

CITY OF BULLARD, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, 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, 2019, 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.

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 March 3, 2020, on our consideration of the City of Bullard, Texas's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bullard, Texas's 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's internal control over financial reporting and compliance.

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.

Forney, Texas

March 3, 2020

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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, 2019. 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 \$18,497,573 (Governmental and Proprietary Funds) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$13,580,878.
- Governmental net assets are comprised of the following:
 - 1) Capital assets net of related debt of \$7,312,984.
 - 2) Restricted assets of \$435,289.
 - 3) Restricted infrastructure \$1,005,800.
 - 4) Special Revenues of \$30,757.
 - 5) Unrestricted net assets of \$165,383 represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of \$1,654,794 this year. This compares to the prior year ending fund balance of \$537,667, showing an increase of \$1,117,127 during the current year primarily as a result of the \$1,029,000 year-end tax note funded to pay for infrastructure improvements in 2020.
- 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 (\$399,619). The City also implemented GASB Statement No. 75 during 2018 which requires the City to record its OPEB Liability (\$31,088).

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.

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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, 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

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

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 \$18,497,573. This is a \$4,916,695 increase above last year's net assets of \$13,580,878.

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 \$1,422,001 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, 2019

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 1,756,903	\$ 665,025	\$ 1,554,335	\$ 1,359,896	\$ 3,311,238	\$ 2,024,921
Capital and deferred outflows	8,942,285	5,798,062	12,265,078	11,214,941	21,207,363	17,013,003
Total assets and deferred outflows	<u>10,699,188</u>	<u>6,463,087</u>	<u>13,819,413</u>	<u>12,574,837</u>	<u>24,518,601</u>	<u>19,037,924</u>
Long-term debt outstanding	890,175	124,846	3,321,765	3,685,449	4,211,940	3,810,295
Other liabilities and deferred inflows	858,800	481,171	950,288	1,165,580	1,809,088	1,646,751
Total liabilities and deferred inflows	<u>1,748,975</u>	<u>606,017</u>	<u>4,272,053</u>	<u>4,851,029</u>	<u>6,021,028</u>	<u>5,457,046</u>
Net assets:						
Invested in capital assets,						
net of debt	7,312,984	5,411,652	8,290,742	6,628,942	15,603,726	12,040,594
Restricted	435,289	391,546	-	-	435,289	391,546
Restricted infrastructure	1,005,800	-	-	-	1,005,800	-
Special Revenues	30,757	8,485	-	-	30,757	8,485
Unrestricted (deficit)	165,383	45,387	1,256,618	1,094,866	1,422,001	1,140,253
Total net assets	<u>\$ 8,950,213</u>	<u>\$ 5,857,070</u>	<u>\$ 9,547,360</u>	<u>\$ 7,723,808</u>	<u>\$ 18,497,573</u>	<u>\$ 13,580,878</u>
		Governmental Activities		Business-type Activities		Total Government
		2019	2018	2019	2018	2019
Program revenues:						
Charges for services	\$ 444,092	\$ 359,378	\$ 1,865,413	\$ 1,900,936	\$ 2,309,505	\$ 2,260,314
Interest income	12,197	7,535	11,065	8,813	23,262	16,348
Grant & construction match	140,187	-	91,699	-	231,886	-
General revenues:						
Property taxes	1,732,481	1,566,725	-	-	1,732,481	1,566,725
Franchise fees	211,083	183,922	-	-	211,083	183,922
Sales and use taxes	344,130	313,164	-	-	344,130	313,164
Total revenues	<u>2,884,170</u>	<u>2,430,724</u>	<u>1,968,177</u>	<u>1,909,749</u>	<u>4,852,347</u>	<u>4,340,473</u>
Program expenses						
General government	1,278,794	1,165,450	-	-	1,278,794	1,165,450
Street / park	156,722	119,678	-	-	156,722	119,678
Public safety	1,041,116	999,619	-	-	1,041,116	999,619
Debt service	120,370	133,950	-	-	120,370	133,950
Utilities	-	-	1,682,358	1,615,400	1,682,358	1,615,400
Total expenses	<u>2,597,002</u>	<u>2,418,697</u>	<u>1,682,358</u>	<u>1,615,400</u>	<u>4,279,360</u>	<u>4,034,097</u>
Net before transfers	287,168	12,027	285,819	294,349	572,987	306,376
Transfers	383,400	383,400	(383,400)	(383,400)	-	-
Transfers between Debt	(714,000)	(618,000)	714,000	618,000	-	-
Prior Period Adjustment	-	(17,580)	(128,677)	(6,085)	(128,677)	(23,665)
Developer Contributed Assets	3,136,575	-	1,335,810	-	4,472,385	-
Change in net assets	<u>\$ 3,093,143</u>	<u>\$ (240,153)</u>	<u>\$ 1,823,552</u>	<u>\$ 522,864</u>	<u>\$ 4,916,695</u>	<u>\$ 282,711</u>

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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 \$1,654,794. Of this year-end total, \$182,948 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 \$1,823,552 after transfers.

CAPITAL ASSETS

The City's investment in capital assets for the city as a whole, net of depreciation, as of September 30, 2019 amounted to \$20,944,441. 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 \$4,211,940.

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, 2019**

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, 2019

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash & equivalents	\$ 650,900	\$ 915,886	\$ 1,566,786	\$ 456,107
Investments	1,005,800	371,182	1,376,982	-
Receivables (net)	96,090	219,882	315,972	44,752
Inventory & Prepays	4,113	47,385	51,498	-
Total current assets	<u>1,756,903</u>	<u>1,554,335</u>	<u>3,311,238</u>	<u>500,859</u>
Capital assets				
Land	35,842	47,116	82,958	-
Buildings	384,783	7,554	392,337	-
Machinery and equipment	1,282,629	692,976	1,975,605	-
Infrastructure	31,356,046	16,329,931	47,685,977	-
Construction in progress	192,067	122,171	314,238	-
Less accumulated depreciation	<u>(24,499,297)</u>	<u>(5,007,377)</u>	<u>(29,506,674)</u>	<u>-</u>
Total fixed assets	<u>8,752,070</u>	<u>12,192,371</u>	<u>20,944,441</u>	<u>-</u>
Deferred outflows				
related to pensions and OPEB	190,215	72,707	262,922	-
Total deferred outflows	<u>190,215</u>	<u>72,707</u>	<u>262,922</u>	<u>-</u>
Total assets and deferred outflows	<u>10,699,188</u>	<u>13,819,413</u>	<u>24,518,601</u>	<u>500,859</u>
Liabilities				
Accounts payable	68,457	60,928	129,385	-
Accrued liabilities	33,652	5,795	39,447	-
Refundable meter deposits	-	127,570	127,570	-
Net pension liability	288,669	110,950	399,619	-
Total OPEB liability	23,094	7,994	31,088	-
Deferred inflows pensions and OPEB	88,084	21,473	109,557	-
Bond premium, net amortization	-	157,885	157,885	-
Current - notes payable	356,844	457,693	814,537	46,023
Long-term - notes payable	<u>890,175</u>	<u>3,321,765</u>	<u>4,211,940</u>	<u>285,789</u>
Total liabilities and deferred inflows	<u>1,748,975</u>	<u>4,272,053</u>	<u>6,021,028</u>	<u>331,812</u>
Net assets				
Investment in capital assets, net	7,312,984	8,290,742	15,603,726	-
Restricted for debt service	435,289	-	435,289	-
Restricted for city infrastructure	1,005,800	-	1,005,800	-
Unassigned	165,383	1,256,618	1,422,001	169,047
Unrestricted special revenues	<u>30,757</u>	<u>-</u>	<u>30,757</u>	<u>-</u>
Total net assets	<u>\$ 8,950,213</u>	<u>\$ 9,547,360</u>	<u>\$ 18,497,573</u>	<u>\$ 169,047</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, 2019

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
Governmental:				
General administration	\$ 1,278,794	\$ 266,641	\$ (1,012,153)	\$ -
Public Safety	1,041,116	152,285	(888,831)	-
Street / Park	156,722	-	(156,722)	-
Debt service	120,370	-	(120,370)	-
Total governmental activities	<u>2,597,002</u>	<u>418,926</u>	<u>(2,178,076)</u>	<u>-</u>
Business type:				
Utility	1,682,358	1,865,413	183,055	-
Total business-type activities	<u>1,682,358</u>	<u>1,865,413</u>	<u>183,055</u>	<u>-</u>
Component Unit:				
Bullard Economic Development	151,106	-	-	151,106
Total component unit	<u>151,106</u>	<u>-</u>	<u>-</u>	<u>151,106</u>
Change in net assets:	Governmental Activities	Business-Type Activities	Total	Component Unit
Net (expense) / revenue	(2,178,076)	183,055	(1,995,021)	(151,106)
Property tax	1,732,481	-	1,732,481	-
Sales & use tax	344,130	-	344,130	171,544
Franchise tax	211,083	-	211,083	-
Investment income	12,197	11,065	23,262	11,372
Grant & construction match	140,187	91,699	231,886	-
Miscellaneous income	25,166	-	25,166	-
Transfers	383,400	(383,400)	-	-
Change in net assets	<u>670,568</u>	<u>(97,581)</u>	<u>572,987</u>	<u>31,810</u>
Transfers In Debt Fund	(714,000)	714,000	-	-
Prior Period Adjustment	-	(128,677)	(128,677)	-
Developer Contributed Assets	3,136,575	1,335,810	4,472,385	-
Net Assets: Beginning	5,857,070	7,723,808	13,580,878	137,237
Net Assets: Ending	<u>\$ 8,950,213</u>	<u>\$ 9,547,360</u>	<u>\$ 18,497,573</u>	<u>\$ 169,047</u>

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

CITY OF BULLARD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & equivalents	\$ 180,261	-	\$31,147	\$439,492	\$ 650,900
Investments	-	1,005,800	-	-	1,005,800
Receivables (net)	86,554	-	-	9,536	96,090
Inventory & Prepads	4,113	-	-	-	4,113
Total Current Assets	\$ 270,928	\$ 1,005,800	\$31,147	\$ 449,028	\$ 1,756,903
 Liabilities					
Accounts payable	\$ 68,457	\$ -	\$ -	\$ -	\$ 68,457
Accrued liabilities	19,523	-	390	13,739	33,652
Total Liabilities	87,980	-	390	13,739	102,109
 Fund Balances					
Restricted for debt service	-	-	-	435,289	435,289
Restricted for city infrastructure	-	1,005,800	-	-	1,005,800
Unrestricted	182,948	-	-	-	182,948
Unrestricted special revenues	-	-	30,757	-	30,757
Total Fund Balances	182,948	1,005,800	30,757	435,289	1,654,794
Total Liabilities and Fund Balances	\$ 270,928	\$ 1,005,800	\$31,147	\$ 449,028	\$ 1,756,903

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, 2019

Total Fund Balance - Total Governmental Funds	\$ 1,654,794
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.	8,752,070
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.	102,131
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>(1,558,782)</u>
Net Assets of Governmental Activities	<u><u>\$ 8,950,213</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, 2019

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Property tax	\$ 854,368	\$ -	\$ -	\$ 878,113	\$ 1,732,481
Sales & use tax	344,130	-	-	-	344,130
Franchise tax	185,585	-	25,498	-	211,083
Charges for services	154,338	-	-	-	154,338
Building permits and fees	112,303	-	-	-	112,303
Fines	142,104	-	10,181	-	152,285
Interest income	12,197	-	-	-	12,197
Grant match	62,893	-	-	-	62,893
BEDCO construction match	77,294	-	-	-	77,294
Miscellaneous income	25,166	-	-	-	25,166
Total Revenues	1,970,378	-	35,679	878,113	2,884,170
Expenditures					
General administration	615,852	23,200	-	500	639,552
Municipal court	159,874	-	-	-	159,874
Police	875,844	-	-	-	875,844
Street and park department	155,618	-	-	-	155,618
Capital outlay	518,027	-	13,407	-	531,434
Debt service: Principal	69,911	-	-	714,000	783,911
Debt service: Interest	6,502	-	-	119,870	126,372
Total Expenditures	2,401,628	23,200	13,407	834,370	3,272,605
Other Financing Sources					
Debt issued	93,161	1,029,000	-	-	1,122,161
Operating Transfers In / (Out)	383,400	-	-	-	383,400
Total Expenditures	476,561	1,029,000	-	-	1,505,561
Net Change in Fund Balances	45,312	1,005,800	22,272	43,743	1,117,127
Fund Balances: Beginning	137,636	-	8,485	391,546	537,667
Fund Balances: Ending	\$ 182,948	\$ 1,005,800	\$30,757	\$435,289	\$ 1,654,794

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, 2019

Net Change in Fund Balance - Total Governmental Funds	\$ 1,117,127
<p>Amounts reported for government activities in the Statement of Activities are different because:</p>	
Governmental funds report capital outlay as expenditures However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. (net of any new debt proceeds)	531,434
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.	(601,925)
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)	(37,814)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	<u>(338,253)</u>
Change Net Assets of Governmental Activities	<u>\$ 670,568</u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2019

	<u>Business-Type Activities (Utility Fund)</u>
Assets	
Cash & equivalents	\$ 915,886
Investments	371,182
Receivables (net)	219,882
Inventory	47,385
Total Current Assets	<u>1,554,335</u>
Capital assets	
Land	47,116
Buildings	7,554
Machinery and equipment	692,976
Infrastructure	16,329,931
Construction in progress	122,171
Less accumulated depreciation	<u>(5,007,377)</u>
Total Fixed Assets	<u>12,192,371</u>
Deferred outflows	
related to pensions and OPEB	<u>72,707</u>
Total deferred outflows	<u>72,707</u>
Total assets and deferred outflows	<u><u>\$ 13,819,413</u></u>
Liabilities	
Accounts Payable	\$ 60,928
Accrued Liabilities	5,795
Refundable Meter Deposits	127,570
Net Pension Liability	110,950
Total OPEB Liability	7,994
Deferred inflows pensions and OPEB	21,473
Bond premium, net amortization	157,885
Current - Notes Payable	457,693
Long-term - Notes Payable	<u>3,321,765</u>
Total Liabilities and deferred inflows	<u>4,272,053</u>
Net Assets	
Investment in capital assets, net	8,290,742
Unrestricted	1,256,618
Restricted Net Assets	-
Total Net Assets	<u>9,547,360</u>
Total Liabilities and Net Assets	<u><u>\$ 13,819,413</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, 2019

	Business-type Activities (Utility Operations Fund)
Revenues	
Water	\$ 957,439
Garbage	397,603
Sewer	421,828
Grant match	41,139
BEDCO construction match	50,560
Utility - other	88,542
Total Revenues	<u>1,957,111</u>
Expenses	
Personnel	432,166
Supplies	115,238
Repairs & maintenance	136,949
Contract services	523,094
Debt service	20,417
Capital purchases (excluding CIP)	65,274
Capital depreciation and amortization	473,701
Total Expenses	<u>1,766,839</u>
Other	
Transfers In / (Out)	(383,400)
Interest income	11,065
Interest expense	(1,209)
Total Other	<u>(373,544)</u>
Change in Net Assets	(183,272)
Transfers In Debt Fund	714,000
Proprietary Fund exclude balance sheet expenses	85,691
Prior Period Adjustment	(128,677)
Developer Contributed Assets	1,335,810
Net Assets: Beginning	7,723,808
Net Assets: Ending	<u>\$ 9,547,360</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, 2019

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,889,835
Payments to suppliers	(720,941)
Payments to employees	<u>(432,166)</u>
Net cash provided by operating activities	<u>736,728</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	330,600
Transfers In (Out) from TexPool Investment Funds	<u>112,314</u>
Net cash provided (used) by noncapital financing activities	<u>442,914</u>
Cash flows from capital and related financing activities:	
Principal payments on longterm debt	(734,417)
New loan proceeds	99,890
New developer contributed capital assets	1,335,810
Acquisition and construction of capital assets	<u>(1,622,470)</u>
Net cash provided (used) by capital and related financing activities	<u>(921,187)</u>
Net increase (decrease) in cash and cash equivalents	258,455
Cash and cash equivalents at beginning of year	<u>657,431</u>
Cash and cash equivalents at end of year	<u>\$ 915,886</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 189,063
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	473,701
Bond premium amortized against interest expense	(16,193)
Proprietary Fund exclude balance sheet expenses	85,691
(Increase) decrease in accounts receivable	(40,191)
(Increase) decrease in other assets	(27,085)
Increase (decrease) in liabilities	<u>71,742</u>
Total adjustments	<u>547,665</u>
Net cash provided by operating activities	<u>\$ 736,728</u>

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019.

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 non-profit 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, 2019

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.

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) and all deferred inflows and outflows of resources are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting,

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

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

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, 2019 was \$1,376,982. 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 (\$18,314) 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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

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, 2019, 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 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 and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These difference are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

- *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.

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,943,768. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019 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 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, 2019

NOTE IV. CAPITAL ASSETS

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

Capital Assets Activity - Governmental

	<u>09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/19</u>
Capital Assets				
Land	\$ 35,842	\$ -	\$ -	\$ 35,842
Buildings	337,083	47,700	-	384,783
Machinery and Equipment	1,058,634	258,919	(34,924)	1,282,628
Infrastructure	28,107,157	3,248,889	-	31,356,046
Construction in Progress	79,566	394,783	(282,282)	192,068
Total Depreciable:	29,618,282	3,950,291	(317,206)	33,251,367
Less Accumulated Depreciation	(23,932,296)	(601,925)	34,924	(24,499,297)
Total Capital Assets	<u>\$ 5,685,986</u>	<u>\$ 3,348,366</u>	<u>\$ (282,282)</u>	<u>\$ 8,752,070</u>

Capital Assets Activity - Business Type

	<u>09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/19</u>
Capital Assets				
Land	\$ 47,116	\$ -	\$ -	\$ 47,116
Buildings	7,554	-	-	7,554
Machinery and Equipment	560,475	132,501	-	692,976
Infrastructure	14,961,458	1,368,473	-	16,329,931
Construction in Progress	675	121,496	-	122,171
Total Depreciable:	15,577,278	1,622,470	-	17,199,748
Less Accumulated Depreciation	(4,533,676)	(473,701)	-	(5,007,377)
Total Capital Assets	<u>\$ 11,043,602</u>	<u>\$ 1,148,769</u>	<u>\$ -</u>	<u>\$ 12,192,371</u>

*** Additions to fixed assets in 2019 consisted of park improvements, new vehicles and equipment.*

*** Significant new infrastructure received from developers of Three Doves Estates Phase 1, Windsor Estates Phase 3, Viewpoint Addition Phase 1 and 2, West Ridge Subdivision.*

*** Open CIP projects as of year end expected to be completed in 2020
(Bluebonnet Wellness Nursing Home Infrastructure and Emma Street Projects.*

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 Oct. 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 Oct. 15, 2019.

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 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.

In September 2019, the City borrowed from American National Leasing Company for the purchase of a 2019 Tahoe Police PPV. The loan amount was \$43,378 and bears interest at the rate of 3.99%. Payments are due in 3 annual payments of \$12,746, \$12,746, \$12,746 and remaining payoff of \$9,000. Maturity September 27, 2022.

In September 2019, the City borrowed from American National Leasing Company for the purchase of a 2019 Tahoe Police PPV. The loan amount was \$49,784 and bears interest at the rate of 3.99%. Payments are due in 3 annual payments of \$15,054, \$15,054, \$15,054 and remaining payoff of \$9,000. Maturity September 27, 2022.

The City of Bullard, Limited Tax Note, Series 2019 was issued September 30, 2019, in the amount of \$1,029,000 and bears interest at the rate of 2.05%. Principal payments begin in February 2020. Expected payoff 2022.

Principal and interest payments projected for the following four years:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 356,844	\$ 23,550
2021	416,165	16,648
2022	474,010	5,971
TOTAL	\$ 1,247,019	\$ 46,169

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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. Paid off 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. Paid off 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 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.

In June 2019, the City borrowed \$99,890 from Austin Bank for a 2009 Sterling Chassis Sewer Vac Truck. The interest rate is 3.25% with payments of \$6,690 due quarterly. Maturity June 2023.

Principal and interest payments projected for the following five years:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 457,693	\$ 122,259
2021	471,458	107,467
2022	485,581	92,118
2023	494,726	76,204
2024 and subsequent years	<u>1,870,000</u>	<u>153,285</u>
TOTAL	\$ 3,779,458	\$ 551,333

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2018, 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, 2019, 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 reinsure 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 887 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 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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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:	2018/7.98%; 2019/7.86%
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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>27</u>
	48

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.

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 7.98% and 7.86% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019 were \$93,415 and were equal to the required contributions.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.50% including inflation
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 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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.3%
International Equity	17.5%	6.1%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
RealReturn	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
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, 2019

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	\$ 1,833,896	\$ 1,573,238	\$ 260,658
Changes for the year:			
Service cost	133,185	-	133,185
Interest	127,382	-	127,382
Change of benefit terms	-	-	-
Difference between expected and actual experience	(13,701)	-	(13,701)
Changes of assumptions	-	-	-
Contributions - employer	-	95,202	(95,202)
Contributions - employee	-	60,871	(60,871)
Net investment income	-	(47,208)	47,208
Benefit payments, including refunds of employee contributions	(26,686)	(26,686)	-
Administrative expense	-	(911)	911
Other changes	-	(48)	48
Net changes	\$ 220,180	\$ 81,219	\$ 138,961
Balance at 12/31/2018	\$ 2,054,076	\$ 1,654,457	\$ 399,619

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	\$ 698,575	\$ 399,619	\$ 153,090

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, 2019

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

For the year ended September 30, 2019, the city recognized pension expense of \$133,296 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	\$ -	\$ 7,244
Changes in actuarial assumptions	13,296	-
Difference between projected and actual investment earnings	82,001	-
NET Total (amortized in table below)	\$ 88,053	-
Contributions subsequent to the measurement date (Additional Deferred Outflow)	68,451	-

\$68,451 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, 2019. 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:	
2019	\$ 36,566
2020	\$ 16,891
2021	\$ 11,957
2022	\$ 26,305
2023	\$ (3,333)
Thereafter	\$ (333)
Total	\$ 88,053

CITY OF BULLARD, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

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, 2018 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>27</u>
	32

Changes in OPEB		Total OPEB Liability
Balance at 12/31/2017		\$ 31,184
Changes for the year:		
Service cost		4,991
Interest on Total OPEB		1,111
Change of benefit terms		-
Difference between expected and actual experience		(3,711)
Changes of assumptions or other inputs		(2,245)
Benefit payments, including refunds of employee contributions		(243)
Net changes		\$ (97)
Balance at 12/31/2018		\$ 31,087

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate *	3.71%
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, 2018.

**Note: The actuarial assumptions used in the December 31, 2018 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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$ 37,187	\$ 31,087	\$ 26,335

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

OPEB Expense	Total OPEB Expense
Service Cost	\$ 4,991
Interest on Total OPEB	1,111
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	(425)
Changes in assumptions or other inputs	33
Total OPEB Expense	\$ 5,710

Deferred (Inflows) / Outflows of Resources	Deferred (INFLows) of resources	Deferred OUTFLOWS of resources
Differences between expected and actual experience	\$ (3,286)	\$ -
Changes in assumptions and other inputs	(32)	-
Net Total	(3,318)	\$ -
Contributions made subsequent to measurement date	-	179

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)
2019	\$ (392)
2020	(392)
2021	(392)
2022	(392)
2023	(392)
Thereafter	(1,358)
Total	\$ (3,318)

CITY OF BULLARD, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):		Total SBD Contribution Rate	Retiree portion SBD Contribution Rate
Plan / Calendar Year			
2019		0.18%	0.02%
2018		0.16%	0.02%
2017		0.15%	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.

NOTE X. LITIGATION

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

NOTE XI. FEDERAL, STATE AND LOCAL GRANT REVENUE

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. During 2019 the city received grant funds of \$104,033 and BEDCO assistance of \$127,854. The project is included in Construction in Progress and is expected to be completed in 2020.

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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, \$171,544 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, 2019, Three Doves Estates Phase 1, Windsor Estates Phase 3, Viewpoint Addition Phase 1 and 2, West Ridge Subdivision were all completed and transferred to the city. Total value of infrastructure (streets, water and sewer lines) totaled \$4,472,385.

NOTE XVII. PRIOR PERIOD ADJUSTMENT

With the implementation of new GASB standards, bond issue cost that previously was amortized over the term of the bond is now expensed in the period of issue, the adjustment for this resulted in a decrease in Net Position of \$128,677.

NOTE XVIII. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2019 up through March 3, 2020, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

NOTE XIX. FUTURE FINANCIAL REPORTING REQUIREMENTS

The City has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the City.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2020.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2021.

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, 2019

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	\$ 760,599	\$ -	\$ 780,418	\$1,541,017	\$1,732,481	\$ 191,464
Sales & use tax	340,000	-	-	340,000	344,130	4,130
Franchise tax	192,500	-	-	192,500	211,083	18,583
Licenses & permits	103,000	-	-	103,000	112,303	9,303
Fines & forfeitures	204,500	13,000	-	217,500	152,285	(65,215)
Charges for services	48,320	-	-	48,320	154,338	106,018
Interest	6,000	-	-	6,000	12,197	6,197
Grant match	-	-	-	-	62,893	62,893
BEDCO construction match	-	-	-	-	77,294	77,294
Miscellaneous	20,000	-	-	20,000	25,166	5,166
Total Revenues	1,674,919	13,000	780,418	2,468,337	2,884,170	415,833
Expenditures						
Administration	648,865	-	1,000	649,865	639,552	(10,313)
Police	857,800	-	-	857,800	875,844	18,044
Municipal court	164,360	2,000	-	166,360	159,874	(6,486)
Streets & Park	164,244	-	-	164,244	155,618	(8,626)
Capital outlay	146,300	11,000	-	157,300	531,434	374,134
Debt service: Principal	70,200	-	714,000	784,200	783,911	(289)
Debt service: Interest	6,550	-	136,064	142,614	126,372	(16,242)
Total Expenditures	2,058,319	13,000	851,064	2,922,383	3,272,605	350,222
Other Financing Sources						
Debt issued	-	-	-	-	1,122,161	1,122,161
Operating Transfers In / (Out)	383,400	-	-	383,400	383,400	-
Total Other	383,400	-	-	383,400	1,505,561	1,122,161
Net Change in Fund Balances	-	-	(70,646)	(70,646)	1,117,127	\$1,187,773
Fund Balances: Beginning				537,667	537,667	
Fund Balances: Ending				\$ 467,021	\$1,654,794	

* 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, 2019

	NON-GAAP BUDGETARY BASIS		
	Budget		
	Revised		
	Final	Actual	Variance
Revenues			
Water	\$1,068,100	\$ 957,439	\$(10,661)
Garbage	404,500	397,603	(6,897)
Sewer	464,000	421,828	(42,172)
Grant match	-	41,139	41,139
BEDCO construction match	-	50,560	50,560
Utility - other	6,000	88,542	82,542
Total Revenues	<u>1,942,600</u>	<u>1,957,111</u>	<u>14,511</u>
Expenses			
Personnel	435,400	432,166	(3,234)
Supplies	118,950	115,238	(3,712)
Repairs & maintenance	149,100	136,949	(12,151)
Contract services	549,500	523,094	(26,406)
Debt service	20,450	20,417	(33)
Capital outlay & Depreciation	68,700	538,975	470,275
Total Expenses	<u>1,342,100</u>	<u>1,766,839</u>	<u>424,739</u>
Other			
Transfers In / (Out)	(383,400)	(383,400)	-
Interest income	7,500	11,065	3,565
Interest expense	(2,150)	(1,209)	941
Total Other	<u>(378,050)</u>	<u>(373,544)</u>	<u>4,506</u>
Net Change in Fund Balances	222,450	(183,272)	<u>(405,722)</u>
Transfers in Debt Fund		714,000	
Proprietary Fund exclude balance sheet expenses		85,691	
Prior Period Adjustment		(128,677)	
Developer Contributed Assets		1,335,810	
Fund Balances: Beginning	<u>7,723,808</u>	<u>7,723,808</u>	
Fund Balances: Ending	<u>\$7,946,258</u>	<u>\$9,547,360</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>	<u>12/31/2018</u>
Total Pension Liability					
Service Cost	\$ 87,190	\$ 99,627	\$ 114,377	\$ 123,172	\$ 133,185
Interest (on the Total Pension Liability)	75,566	89,086	99,894	113,990	127,382
Changes of benefit terms	-	12,695	-	-	-
Difference between expected and actual experience	22,475	(5,561)	27,914	(18,079)	(13,701)
Change of assumptions	-	45,136	-	-	-
Benefit payments, including refunds of employee contributions	<u>(16,015)</u>	<u>(5,989)</u>	<u>(50,838)</u>	<u>(24,677)</u>	<u>(26,686)</u>
Net Change in Total Pension Liability	169,216	234,994	191,347	194,406	220,180
Total Pension Liability - Beginning	1,043,933	1,213,149	1,448,143	1,639,490	1,833,896
Total Pension Liability - Ending (a)	\$ 1,213,149	\$ 1,448,143	\$ 1,639,490	\$ 1,833,896	\$ 2,054,076
Plan Fiduciary Net Position					
Contributions - Employer	\$ 53,188	\$ 62,014	\$ 77,477	\$ 87,204	\$ 95,202
Contributions - Employee	44,144	47,396	52,563	56,449	60,871
Net Investment Income	50,832	1,505	76,047	177,282	(47,208)
Benefit payments, including refunds of employee contributions	<u>(16,015)</u>	<u>(5,989)</u>	<u>(50,838)</u>	<u>(24,677)</u>	<u>(26,686)</u>
Administrative Expense	(530)	(916)	(858)	(918)	(911)
Other	(44)	(45)	(46)	(46)	(49)
Net Change in Plan Fiduciary Net Position	131,575	103,965	154,345	295,294	81,219
Plan Fiduciary Net Position - Beginning	888,059	1,019,634	1,123,599	1,277,944	1,573,238
Plan Fiduciary Net Position - Ending (b)	\$ 1,019,634	\$ 1,123,599	\$ 1,277,944	\$ 1,573,238	\$ 1,654,457
Net Pension Liability - Ending (a) - (b)	\$ 193,515	\$ 324,544	\$ 361,546	\$ 260,658	\$ 399,619
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.05%	77.59%	77.95%	85.79%	80.55%
Covered Employee Payroll	\$ 882,886	\$ 947,923	\$ 1,051,256	\$ 1,128,981	\$ 1,217,417
Net Pension Liability as a Percentage of Covered Employee Payroll	21.92%	34.24%	34.39%	23.09%	32.83%

* 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>	<u>2019</u>
Actuarially Determined Contribution	\$ 57,018	\$ 77,135	\$ 84,961	\$ 95,802	\$ 93,415
Contributions in relation to the actuarially determined contribution	<u>\$ (57,018)</u>	<u>\$ (77,135)</u>	<u>\$ (84,961)</u>	<u>\$ (95,802)</u>	<u>\$ (93,415)</u>
Contribution deficiency (excess)	<u>\$ _____</u>				
Covered employee payroll	\$ 894,263	\$ 1,079,301	\$ 1,115,735	\$ 1,200,526	\$ 1,184,018
Contributions as a percentage of covered employee payroll	6.38%	7.15%	7.61%	7.98%	7.88%

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	25 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>	<u>12/31/2018</u>
Total OPEB Liability			
Service Cost	\$ -	\$ 4,064	\$ 4,991
Interest on total OPEB	- -	974	1,111
Changes of benefit terms	- -	- -	- -
Benefit payments / refunds of employee contributions	- -	(226)	(243)
Recognition of deferred outflows/inflows	- -	- -	- -
Differences between expected and actual	- -	- -	(3,711)
Changes in assumptions or other inputs	- -	2,536	(2,245)
Net Changes	- -	7,348	(97)
Total OPEB Liability - Beginning	<u>- -</u>	<u>23,836</u>	<u>31,184</u>
Total OPEB Liability - Ending	<u>\$ 23,836</u>	<u>\$ 31,184</u>	<u>\$ 31,087</u>
Covered Employee Payroll	\$ 1,051,256	\$ 1,128,981	\$ 1,217,417
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.27%	2.76%	2.55%

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, 2019, 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 March 3, 2020.

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

March 3, 2020

Murrey Paschall & Caperton PC
Certified Public Accountants

March 3, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund of the City of Bullard, Texas (City), for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2019. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Bullard, Texas are described in Note I to the financial statements. There was a new accounting principle implemented in 2019:

As discussed in Note XVII to the financial statements, in 2019 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported As Assets And Liabilities – Bond Costs.

We noted no transactions entered into by the City of Bullard, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Bullard, Texas's financial statements was:

Management's estimate of the depreciation of the City's fixed assets is based upon management's estimate of the specific assets useful life and the cost of the assets is depreciated accordingly. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Long-term Obligations in Note V to the financial statements as these represent significant future debt payments in the form of interest and principal.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Bullard, Texas's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Bullard, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the MD&A, Budget and Actual schedules by fund type, as well as the GASB 68 and GASB 75 Pension/OPEB Liability schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the information and use of the Honorable Mayor and City Council and management of the City of Bullard, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.