

CITY OF BULLARD, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

MURREY PASCHALL & CAPERTON, P.C.
Certified Public Accountants

CITY OF BULLARD, TEXAS
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Murrey Paschall & Caperton PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Bullard, Texas
Bullard, Texas

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Bullard, Texas (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions 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 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the discretely presented component unit, and each major fund of the City of Bullard, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

Change in Accounting Principle

As discussed in Note IX to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the required GASB 68 and GASB 75 schedules on pages 5–10 and pages 40–46 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 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the City of Bullard, Texas', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bullard, Texas', internal control over financial reporting and compliance.

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.

Forney, Texas

January 31, 2019

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Within this section of the City of Bullard, Texas annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$13,580,878 (Governmental and Proprietary Funds) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$13,298,167.
- Governmental net assets are comprised of the following:
 - 1) Capital assets net of related debt of \$5,411,652.
 - 2) Restricted assets of \$391,546.
 - 3) Special Revenues of \$8,485.
 - 4) Unrestricted net assets of \$45,387 represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of \$537,667 this year. This compares to the prior year ending fund balance of \$409,874, showing an increase of \$127,793 during the current year.
- The City's liabilities are related to accounts payable, refundable meter deposits, accrued expenses, pensions and long-term debt.
- The City implemented GASB Statement No. 68 during 2015 which requires the City to record its Net Pension Liability (\$260,658). The City also implemented GASB Statement No. 75 during 2018 which requires the City to record its OPEB Liability (\$31,184).

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the citywide statement of financial position presenting information that includes all the City's assets and liabilities,

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and fees and on occasion grants from state and federal sources. Governmental activities include general government, public safety, public services, and culture and recreation. Business-type activities typically include water utilities, solid waste management, storm water drainage, golf courses, fairgrounds and stadium, ground transportation, and parking. Fiduciary activities such as assets that are held in a trustee or agency capacity are not included in government-wide statements since these assets are not available to fund City programs. The City currently has no fiduciary activities.

The City's financial reporting includes the funds of the City (primary government). The governmental activities include the City's basic services such as general administration. Property tax, Sales tax and Franchise tax finance most of these activities.

The government-wide financial statements are presented on pages 11-12 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City taken as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The City of Bullard, Texas has a governmental fund, the General Fund and a proprietary fund for business type activities, utilities.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of the expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

The basic governmental fund financial statements are presented on pages 13-16 of this report.

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. See reporting on pages 17-19 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The statement shows multiple columns: 1) the original and final budget as amended by the Council (if any changes); 2) the actual resources, charges to appropriations, and ending balances in the General Fund and 3) the difference or variance between the final budget and the actual resources and charges.

The budgetary comparison statement can be found on page 41 and 42 of this report.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements on page 20 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

Comparative data is accumulated and presented to assist analysis. The City's net assets at fiscal year-end are \$13,580,878. This is a \$282,711 increase above last year's net assets of \$13,298,167.

The largest portion of the City's Net Assets reflects its investments 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 citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets of \$1,140,253 may be used to meet the government's ongoing obligation to citizens and creditors.

The tables on the following page provide a summary of the City's Net Assets and Changes in Net Assets compared to the prior year balances.

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 665,025	\$ 507,085	\$ 1,359,896	\$ 1,126,504	\$ 2,024,921	\$ 1,633,589
Capital and other assets	5,798,062	6,068,441	11,214,941	11,636,747	17,013,003	17,705,188
Total assets	6,463,087	6,575,526	12,574,837	12,763,251	19,037,924	19,338,777
Long-term debt outstanding	124,846	73,209	3,685,449	4,413,981	3,810,295	4,487,190
Other liabilities	481,171	405,094	1,165,580	1,148,326	1,646,751	1,553,420
Total liabilities	606,017	478,303	4,851,029	5,562,307	5,457,046	6,040,610
Net assets:						
Invested in capital assets, net of debt	5,411,652	5,824,675	6,628,942	6,380,050	12,040,594	12,204,725
Restricted	391,546	305,142	-	-	391,546	305,142
Special Revenues	8,485	3,430	-	-	8,485	3,430
Unrestricted (deficit)	45,387	(36,024)	1,094,866	820,894	1,140,253	784,870
Total net assets	\$ 5,857,070	\$ 6,097,223	\$ 7,723,808	\$ 7,200,944	\$ 13,580,878	\$ 13,298,167
	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 359,378	\$ 329,468	\$ 1,900,936	\$ 1,462,960	\$ 2,260,314	\$ 1,792,428
Interest income	7,535	4,065	8,813	5,089	16,348	9,154
Grant income (net)	-	-	-	-	-	-
General revenues:						
Property taxes	1,566,725	1,405,249	-	-	1,566,725	1,405,249
Franchise fees	183,922	164,285	-	-	183,922	164,285
Sales and use taxes	313,164	311,001	-	-	313,164	311,001
Total revenues	2,430,724	2,214,068	1,909,749	1,468,049	4,340,473	3,682,117
Program expenses						
General government	1,165,450	1,090,875	-	-	1,165,450	1,090,875
Street / park	119,678	97,889	-	-	119,678	97,889
Public safety	999,619	948,726	-	-	999,619	948,726
Debt service	133,950	142,380	-	-	133,950	142,380
Utilities	-	-	1,615,400	1,461,573	1,615,400	1,461,573
Total expenses	2,418,697	2,279,870	1,615,400	1,461,573	4,034,097	3,741,443
Net before transfers	12,027	(65,802)	294,349	6,476	306,376	(59,326)
Transfers	383,400	351,000	(383,400)	(351,000)	-	-
Transfers between Debt	(618,000)	(528,000)	618,000	528,000	-	-
Prior Period Adjustment	(17,580)	-	(6,085)	-	(23,665)	-
Developer Contributed Assets	-	507,000	-	162,450	-	669,450
Change in net assets	\$ (240,153)	\$ 264,198	\$ 522,864	\$ 345,926	\$ 282,711	\$ 610,124

**CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources. Governmental funds reported ending fund balances of \$537,667. Of this year-end total, \$137,636 is unassigned indicating a surplus for continuing City service requirements.

Major Governmental Funds

General Fund - Taxes are collected by Smith County and remitted to Bullard. Other revenues that are received are from such miscellaneous sources as state sales tax sharing, franchise taxes, etc. The basic expenses of a governmental nature involve the maintaining of a city hall and the associated expenses of the city government, such as police and Court functions.

Proprietary Fund - The City has component utility units: the water, sewer, and garbage system. Although a part of the city, these operate primarily as businesses selling the services provided to the public. The business-type activities increased the City's net assets by \$522,864 after transfers.

CAPITAL ASSETS

The City's investment in capital assets for the city as a whole, net of depreciation, as of September 30, 2018 amounted to \$16,729,588. These primarily include the City Hall Building, land, machinery, vehicles, and infrastructure assets.

At the end of the current physical year, the City had total long-term debt outstanding of \$3,810,295.

Additional information regarding the City of Bullard's capital assets can be found in Note 4 on page 27 and long term debt on page 28.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget and proprietary fund complied with financial policies approved by the City Council and maintained core services. The city continues to keep expenses at a minimum without effecting city services. This surplus will put the city on a more solid financial footing. A locally responsible budget has also helped create a surplus.

Additional budgetary comparisons are found on page 41 and 42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET CONSIDERATIONS

During the upcoming year multiple developers plan to begin new construction in Bullard which should have a positive impact on utility revenues. Nearly all other income and expense items are expected to remain fairly constant.

**CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

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 any questions about this report or need additional financial information, contact the Finance Department, at the City of Bullard, PO Box 107, Bullard, TX 75757.

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2018

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash & equivalents	\$ 564,507	\$ 657,431	\$ 1,221,938	\$ 473,512
Investments	-	472,430	472,430	-
Receivables (net)	95,799	179,691	275,490	40,329
Inventory & Prepays	4,719	50,344	55,063	-
Total current assets	665,025	1,359,896	2,024,921	513,841
Capital assets				
Land	35,842	47,116	82,958	-
Buildings	337,083	7,554	344,637	-
Machinery and equipment	1,058,635	560,475	1,619,110	-
Infrastructure	28,107,157	14,961,458	43,068,615	-
Construction in progress	79,566	675	80,241	-
Less accumulated depreciation	<u>(23,932,296)</u>	<u>(4,533,677)</u>	<u>(28,465,973)</u>	-
Total fixed assets	5,685,987	11,043,601	16,729,588	-
Other assets				
Bond cost	-	128,677	128,677	-
Deferred outflows related to pensions	<u>112,075</u>	<u>42,663</u>	<u>154,738</u>	-
Total other assets	112,075	171,340	283,415	-
Total assets	6,463,087	12,574,837	19,037,924	513,841
Liabilities				
Accounts payable	92,026	42,219	134,245	-
Accrued liabilities	108,078	25,479	133,557	-
Refundable meter deposits	-	114,570	114,570	-
Net pension liability	187,977	72,681	260,658	-
Total OPEB liability	23,167	8,018	31,185	-
Bond premium, net amortization	-	174,078	174,078	-
Current - notes payable	69,923	728,535	798,458	44,789
Long-term - notes payable	<u>124,846</u>	<u>3,685,449</u>	<u>3,810,295</u>	<u>331,815</u>
Total liabilities	606,017	4,851,029	5,457,046	376,604
Net assets				
Investment in capital assets, net	5,411,652	6,628,942	12,040,594	-
Restricted for debt service	391,546	-	391,546	-
Unassigned	45,387	1,094,866	1,140,253	137,237
Unrestricted special revenues	<u>8,485</u>	<u>-</u>	<u>8,485</u>	-
Total net assets	<u>\$ 5,857,070</u>	<u>\$ 7,723,808</u>	<u>\$ 13,580,878</u>	<u>\$ 137,237</u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
Governmental:				
General administration	\$ 1,165,450	\$ 173,817	\$ (991,633)	\$ -
Public Safety	999,619	180,316	(819,303)	-
Street / Park	119,678	-	(119,678)	-
Grant match	-	-	-	-
Debt service	133,950	-	(133,950)	-
Total governmental activities	2,418,697	354,133	(2,064,564)	-
Business type:				
Utility	1,615,400	1,900,936	285,536	-
Total business-type activities	1,615,400	1,900,936	285,536	-
Component Unit:				
Bullard Economic Development	28,953	-	-	28,953
Total component unit	28,953	-	-	28,953
Change in net assets:				
Net (expense) / revenue	(2,064,564)	285,536	(1,779,028)	(28,953)
Property tax	1,566,725	-	1,566,725	-
Sales & use tax	313,164	-	313,164	156,577
Franchise tax	183,922	-	183,922	-
Investment income	7,535	8,813	16,348	5,950
Miscellaneous income	5,245	-	5,245	-
Transfers	383,400	(383,400)	-	-
Change in net assets	395,427	(89,051)	306,376	133,574
Transfers In Debt Fund	(618,000)	618,000	-	-
Prior Period Adjustment	(17,580)	(6,085)	(23,665)	
Developer Contributed Assets	-	-	-	
Net Assets: Beginning	6,097,223	7,200,944	13,298,167	3,663
Net Assets: Ending	\$ 5,857,070	\$ 7,723,808	\$ 13,580,878	\$ 137,237

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

CITY OF BULLARD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash & equivalents	\$ 157,573	\$ 8,485	\$ 398,449	\$ 564,507
Receivables (net)	83,919	-	11,880	95,799
Inventory & Prepays	4,719	-	-	4,719
Total Current Assets	<u>\$ 246,211</u>	<u>\$ 8,485</u>	<u>\$ 410,329</u>	<u>\$ 665,025</u>
 Liabilities				
Accounts payable	\$ 92,026	\$ -	\$ -	\$ 92,026
Accrued liabilities	16,549	-	18,783	35,332
Total Liabilities	<u>108,575</u>	<u>-</u>	<u>18,783</u>	<u>127,358</u>
 Fund Balances				
Restricted for debt service	-	-	391,546	391,546
Unrestricted	137,636	-	-	137,636
Unrestricted special revenues	-	8,485	-	8,485
Total Fund Balances	<u>137,636</u>	<u>8,485</u>	<u>391,546</u>	<u>537,667</u>
 Total Liabilities and Fund Balances	<u>\$ 246,211</u>	<u>\$ 8,485</u>	<u>\$ 410,329</u>	<u>\$ 665,025</u>

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

CITY OF BULLARD, TEXAS
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2018

Total Fund Balance - Total Governmental Funds	\$ 537,667
Amounts reported for government assets in the Statement of Net Assets are different because:	
Capital assets, net, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	5,685,987
Net other post employment benefit obligation in governmental activities does not require current financial resources and therefore is not reported in the governmental funds balance sheet.	39,329
Long-term liabilities including bonds payable, notes payable, total OPEB, and net pension liability, are not due in the current period and therefore, are not reported in the funds.	<u>(405,913)</u>
Net Assets of Governmental Activities	<u><u>\$ 5,857,070</u></u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Property tax	\$ 728,371	\$ -	\$ 838,354	\$ 1,566,725
Sales & use tax	313,164	-	-	313,164
Franchise tax	183,922	-	-	183,922
Charges for services	63,635	-	-	63,635
Building permits and fees	110,182	-	-	110,182
Fines	168,011	12,305	-	180,316
Interest income	7,535	-	-	7,535
Miscellaneous income	5,245	-	-	5,245
Total Revenues	1,580,065	12,305	838,354	2,430,724
Expenditures				
General administration	645,543	-	500	646,043
Municipal court	156,820	-	-	156,820
Police	839,495	-	-	839,495
Street and park department	118,823	-	-	118,823
Capital outlay	109,990	7,250	-	117,240
Debt service: Principal	52,302	-	618,000	670,302
Debt service: Interest	4,158	-	133,450	137,608
Total Expenditures	1,927,131	7,250	751,950	2,686,331
Other Financing Sources				
Operating Transfers In / (Out)	383,400	-	-	383,400
Total Expenditures	383,400	-	-	383,400
 Net Change in Fund Balances	 36,334	 5,055	 86,404	 127,793
 Fund Balances: Beginning	 101,302	 3,430	 305,142	 409,874
 Fund Balances: Ending	 \$ 137,636	 \$ 8,485	 \$ 391,546	 \$ 537,667

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

CITY OF BULLARD, TEXAS
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ 127,793

Amounts reported for government activities
in the Statement of Activities are
different because:

Governmental funds report capital outlay as expenditures However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. (net of any new debt proceeds)	117,240
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 an expenditure in governmental funds.	(503,357)
Government funds report all payments to pension benefits as expenditures. However in the government-wide statement of activities the pension expense is actuarially determined. (Paid to TMRS - Actuary Expense)	(16,551)
Governmental funds report repayment of debt principal as expenditures. However, in the government-wide statements this repayment reduces long-term liabilities.	670,302
Change Net Assets of Governmental Activities	<u>\$ 395,427</u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2018

	Business-Type Activities (Utility Fund)
Assets	
Cash & equivalents	\$ 657,431
Investments	472,430
Receivables (net)	179,691
Inventory	50,344
Total Current Assets	<u>1,359,896</u>
Capital assets	
Land	47,116
Buildings	7,554
Machinery and equipment	560,475
Infrastructure	14,961,458
Construction in progress	675
Less accumulated depreciation	<u>(4,533,677)</u>
Total Fixed Assets	<u>11,043,601</u>
Other assets	
Bond cost	128,677
Deferred outflows related to pensions	<u>42,663</u>
Total other assets	<u>171,340</u>
Total Assets	<u><u>\$ 12,574,837</u></u>
Liabilities	
Accounts Payable	\$ 42,219
Accrued Liabilities	25,479
Refundable Meter Deposits	114,570
Net Pension Liability	72,681
Total OPEB Liability	8,018
Bond premium, net amortization	174,078
Current - Notes Payable	728,535
Long-term - Notes Payable	<u>3,685,449</u>
Total Liabilities	<u>4,851,029</u>
Net Assets	
Investment in capital assets, net	6,628,942
Unrestricted	1,094,866
Restricted Net Assets	-
Total Net Assets	<u>7,723,808</u>
Total Liabilities and Net Assets	<u><u>\$ 12,574,837</u></u>

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

CITY OF BULLARD, TEXAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities (Utility Operations Fund)
Revenues	
Water	\$ 1,018,599
Garbage	377,403
Sewer	407,059
Utility - other	97,874
Total Revenues	<u>1,900,935</u>
Expenses	
Personnel	414,298
Supplies	91,290
Repairs & maintenance	129,880
Contract services	506,347
Debt service	26,383
Capital purchases (excluding CIP)	55,020
Capital depreciation and amortization	472,753
Total Expenses	<u>1,695,971</u>
Other	
Transfers In / (Out)	(383,400)
Interest income	8,813
Interest expense	(831)
Total Other	<u>(375,418)</u>
Change in Net Assets	(170,454)
Transfers In Debt Fund	618,000
Proprietary Fund exclude balance sheet expenses	81,403
Prior Period Adjustment	(6,085)
Developer Contributed Assets	-
Net Assets: Beginning	<u>7,200,944</u>
Net Assets: Ending	<u>\$ 7,723,808</u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,886,624
Payments to suppliers	(801,327)
Payments to employees	<u>(414,298)</u>
Net cash provided by operating activities	<u>670,999</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	234,600
Transfers In (Out) from TexPool Investment Funds	<u>290,553</u>
Net cash provided (used) by noncapital financing activities	<u>525,153</u>
Cash flows from capital and related financing activities:	
Principal payments on longterm debt	(644,383)
New loan proceeds	-
New developer contributed capital assets	-
Acquisition and construction of capital assets	<u>(55,695)</u>
Net cash provided (used) by capital and related financing activities	<u>(700,078)</u>
Net increase (decrease) in cash and cash equivalents	496,074
Cash and cash equivalents at beginning of year	<u>161,357</u>
Cash and cash equivalents at end of year	<u>\$ 657,431</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 204,133
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	472,753
Bond premium amortized against interest expense	(16,194)
Proprietary Fund exclude balance sheet expenses	81,403
(Increase) decrease in accounts receivable	(28,362)
(Increase) decrease in other assets	14,051
Increase (decrease) in liabilities (OPEB prior period AJE)	(6,085)
Increase (decrease) in liabilities	<u>(50,700)</u>
Total adjustments	<u>466,866</u>
Net cash provided by operating activities	<u>\$ 670,999</u>

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of Bullard, Texas (City) are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended September 30, 2018.

B. Financial Reporting Entity

Bullard is a City in northern Cherokee and southern Smith Counties in the state of Texas. It lies at the intersection of U.S. Route 69 and Farm-to-Market Roads 2137, 2493, and 344, about 12 miles south of Tyler. The current estimated population is 4,000.

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

Based on the primary accountability for fiscal matter, authority to make decisions, appoint administrators and managers, and significantly influence operations, the City meets the definition of a "Financial Reporting Entity" as defined by GASB statement 14.

Bullard Economic Development Corporation, Inc. (the Corporation) has been included in the reporting entity as a discretely presented component unit. The Corporation is a governmental entity that promotes the creation of new and expanded industry and manufacturing activity with the City. The Corporation's board of directors is appointed by and serves at the discretion of City Council. City Council approval is required for the annual budget and the issuance of any debt. In the event of dissolution, any assets of the Corporation will be transferred to the City. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

The accompanying financial statements present the City's primary government.

C. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual fund of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Government-Wide Financial Statements

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information of the City as a whole.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

The government has a Proprietary Fund other than the General Fund and one component unit. Therefore, the statements distinguish between governmental and business type activities, one being generally supported by taxes and City general revenues, while the other is generally financed with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that captures the expenses and program revenues associated with a distinct functional activity. Program revenue includes charges for services, which report fees and other charges to users of the City's services (specifically permit fees). Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds and proprietary funds.

The General Fund is the main operating fund of the City. This fund is used to account for all 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 personnel 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.

D. 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 thus relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statement uses 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 related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to claims

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretations No. 6.

Program revenues as reported in the Statement of Activities include 1) charges to customers for goods, services, or privileges provided and 2) capital grants. Other revenues received by the City that are internally dedicated by their purpose are reported as general revenues rather than program revenues. In this respect, all tax revenues are included in general revenues.

Sales tax, property tax, and franchise tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. License and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash, as the related receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements are used as guidance.

Allocation of indirect expenses: The City currently has no indirect expenses.

Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

E. Financial Statement Amounts

Cash and Equivalents – The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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 Fair Market balance at September 30, 2018 was \$472,430. Large balance due to Bond funds that have not yet been spent on designated capital projects.

Receivables – Account receivables are shown net with an allowance and customer unapplied credits totaling (\$14,994) General and Utility fund. Property taxes levied on October 1 are recorded as deferred revenue and then recognized as revenue during the year as the taxes are actually received.

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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.

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

Impairment of Long-lived Assets – the City reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of September 30, 2018, no impairment of long-lived assets is necessary.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. Bond premium or discount as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the related bond premiums or discount.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Deferred outflows related to pensions, which arise only under an accrual basis of accounting, is reported only in the government-wide and proprietary statements of net position. This amount is deferred and amortized over the actuarial determined recognition period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under an accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and amortized over the actuarial determined recognition period.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity – GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – includes the portion of net resources that cannot be spent because of their forms (i.e., inventory, long-term debt, or prepaid items) or because they must remain intact such as the principal of an endowment.
- *Restricted fund balance* – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – includes the portion of net resources on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* – includes the portion of net resources for which an intended use has been established by the City Council or the City official authorized to do so by the City Council. Assignment of fund balance is much less formal than commitments and does not require formal action for their imposition or removal.
- *Unassigned fund balance* – includes the amounts in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first and then unrestricted resources as needed.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE II. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

- In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

- Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None Reported	Not applicable

Budgets and Budgetary Accounting

- The Texas Uniform Budget Law requires each mayor or city manager to prepare a budget each year to cover all the expenditures of the municipality for the succeeding year. The budget should be filed with the municipal clerk at least 30 days prior to the setting of a tax levy by the city. Not less than 15 days prior to the levying of taxes a public hearing should be held, after being duly advertised. After this the Council should adopt the budget. The City complied with state requirements.

NOTE III. DEPOSITS AND INVESTMENTS

The City’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City’s agent bank approved pledged securities in an amount sufficient to protect City 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 banks dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

- Cash Deposits – At September 30, 2018, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,694,368. The City’s cash deposits at September 30, 2018 and during the year ended September 30, 2018 were entirely covered by FDIC insurance and pledged securities.
- Investments – TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. TexPool currently provides investment services to over 1,700 communities throughout the State. The TexPool program offers a convenient and effective choice for the

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

investment of local funds. As a AAA rated local government investment pool, TexPool is committed to maintaining safety and stability.

TexPool's investment authority is derived from the Public Funds Investment Act. Certain specific securities authorized under the provisions of this Act have been authorized and approved by the Comptroller as acceptable investment vehicles. TexPool funds may be invested in the following:

Government Securities

TexPool Funds may be invested in obligations of the United States, its agencies or instrumentalities.

Money Market Mutual Funds

TexPool funds may be invested in a no-load money mutual fund, which is regulated by the Securities and Exchange Commission. The money market fund must be rated "AAA" or its equivalent by at least one nationally recognized investment rating firm.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE IV. CAPITAL ASSETS

The following tables provide a summary of changes in capital assets:

Capital Assets Activity - Governmental

	<u>09/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/18</u>
Capital Assets				
Land	\$ 35,842	\$ -	\$ -	\$ 35,842
Buildings	337,083	-	-	337,083
Machinery and Equipment	887,311	171,323	-	1,058,634
Infrastructure	28,107,157	-	-	28,107,157
Construction in Progress	354	79,212	-	79,566
Total Depreciable:	29,367,747	250,535	-	29,618,282
Less Accumulated Depreciation	(23,428,942)	(503,354)	-	(23,932,296)
Total Capital Assets	<u>\$ 5,938,805</u>	<u>\$ (252,819)</u>	<u>\$ -</u>	<u>\$ 5,685,986</u>

Capital Assets Activity - Business Type

	<u>09/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/18</u>
Capital Assets				
Land	\$ 47,116	\$ -	\$ -	\$ 47,116
Buildings	7,554	-	-	7,554
Machinery and Equipment	512,485	47,990	-	560,475
Infrastructure	14,954,428	7,030	-	14,961,458
Construction in Progress	-	675	-	675
Total Depreciable:	15,521,583	55,695	-	15,577,278
Less Accumulated Depreciation	(4,083,167)	(450,509)	-	(4,533,676)
Total Capital Assets	<u>\$ 11,438,416</u>	<u>\$ (394,814)</u>	<u>\$ -</u>	<u>\$ 11,043,602</u>

** Additions to fixed assets in 2018 primarily consisted of new vehicles and equipment.

** Open CIP projects as of year end expected to be completed in 2019.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE V. LONG-TERM OBLIGATIONS

Government-Type Activities

In October 2016, the City borrowed from American National Leasing Company for the purchase of a 2016 Ford Interceptor police vehicle. The loan amount was \$28,035 and bears interest at the rate of 2.95%. Payments are due in 3 annual payments of \$7,189, \$7,189 and \$15,690. Maturity October 15, 2019.

In October 2016, the City borrowed from American National Leasing Company for the purchase of a 2016 Ford Interceptor police vehicle. The loan amount was \$30,393 and bears interest at the rate of 2.95%. Payments are due in 3 annual payments of \$8,025, \$8,025 and \$16,526. Maturity October 15, 2019.

In November 2013, the City borrowed from Southside Bank for the purchase of a 2013 Tahoe. The loan amount was \$34,895 and bear interest at the rate of 2.49%. Payments are due in 8 semi-annual payments of \$4,614. Paid Off December 1, 2017.

In March 2016, the City borrowed \$35,800 from Texas National Bank for a 2016 Ford Taurus. The interest rate is 2.00% with payments of \$2,334 due quarterly. Maturity March 7, 2020.

In October 2015, the City borrowed from American National Leasing Company for the purchase of a COPSync software and computers. The loan amount was \$56,100 and bears interest at the rate of 3.29%. Payments are due in 4 annual payments of \$14,736. Maturity November 1, 2018.

In December 2017, the City borrowed \$22,181 from Texas National Bank for a 2007 Case Loader. The interest rate is 3.00% with payments of \$1,476 due quarterly. Maturity March 20, 2021.

In December 2017, the City borrowed \$31,000 from Bancorp South Bank for a 2015 Dodge Ram Truck. The interest rate is 2.78% with payments of \$4,066 due semi-annually. Maturity June 29, 2021.

In August 2018, the City borrowed from American National Leasing Company for the purchase of a 2018 Silverado Truck. The loan amount was \$39,339 and bears interest at the rate of 4.24%. Payments are due in 3 annual payments of \$11,045, \$11,045, and \$21,045. Maturity August 22, 2021.

In August 2018, the City borrowed from American National Leasing Company for the purchase of a 2017 Ford Explorer Police AWD. The loan amount was \$40,775 and bears interest at the rate of 4.24%. Payments are due in 3 annual payments of \$12,044, \$12,044 and \$20,544. Maturity August 22, 2021.

Principal and interest payments projected for the following four years:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 69,923	\$ 6,490
2020	52,767	4,235
2021	52,121	2,011
2022	<u>19,958</u>	<u>11</u>
TOTAL	\$ 194,769	\$ 12,747

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Business-Type Activities

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. Expected payoff 2026.

The City of Bullard, Texas General Obligation Refunding Bonds, Series 2016 were issued July 11, 2016, in the principal amount of \$3,755,000 plus a \$210,513 premium and less an underwriter's discount of \$31,597. These bonds bear interest at 2% over the first 3 years and then the rate increases to 3%. Principal payments began in September 2016. Expected payoff 2029.

The City of Bullard, Limited Tax Note, Series 2016B was issued August 25, 2016, in the amount of \$420,000 and bears interest at the rate of 1.42%. Principal payments begin in August 2017. Expected payoff 2019.

The City of Bullard, Limited Tax Note, Series 2017 was issued September 29, 2017, in the amount of \$240,000 and bears interest at the rate of 1.68%. Principal payments begin in February 2018. Expected payoff 2019.

In December 2016, the City borrowed \$26,401 from Texas National Bank for a 2017 Ford F250. The interest rate is 2.00% with payments of \$1,715 due quarterly. Maturity October 13, 2020.

In November 2013, the City borrowed \$36,142 from Southside Bank for an Excavator. The interest rate is 2.49% with payments of \$4,772 semi-annually. Paid Off November 1, 2017.

In March 2014, the City borrowed \$56,954 from Southside Bank for a Ford F350. The interest rate is 2.49% with payments of \$7,516 semi-annually. Paid Off March 1, 2018.

In February 2016, the City borrowed \$31,031 from Texas National Bank for a 2016 GMC Sierra. The interest rate is 2.00% with payments of \$2,016 due quarterly. Maturity December 24, 2019.

Principal and interest payments projected for the following five years:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 728,535	\$ 137,816
2020	433,745	119,448
2021	446,704	105,463
2022	460,000	90,940
2023 and subsequent years	<u>2,345,000</u>	<u>229,165</u>
TOTAL	\$ 4,413,984	\$ 682,831

NOTE VI. 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 of each year, a tax lien attaches to property to secure the 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,

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

including those expected to be collected during a 60-day period after the close to the City's fiscal year.

NOTE VII. INSURANCE COVERAGE

General Insurance - In accordance with the state statute, the City is protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2017, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

Health Insurance - During the year-ended September 30, 2018, the employees of the City were covered by a health and dental insurance plan (the Plan). The City paid the insurance premiums for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. Employees can, at their option, obtain coverage for vision insurance through the Plan. Employees pay 100% of the premiums for any such additional insurance coverage.

NOTE VIII. RISK MANAGEMENT COVERAGE

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 general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays quarterly premiums to TML for its above coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

NOTE IX. EMPLOYEE PENSION PLAN

A. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under

CITY OF BULLARD, TEXAS
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Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:	2017/7.84%; 2018/7.98%
Matching Ratio (City to Employee):	2 to 1
Years Required for Vesting:	5 years
Service Retirement Eligibilities:	5 yrs/age 60; 20 yrs/any age

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>26</u>
	44

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.84% and 7.98% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018 were \$95,802 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
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inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-TermExpectedRealRateofReturn(Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
RealReturn	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.5%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 1,639,490	\$ 1,277,944	\$ 361,546
Changes for the year:			
Service cost	123,172	-	123,172
Interest	113,990	-	113,990
Change of benefit terms	-	-	-
Difference between expected and actual experience	(18,079)	-	(18,079)
Changes of assumptions	-	-	-
Contributions - employer	-	87,204	(87,204)
Contributions - employee	-	56,449	(56,449)
Net investment income	-	177,282	(177,282)
Benefit payments, including refunds of employee contributions	(24,677)	(24,677)	-
Administrative expense	-	(918)	918
Other changes	-	(47)	47
Net changes	\$ 194,406	\$ 295,294	\$ (100,888)
Balance at 12/31/2017	\$ 1,833,896	\$ 1,573,238	\$ 260,658

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate(5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate(7.75%)
City's net pension liability	\$ 528,865	\$ 260,658	\$ 39,701

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the city recognized pension expense of \$105,798 per the TMRS GASB 68 actuarial report. The general ledger expense was slightly more to include death benefits.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,655	\$ -
Changes in actuarial assumptions	21,256	-
Difference between projected and actual investment earnings	-	42,724
NET Total (amortized in table below)		\$ 12,813
Contributions subsequent to the measurement date (Additional Deferred Outflow)	72,310	-

\$72,310 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2018	\$ 10,383
2019	\$ 8,114
2020	\$ (11,561)
2021	\$ (16,495)
2022	\$ (2,149)
Thereafter	\$ (1,105)
Total	\$ (12,813)

CITY OF BULLARD, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

F. Other Post Employment Benefit (SDBF)

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). This is a single employer defined benefit plan.

The member 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.

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms established by City Ordinance:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>26</u>
	31

Changes in OPEB		Total OPEB Liability
Balance at 12/31/2016		\$ 23,836
Changes for the year:		
Service cost		4,064
Interest on Total OPEB		974
Change of benefit terms		-
Difference between expected and actual experience		-
Changes of assumptions or other inputs		2,536
Benefit payments, including refunds of employee contributions		(226)
Net changes		\$ 7,348
Balance at 12/31/2017		\$ 31,184

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate *	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$ 37,646	\$ 31,184	\$ 26,173

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

OPEB Expense	Total OPEB Expense
Service Cost	\$ 4,064
Interest on Total OPEB	974
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	-
Differences between expected and actual expense	-
Changes in assumptions or other inputs	290
Total OPEB Expense	\$ 5,328

Deferred (Inflows) / Outflows of Resources	Deferred (INFLows) of resources	Deferred OUTFLOWS of resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	-	2,246
Net Total	-	\$ 2,246
Contributions made subsequent to measurement date	-	185

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Year ended Dec 31:	NET deferred out/(in)
2018	\$ 290
2019	290
2020	290
2021	290
2022	290
Thereafter	796
Total	\$ 2,246

CITY OF BULLARD, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):		Total SBD Contribution Rate	Retiree portion SBD Contribution Rate
Plan / Calendar Year			
2017		0.15%	0.02%
2018		0.16%	0.02%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Prior period adjustment related to OPEB in FY2018

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

In the year of implementation, the employer should make a prior period adjustment for the total OPEB liability as of the 12/31/2016 measurement date (provided by TMRS), and record a deferred outflow of resources for contributions recorded by the city (retiree portion of SDB rate only) from December 31, 2016 to its prior fiscal year end. TMRS has elected to not calculate other deferrals as of the December 31, 2016 measurement date.

NOTE X. LITIGATION

Currently management is unaware of significant pending litigation against the City.

NOTE XI. FEDERAL, STATE AND LOCAL 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. During the year ended September 30, 2018 the police department received a \$7,500 grant which it immediately used to purchase NIBRS Software. In addition, another \$1,000 grant was received from CenterPoint Energy and is to be spent on the drone program. No other grant funds were received or expended in the current year.

For FY2019 and FY2020, a large commercial development is set to start that would help provide the City of Bullard necessary infrastructure improvements and a great opportunity for growth. This commercial development will be anchored by a planned skilled nursing facility. The expected cost for the infrastructure to be brought to the location of the property is \$1,574,208. Of this amount, BEDCO would contribute \$500,000, while a \$1,000,000 grant from the Texas Department of Agriculture and \$74,208 of funding from the developer would be used to meet the commitment. This was approved by the City Council in June of 2018. Only a small portion of grant administrative costs were incurred in FY2018.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE XII. COMPENSATED ABSENCES

The City employees now accrue paid time off (PTO) that can be used for vacation or sick time. The accrual is based on the number of years employed with a maximum of 160 hours allowed to be carried over each year. No financial accrual for compensated absences is reflected in the accompanying general-purpose financial statements because the amount would be insignificant.

NOTE XIII. DEBT SERVICE FUND

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

NOTE XIV. SIGNIFICANT TRANSACTIONS WITH A COMPONENT UNIT

The City has an agreement with the Bullard Development Corporation whereby one-third of the sales tax revenue of the City is paid to the Development Corporation. During the year ended September 30, 2018, \$156,577 of sales tax revenue received by the City was allocated to Bullard Development Corporation. Transactions with the City involved their assistance in the funding of authorized projects related to the betterment of the local environment for business and commerce.

NOTE XV. DEVELOPER CONTRIBUTED ASSETS

The City receives contributed assets on occasion from various developers in return for the City to provide services to the end customers. Typically, the developer completes the project using their own resources and then donates the completed assets to the City after the City engineers have inspected and approved. During the year ended September 30, 2018, there were no assets transferred to the City, but more are expected to be completed and transferred in early 2019.

NOTE XVII. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2018 up through January 31, 2019, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

Required Supplementary Information

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	NON-GAAP BUDGETARY BASIS					
	Budget	Budget	Budget	Budget		
	Revised	Revised	Revised	Revised		
	Final	Final	Final	Final		
	General	Special	Debt Service	Total Gov't	Actual	Variance
Revenues						
Property tax	\$ 668,645	\$ -	\$ 770,157	\$1,438,802	\$1,566,725	\$127,923
Sales & use tax	340,000	-	-	340,000	313,164	(26,836)
Franchise tax	171,500	-	-	171,500	183,922	12,422
Licenses & permits	104,000	-	-	104,000	110,182	6,182
Fines & forfeitures	205,000	13,000	-	218,000	180,316	(37,684)
Charges for services	50,470	-	-	50,470	63,635	13,165
Interest	4,000	-	-	4,000	7,535	3,535
Miscellaneous	4,000	-	-	4,000	5,245	1,245
Total Revenues	1,547,615	13,000	770,157	2,330,772	2,430,724	99,952
Expenditures						
Administration	668,990	-	1,000	669,990	646,043	(23,947)
Police	837,000	-	-	837,000	839,495	2,495
Municipal court	163,050	2,000	-	165,050	156,820	(8,230)
Streets & Park	120,900	-	-	120,900	118,823	(2,077)
Capital outlay	84,275	11,000	-	95,275	117,240	21,965
Debt service: Principal	52,300	-	619,280	671,580	670,302	(1,278)
Debt service: Interest	4,500	-	149,877	154,377	137,608	(16,769)
Total Expenditures	1,931,015	13,000	770,157	2,714,172	2,686,331	(27,841)
Other						
Transfers In / (Out)	383,400	-	-	383,400	383,400	-
Total Other	383,400	-	-	383,400	383,400	-
Net Change in Fund Balances	-	-	-	-	127,793	\$127,793
Fund Balances: Beginning				409,874	409,874	
Fund Balances: Ending				\$ 409,874	\$ 537,667	

* An account by account budget to actual analysis can be obtained from the City's Finance Director.

* Noted budget amounts are revised final numbers. Revisions impacted transfers between accounts but not the bottom line.

See independent auditor's report.

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	NON-GAAP BUDGETARY BASIS		
	Budget		
	Revised		
	Final	Actual	Variance
Revenues			
Water	\$ 865,000	\$1,018,599	\$153,599
Garbage	380,900	377,403	(3,497)
Sewer	290,000	407,059	117,059
Utility - other	98,600	97,874	(726)
Total Revenues	<u>1,634,500</u>	<u>1,900,935</u>	<u>266,435</u>
Expenses			
Personnel	416,400	414,298	(2,102)
Supplies	92,850	91,290	(1,560)
Repairs & maintenance	131,100	129,880	(1,220)
Contract services	528,750	506,347	(22,403)
Debt service	26,400	26,383	(17)
Capital outlay & Depreciation	57,200	527,773	470,573
Total Expenses	<u>1,252,700</u>	<u>1,695,971</u>	<u>443,271</u>
Other			
Transfers In / (Out)	(383,400)	(383,400)	-
Interest income	2,500	8,813	6,313
Interest expense	(900)	(831)	69
Total Other	<u>(381,800)</u>	<u>(375,418)</u>	<u>6,382</u>
Net Change in Fund Balances	-	(170,454)	<u>(170,454)</u>
Transfers in Debt Fund	618,000		
Proprietary Fund exclude balance sheet expenses	81,403		
Prior Period Adjustment	(6,085)		
Developer Contributed Assets	-		
Fund Balances: Beginning	<u>7,200,944</u>	<u>7,200,944</u>	
Fund Balances: Ending	<u>\$7,200,944</u>	<u>\$7,723,808</u>	

* An account by account budget to actual analysis can be obtained from the City's Finance Director.

* The City does not include depreciation or replacement reserve in the utility budget.

* Noted budget amounts are revised final numbers. Revisions impacted transfers between accounts but not the bottom line.

See independent auditor's report.

CITY OF BULLARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Total Pension Liability				
Service Cost	\$ 87,190	\$ 99,627	\$ 114,377	\$ 123,172
Interest (on the Total Pension Liability)	75,566	89,086	99,894	113,990
Changes of benefit terms	-	12,695	-	-
Difference between expected and actual experience	22,475	(5,561)	27,914	(18,079)
Change of assumptions	-	45,136	-	-
Benefit payments, including refunds of employee contributions	(16,015)	(5,989)	(50,838)	(24,677)
Net Change in Total Pension Liability	<u>169,216</u>	<u>234,994</u>	<u>191,347</u>	<u>194,406</u>
Total Pension Liability - Beginning	1,043,933	1,213,149	1,448,143	1,639,490
Total Pension Liability - Ending (a)	<u>\$ 1,213,149</u>	<u>\$ 1,448,143</u>	<u>\$ 1,639,490</u>	<u>\$ 1,833,896</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 53,188	\$ 62,014	\$ 77,477	\$ 87,204
Contributions - Employee	44,144	47,396	52,563	56,449
Net Investment Income	50,832	1,505	76,047	177,282
Benefit payments, including refunds of employee contributions	(16,015)	(5,989)	(50,838)	(24,677)
Administrative Expense	(530)	(916)	(858)	(918)
Other	(44)	(45)	(46)	(46)
Net Change in Plan Fiduciary Net Position	<u>131,575</u>	<u>103,965</u>	<u>154,345</u>	<u>295,294</u>
Plan Fiduciary Net Position - Beginning	888,059	1,019,634	1,123,599	1,277,944
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,019,634</u>	<u>\$ 1,123,599</u>	<u>\$ 1,277,944</u>	<u>\$ 1,573,238</u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ 193,515</u></u>	<u><u>\$ 324,544</u></u>	<u><u>\$ 361,546</u></u>	<u><u>\$ 260,658</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.05%	77.59%	77.95%	85.79%
Covered Employee Payroll	\$ 882,886	\$ 947,923	\$ 1,051,256	\$ 1,128,981
 Net Pension Liability as a Percentage of Covered Employee Payroll	21.92%	34.24%	34.39%	23.09%

* Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See independent auditor's report

CITY OF BULLARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the City's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the city. Note that this is a 10-year schedule, to be created by the city prospectively, over the next 10-year period. This schedule is provided in the GRS Reporting Package (for the current period).

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end, and should be created by the city, and built over the next 10-year period. The city should also provide the Notes to Schedule of Contributions, including the methods and assumptions used to determine the contribution rates and information about benefit changes during the year, if any. Information to complete the Notes to Schedule of Contributions is provided in the GRS Reporting Package.

LAST 10 FISCAL YEARS WILL ULTIMATELY BE DISPLAYED

Fiscal year ending September 30,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 57,018	\$ 77,135	\$ 84,961	\$ 95,802
Contributions in relation to the actuarially determined contribution	<u>\$ (57,018)</u>	<u>\$ (77,135)</u>	<u>\$ (84,961)</u>	<u>\$ (95,802)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Covered employee payroll	\$ 894,263	\$ 1,079,301	\$ 1,115,735	\$ 1,200,526
Contributions as a percentage of covered employee payroll	6.38%	7.15%	7.61%	7.98%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	
Period	26 years

See independent auditor's report

CITY OF BULLARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other Information	There were no benefit changes during the year.

See independent auditor's report

CITY OF BULLARD, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	<u>12/31/2016</u>	<u>12/31/2017</u>
Total OPEB Liability		
Service Cost	\$ -	\$ 4,064
Interest on total OPEB	-	974
Changes of benefit terms	-	-
Benefit payments / refunds of employee contributions	-	(226)
Recognition of deferred outflows/inflows	-	-
Differences between expected and actual	-	-
Changes in assumptions or other inputs	-	2,536
Net Changes	-	7,348
Total OPEB Liability - Beginning	-	23,836
Total OPEB Liability - Ending	\$ 23,836	\$ 31,184
Covered Employee Payroll	\$ 1,051,256	\$ 1,128,981
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.27%	2.76%

NOTE: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits

* Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See independent auditor's report

Murrey Paschall & Caperton PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Bullard, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Bullard, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bullard, Texas' basic financial statements as listed in the table of contents, and have issued our report thereon dated January 31, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City of Bullard, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bullard, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bullard, Texas' internal control.

A *deficiency in internal control* exists 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Bullard, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.

Forney, Texas

January 31, 2019