue Refunding Bonds - Series 2011

Year Ending September 30	Principal	Interest	Total
2012	\$ 17,000	\$ 20,075	\$ 37,075
2013	18,000	19,085	37,085
2014	19,000	18,095	37,095
2015	20,000	17,050	37,050
2016	21,000	15,994	36,994
thereafter	253,000	79,571	332,571
Total	<u>\$ 348,000</u>	<u>\$ 169,870</u>	<u>\$ 517,870</u>

Water Revenue Bonds - Series 2011

Year Ending September 30	Principal	Interest	Total
2012	\$ 34,000	\$ 40,268	\$ 74,268
2013	36,000	38,288	74,288
2014	38,000	36,308	74,308
2015	40,000	34,218	74,218
2016	42,000	32,105	74,105
thereafter	508,000	160,022	668,022
Total	<u>\$ 698,000</u>	<u>\$ 341,209</u>	<u>\$ 1,039,209</u>



**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

There are a number of limitations and restrictions contained in the various bond indentures, including, among others, the requirements of the payment of principal and interest from the ad valorem tax levy or from the net revenues of the water fund and the provision of certain reserve funds. The City is in compliance with all such significant financial limitations and restrictions. There is no specific maximum debt limit established by law for the City, therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental activities:</b>					
Notes payable	\$ 35,370	\$ -	\$ (13,564)	\$ 21,806	\$ 14,981
Governmental activity long-term liabilities	<u>\$ 35,370</u>	<u>\$ -</u>	<u>\$ (13,564)</u>	<u>\$ 21,806</u>	<u>\$ 14,981</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 371,000	\$ 1,102,000	\$ (427,000)	\$ 1,046,000	\$ 51,000
Business-type activity long-term liabilities	<u>\$ 371,000</u>	<u>\$ 1,102,000</u>	<u>\$ (427,000)</u>	<u>\$ 1,046,000</u>	<u>\$ 51,000</u>
Total long-term liabilities	<u>\$ 406,370</u>	<u>\$ 1,102,000</u>	<u>\$ (440,564)</u>	<u>\$ 1,067,806</u>	<u>\$ 65,981</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. PROPERTY TAXES**

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "District"). The District is required under the Property Tax Code to assess all property within the District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the District must be reviewed every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value, net of exemptions, upon which the fiscal year ended September 30, 2011, levy was based was \$ 46,724,733. The tax rate for the 2010 tax roll was \$ 0.4822 per \$ 100 of assessed value.

Property taxes not collected in the current period are considered not to be available, and therefore, are not accrued as revenue in the current period. Since the City recognizes taxes as revenues only when collected, an allowance for current and delinquent taxes receivable at the end of the period has been established. On the government-wide statements, the amount deferred in the fund statements is recognized as revenue.

The City has contracted with McLennan County tax collector's office to collect ad valorem taxes on behalf of the City. The City paid the tax collector \$ 1,440 for these services during the fiscal year ended September 30, 2011.

**H. PENSION PLAN**

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 from TMRS' website at [www.TMRS.com](http://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.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. PENSION PLAN (CONTINUED)**

Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate:	7.0%	7.0%
Matching Ratio (City to Employee):	1.5 to 1	1.5 to 1
Years required for vesting:	5	5
Updated Service Credit:	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibilities for the City are: 5 yrs/age 60, 25 yrs/any age.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists 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 (overfunded) 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.

The City's actuarially determined rate is, 6.82% for 2009, 2.65% for 2010, and 4.25% for 2011. 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. The annual pension costs and net pension obligation/(asset) are as follows:

	<b>Three-Year Trend Information</b>			
	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2009	21,993	21,993	100%	-
9/30/2010	16,890	16,890	100%	-
9/30/2011	15,729	15,729	100%	-

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. PENSION PLAN (CONTINUED)**

The required contribution rates for fiscal year ended September 30, 2011, were determined as part of the December 31, 2008 and 2009 actuarial valuations. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability of benefits. It also contains additional information as of the latest actuarial valuation.

**Funded Status and Funding Progress**

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR). See the Schedule of Funding Progress for the funded status as of December 31, 2010, and the two separate actuarial valuations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. SUPPLEMENTAL DEATH BENEFITS**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB; additionally, retirees are responsible for 100% of premiums paid for the benefit.

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2011, 2010 and 2009 were \$ 932, \$ 913 and \$ 852, respectively, which equaled the required contributions each year.

**J. COMMITMENTS**

The City has entered into a long-term agreement to purchase water from a water supply company. The contract requires the City to take and/or pay for a minimum quantity of water. The cost of water per gallon is based each year on the amount the water supply corporation needs to recover all operation and maintenance expenses and debt service of the system (i.e. its annual requirement). The water supply company's net annual requirement divided by all contracting parties' minimum take (annual water purchases in gallons) determines the rate per gallon each year. Based on the estimated annual requirements of the water supply company (estimated \$ 2.90 per thousand gallons) and the minimum take (172,272,000 gallons) for the City, the City is committed to pay an estimated \$ 499,589 for water during the fiscal year ended September 30, 2012, under this contract.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**K. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workers' compensation coverage. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing to the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

**L. COMPENSATED ABSENCES**

Employees accrue vacation leave based on the number of years employed up to a maximum of 20 days per year. The accrual year starts with the date employee starts full-time and subsequent anniversary dates. Employees may carry over earned vacation past the accrual year with approval of Mayor and Council. However, the accrual is not to exceed forty days beyond the end of the fiscal year. Upon separation from service employees are paid for any earned and unused vacation time. Vested vacation is recorded in the proprietary fund as a liability and expense and in the government fund as a fund liability and expenditure, if payable from current resources. The value of the earned and unused portion of governmental compensated absences at year-end is reported as a governmental activity non-current liability.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**CITY OF BRUCEVILLE-EDDY, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
TMRS PENSION PLAN (UNAUDITED)  
September 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (c)=(a/b)	Unfunded (Over-funded) AAL (UAAL) (d)=(b-a)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/08	\$ 313,719	\$ 270,702	115.9%	\$ (43,017)	\$ 261,711	-16.4%
12/31/09	\$ 374,887	\$ 334,818	112.0%	\$ (40,069)	\$ 314,606	-12.7%
12/31/10 (1)	\$ 434,270	\$ 397,159	109.3%	\$ (37,111)	\$ 333,500	-11.1%
12/31/10 (2)	\$ 686,866	\$ 618,213	111.1%	\$ (68,653)	\$ 333,500	-20.6%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

**Actuarial Assumptions**

Valuation Date:	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u> (1)	<u>12/31/2010</u> (2)
Actuarial Cost Method:	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method:	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period:	24 years; closed	22.7 years; closed	21 years; closed	25.1 years; closed
Asset Valuation Method:	Amortized cost	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions: Investment Rate of Return: *	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases: *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service

\* Includes 3% inflation and no cost of living adjustments

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**

**For the Year Ended September 30, 2011**  
**with Comparative Totals for the Year Ended September 30, 2010**

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget -	Amounts
<b>Revenues</b>					
Property taxes	\$ 222,943	\$ 222,943	\$ 241,713	\$ 18,770	\$ 224,321
Sales and miscellaneous taxes	63,500	63,500	57,865	(5,635)	65,666
Franchise taxes	62,000	62,000	62,856	856	66,785
Fines and forfeitures	327,200	327,200	239,385	(87,815)	299,204
Licenses and permits	1,000	1,000	1,345	345	1,380
Grants	-	-	23,030	23,030	-
Interest income	2,000	2,000	376	(1,624)	1,765
Lease and miscellaneous income	19,731	19,731	20,252	521	14,320
<b>Total Revenues</b>	<b>698,374</b>	<b>698,374</b>	<b>646,822</b>	<b>(51,552)</b>	<b>673,441</b>
<b>Expenditures</b>					
<b>General government:</b>					
Salaries & wages	77,000	129,000	107,543	21,457	122,862
Payroll taxes and insurance	25,900	30,200	31,375	(1,175)	25,935
Administrative costs	70,295	76,095	60,047	16,048	28,257
Utilities	19,700	21,200	22,269	(1,069)	23,231
Legal and accounting	40,000	63,000	71,523	(8,523)	40,777
Repairs and maintenance	15,400	17,900	13,834	4,066	14,504
Grant expenditures	-	-	23,030	(23,030)	-
<b>Public safety:</b>					
Salaries & wages	196,500	146,500	126,687	19,813	82,920
Payroll taxes and insurance	48,100	33,700	28,504	5,196	17,759
Operating costs	61,150	61,950	57,907	4,043	54,663
Equipment	29,500	4,500	4,934	(434)	4,930
Repairs and maintenance	7,200	10,700	10,375	325	11,279
<b>Highways and streets:</b>					
Streets	40,000	22,500	9,021	13,479	38,272
<b>Capital outlay:</b>					
Fixed asset expenditures	10,000	29,900	-	29,900	32,000
<b>Debt service:</b>					
Principal	13,200	13,500	13,564	(64)	13,027
Interest	2,400	2,400	1,795	605	2,331
<b>Total Expenditures</b>	<b>656,345</b>	<b>663,045</b>	<b>582,408</b>	<b>80,637</b>	<b>512,747</b>

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended September 30, 2011**  
**with Comparative Totals for the Year Ended September 30, 2010**

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget -	Amounts
<u>Expenditures (continued)</u>					
Excess of revenues over expenditures	\$ 42,029	\$ 35,329	\$ 64,414	\$ 29,085	\$ 160,694
<u>Other Financing Sources</u>					
Proceeds from insurance claims	-	-	-	-	2,714
Total Other Financing Sources	-	-	-	-	2,714
Net Change in Fund Balance	42,029	35,329	64,414	29,085	163,408
Fund Balance - beginning of year	535,714	535,714	535,714	-	372,306
Fund Balance - end of year	<u>\$ 577,743</u>	<u>\$ 571,043</u>	<u>\$ 600,128</u>	<u>\$ 29,085</u>	<u>\$ 535,714</u>

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS – BUDGET AND ACTUAL**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2011**  
**with Comparative Totals for the Year Ended September 30, 2010**

	2011			Variance with Final Budget -	2010
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<u>Operating Revenues</u>					
Water	\$ 1,000,000	\$ 1,000,000	\$ 1,411,816	\$ 411,816	\$ 1,145,120
Garbage	94,000	94,000	101,938	7,938	93,525
Water tap fees	5,000	5,000	10,823	5,823	6,663
Other operating revenues	15,000	15,000	32,120	17,120	21,202
<b>Total Operating Revenues</b>	<b>1,114,000</b>	<b>1,114,000</b>	<b>1,556,697</b>	<b>442,697</b>	<b>1,266,510</b>
<u>Operating Expenses</u>					
Water purchases	524,725	515,725	516,236	(511)	467,868
Water system utilities	60,000	85,000	83,553	1,447	74,003
Water system supplies	29,000	52,000	43,724	8,276	36,804
Repairs and maintenance	18,200	34,700	34,583	117	17,757
Other water system expenses	47,300	13,600	12,722	878	11,805
Personnel and support	223,950	207,750	211,884	(4,134)	198,039
Professional fees	40,500	30,500	24,784	5,716	37,395
Administrative expenses	40,900	46,100	46,502	(402)	41,173
Garbage collection fees	93,000	93,000	100,450	(7,450)	93,659
Depreciation and amortization	119,500	119,500	138,537	(19,037)	124,769
<b>Total Operating Expenses</b>	<b>1,197,075</b>	<b>1,197,875</b>	<b>1,212,975</b>	<b>(15,100)</b>	<b>1,103,272</b>
<b>Operating Income</b>	<b>(83,075)</b>	<b>(83,875)</b>	<b>343,722</b>	<b>427,597</b>	<b>163,238</b>

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS – BUDGET AND ACTUAL**  
**PROPRIETARY FUND (CONTINUED)**  
**For the Year Ended September 30, 2011**  
**with Comparative Totals for the Year Ended September 30, 2010**

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Actual Amounts
	Original	Final			
<u>Nonoperating Revenues (Expenses)</u>					
Interest income	\$ 300	\$ 300	\$ 11,494	\$ 11,194	\$ 326
Interest expense	(25,000)	(25,000)	(44,548)	(19,548)	(25,168)
Donations Emergency Serv income	3,000	3,000	3,305	305	3,807
Donations Emergency Serv expense	(3,000)	(3,000)	(2,756)	244	(3,807)
Grant revenue	-	-	81,888	81,888	-
Grant expense	-	-	(81,888)	(81,888)	-
Proceeds from insurance claims	-	-	13,852	13,852	-
Total Nonoperating Revenues (Expenses)	(24,700)	(24,700)	(18,653)	6,047	(24,842)
Change in Net Assets	(107,775)	(108,575)	325,069	433,644	138,396
Net Assets - beginning of year	1,541,542	1,541,542	1,541,542	-	1,403,146
Net Assets - end of year	<u>\$ 1,433,767</u>	<u>\$ 1,432,967</u>	<u>\$ 1,866,611</u>	<u>\$ 433,644</u>	<u>\$ 1,541,542</u>

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
COMPARATIVE BALANCE SHEETS – GENERAL FUND  
September 30, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Cash	\$ 553,643	\$ 532,830
Cash - restricted	21,768	12,616
Taxes receivable	41,305	25,175
Allowance for uncollectible taxes	(30,847)	(16,197)
Due from other funds	39,037	-
Other receivables, net of allowance for uncollectibles	310	2,915
Total Assets	\$ 625,216	\$ 557,339
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 7,458	\$ 64
Deferred revenue	10,458	8,979
Other accrued expenses	7,172	12,582
Total Liabilities	25,088	21,625
Fund Balances:		
Restricted for:		
Court technology and building security	21,755	12,604
Public safety DAG	13	13
Unassigned	578,360	523,097
Total Fund Balances	600,128	535,714
Total Liabilities and Fund Balances	\$ 625,216	\$ 557,339

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
COMPARATIVE STATEMENTS OF NET ASSETS  
PROPRIETARY FUND  
September 30, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Current assets:		
Cash	\$ 629,880	\$ 368,701
Accounts receivable, net	166,871	138,370
Deferred charges - bond issue costs	11,051	13,937
Prepaid expenses	22,337	-
Total current assets	830,139	521,008
Noncurrent assets:		
Restricted cash and cash equivalents	810,306	104,245
Capital assets:		
Land	61,330	40,282
Construction in progress	208,922	-
Buildings and improvements	126,738	126,738
Water facilities	3,144,713	3,138,213
Machinery and equipment	192,721	233,540
Less accumulated depreciation	(2,230,638)	(2,157,055)
Total capital assets	1,503,786	1,381,718
Total Assets	3,144,231	2,006,971
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	162,753	34,091
Accrued liabilities	3,193	39,166
Customer deposits	24,500	21,050
Due to other funds	39,037	-
Liabilities payable from restricted assets:		
Revenue bonds payable - current portion	51,000	56,000
Total current liabilities	280,483	150,307
Noncurrent liabilities:		
Compensated absences	2,137	122
Liabilities payable from restricted assets:		
Revenue bonds payable	995,000	315,000
Total Liabilities	1,277,620	465,429
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,161,079	1,010,718
Restricted for debt service	107,013	104,245
Unrestricted	598,519	426,579
Total Net Assets	\$ 1,866,611	\$ 1,541,542

See independent auditors' report.