

CITY OF BULLARD, TEXAS  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

**CITY OF BULLARD, TEXAS**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2020**

Independent Auditor's Report	Page 3
Management's Discussion and Analysis	Page 5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	Page 11
Statement of Activities	Page 12
Fund Financial Statements	
Balance Sheet – Governmental Funds	Page 13
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	Page 14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	Page 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Page 16
Statement of Net Assets - Proprietary Fund	Page 17
Statement of Revenues, Expenses, and Changes in Fund Balance - Proprietary Fund	Page 18
Statement of Cash Flows – Proprietary Fund	Page 19
Notes to Financial Statements	Page 20
Required Supplementary Information	
Statement of Revenue, Expenditures, and Changes in the Fund Balances-Budget and Actual – Governmental Funds	Page 41
Statement of Revenue, Expenses, and Changes in the Fund Balance-Budget and Actual – Proprietary Fund	Page 42
Schedule of Changes in Net Pension Liability and Related Ratios	Page 43
Schedule of Contributions	Page 44
Schedule of Changes in OPEB Liability and Related Ratios	Page 46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 47
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	Page 49
Schedule of Findings and Questioned Costs	Page 51
Schedule of Expenditures of Federal Awards	Page 52
Notes to the Schedule of Expenditures of Federal Awards	Page 53

**M**urrey 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 aggregate discretely presented component units, and each major fund of the City of Bullard, Texas (City), as of and for the year ended September 30, 2020, 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 aggregate discretely presented component units, and each major fund of the City of Bullard, Texas, as of September 30, 2020, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bullard, Texas's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2021, 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 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, 2021

**CITY OF BULLARD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2020**

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, 2020. 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 \$19,908,975 (Governmental and Proprietary Funds) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$18,497,573.
- Governmental net assets are comprised of the following:
  - 1) Capital assets net of related debt of \$7,071,190.
  - 2) Restricted assets of \$536,447.
  - 3) Restricted infrastructure \$2,027,400.
  - 4) Special Revenues of \$49,607.
  - 5) Unrestricted net assets of (\$20,172) represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of \$2,810,398 this year. This compares to the prior year ending fund balance of \$1,654,794, showing an increase of \$1,155,604 during the current year primarily as a result of the \$1,035,000 year-end 2020 tax note funded to pay for infrastructure improvements in 2021.
- 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 (\$593,756). The City also implemented GASB Statement No. 75 during 2018 which requires the City to record its OPEB Liability (\$39,765).

## **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, 2020**

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, 2020**

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 pages 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 \$19,908,975. This is a \$1,411,402 increase above last year's net assets of \$18,497,573.

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 \$1,240,094 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, 2020**

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 2,964,016	\$ 1,756,903	\$ 1,693,247	\$ 1,554,335	\$ 4,657,263	\$ 3,311,238
Capital and deferred outflows	9,513,578	8,942,285	12,437,781	12,265,078	21,951,359	21,207,363
Total assets and deferred outflows	<u>12,477,594</u>	<u>10,699,188</u>	<u>14,131,028</u>	<u>13,819,413</u>	<u>26,608,622</u>	<u>24,518,601</u>
Long-term debt outstanding	1,500,698	890,175	2,850,318	3,321,765	4,351,016	4,211,940
Other liabilities and deferred inflows	1,312,424	858,800	1,036,207	950,288	2,348,631	1,809,088
Total liabilities and deferred inflows	<u>2,813,122</u>	<u>1,748,975</u>	<u>3,886,525</u>	<u>4,272,053</u>	<u>6,699,646</u>	<u>6,021,028</u>
Net assets:						
Invested in capital assets,						
net of debt	7,071,190	7,312,984	8,984,237	8,290,742	16,055,428	15,603,726
Restricted	536,447	435,289	-	-	536,447	435,289
Restricted infrastructure	2,027,400	1,005,800	-	-	2,027,400	1,005,800
Special Revenues	49,607	30,757	-	-	49,607	30,757
Unrestricted (deficit)	(20,172)	165,383	1,260,266	1,256,618	1,240,094	1,422,001
Total net assets	<u>\$ 9,664,472</u>	<u>\$ 8,950,213</u>	<u>\$ 10,244,503</u>	<u>\$ 9,547,360</u>	<u>\$ 19,908,975</u>	<u>\$ 18,497,573</u>
		Governmental Activities		Business-type Activities		Total Government
		2020	2019	2020	2019	2020
Program revenues:						
Charges for services	\$ 370,935	\$ 444,092	\$ 2,067,801	\$ 1,865,413	\$ 2,438,736	\$ 2,309,505
Interest income	18,771	12,197	3,390	11,065	22,161	23,262
Grant & construction match	763,008	140,187	499,104	91,699	1,262,112	231,886
General revenues:						
Property taxes	1,857,719	1,732,481	-	-	1,857,719	1,732,481
Franchise fees	230,174	211,083	-	-	230,174	211,083
Sales and use taxes	422,911	344,130	-	-	422,911	344,130
Total revenues	<u>3,663,518</u>	<u>2,884,170</u>	<u>2,570,295</u>	<u>1,968,177</u>	<u>6,233,813</u>	<u>4,852,347</u>
Program expenses						
General government	1,479,653	1,278,794	-	-	1,479,653	1,278,794
Street / park	230,187	156,722	-	-	230,187	156,722
Public safety	1,250,542	1,041,116	-	-	1,250,542	1,041,116
Debt service	119,214	120,370	-	-	119,214	120,370
Utilities	-	-	1,742,815	1,682,358	1,742,815	1,682,358
Total expenses	<u>3,079,596</u>	<u>2,597,002</u>	<u>1,742,815</u>	<u>1,682,358</u>	<u>4,822,411</u>	<u>4,279,360</u>
Net before transfers	583,922	287,168	827,480	285,819	1,411,402	572,987
Transfers	555,337	383,400	(555,337)	(383,400)	-	-
Transfers between Debt	(425,000)	(714,000)	425,000	714,000	-	-
Prior Period Adjustment	-	-	-	(128,677)	-	(128,677)
Developer Contributed Assets	-	3,136,575	-	1,335,810	-	4,472,385
Change in net assets	<u>\$ 714,259</u>	<u>\$ 3,093,143</u>	<u>\$ 697,143</u>	<u>\$ 1,823,552</u>	<u>\$ 1,411,402</u>	<u>\$ 4,916,695</u>

**CITY OF BULLARD, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

## 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 \$2,810,398. Of this year-end total, \$196,944 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 \$697,143 after transfers.

## CAPITAL ASSETS

The City's investment in capital assets for the city as a whole, net of depreciation, as of September 30, 2020 amounted to \$21,668,771. 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 \$4,351,016.

Additional information regarding the City of Bullard's capital assets can be found in Note 4 on page 27 and long term debt note 5 on pages 28-29.

## 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 pages 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, 2020**

**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, 2020**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>Assets</b>				
Cash & equivalents	\$ 738,457	\$ 1,021,566	\$ 1,760,023	\$ 217,537
Investments	2,027,400	314,948	2,342,348	-
Receivables (net)	195,366	291,330	486,696	54,949
Inventory & Prepays	2,793	65,403	68,196	-
Total current assets	<u>2,964,016</u>	<u>1,693,247</u>	<u>4,657,263</u>	<u>272,486</u>
<b>Capital assets</b>				
Land	35,842	47,116	82,958	-
Buildings	410,640	25,889	436,529	-
Machinery and equipment	1,290,806	745,367	2,036,173	-
Infrastructure	32,441,920	17,001,228	49,443,148	-
Construction in progress	227,057	58,177	285,234	-
Less accumulated depreciation	<u>(25,101,684)</u>	<u>(5,513,587)</u>	<u>(30,615,271)</u>	<u>-</u>
Total fixed assets	<u>9,304,581</u>	<u>12,364,190</u>	<u>21,668,771</u>	<u>-</u>
<b>Deferred outflows</b>				
related to pensions and OPEB	208,997	73,591	282,588	-
Total deferred outflows	<u>208,997</u>	<u>73,591</u>	<u>282,588</u>	<u>-</u>
Total assets and deferred outflows	<u>12,477,594</u>	<u>14,131,028</u>	<u>26,608,622</u>	<u>272,486</u>
<b>Liabilities</b>				
Accounts payable	111,809	68,865	180,674	-
Accrued liabilities	41,809	6,463	48,272	-
Refundable meter deposits	-	139,280	139,280	-
Net pension liability	443,098	150,658	593,756	-
Total OPEB liability	29,847	9,918	39,765	-
Deferred inflows pensions and OPEB	180,225	47,873	228,098	-
Bond premium, net amortization	-	141,692	141,692	-
Current - notes payable	505,636	471,458	977,094	47,291
Long-term - notes payable	<u>1,500,698</u>	<u>2,850,318</u>	<u>4,351,016</u>	<u>238,498</u>
Total liabilities and deferred inflows	<u>2,813,122</u>	<u>3,886,525</u>	<u>6,699,646</u>	<u>285,789</u>
<b>Net assets</b>				
Investment in capital assets, net	7,071,190	8,984,237	16,055,428	-
Restricted for debt service	536,447	-	536,447	-
Restricted for city infrastructure	2,027,400	-	2,027,400	-
Unassigned	(20,172)	1,260,266	1,240,094	(13,303)
Unrestricted special revenues	49,607	-	49,607	-
Total net assets	<u>\$ 9,664,472</u>	<u>\$ 10,244,503</u>	<u>\$ 19,908,975</u>	<u>\$ (13,303)</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, 2020**

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
<b>Governmental:</b>				
General administration	\$ 1,479,653	\$ 183,642	\$ (1,296,011)	\$ -
Public Safety	1,250,542	130,478	(1,120,064)	-
Street / Park	230,187	-	(230,187)	-
Debt service	119,214	-	(119,214)	-
<b>Total governmental activities</b>	<b><u>3,079,596</u></b>	<b><u>314,120</u></b>	<b><u>(2,765,476)</u></b>	<b><u>-</u></b>
<b>Business type:</b>				
Utility	1,742,815	2,067,801	324,986	-
<b>Total business-type activities</b>	<b><u>1,742,815</u></b>	<b><u>2,067,801</u></b>	<b><u>324,986</u></b>	<b><u>-</u></b>
<b>Component Unit:</b>				
Bullard Economic Development	396,551	-	-	396,551
<b>Total component unit</b>	<b><u>396,551</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>396,551</u></b>
Change in net assets:	Governmental Activities	Business-Type Activities	Total	Component Unit
Net (expense) / revenue	(2,765,476)	324,986	(2,440,490)	(396,551)
Property tax	1,857,719	-	1,857,719	-
Sales & use tax	422,911	-	422,911	211,208
Franchise tax	230,174	-	230,174	-
Investment income	18,771	3,390	22,161	2,993
Grant & construction match	763,008	499,104	1,262,112	-
Miscellaneous income	56,815	-	56,815	-
Transfers	555,337	(555,337)	-	-
<b>Change in net assets</b>	<b><u>1,139,259</u></b>	<b><u>272,143</u></b>	<b><u>1,411,402</u></b>	<b><u>(182,350)</u></b>
Transfers In Debt Fund	(425,000)	425,000	-	
Prior Period Adjustment	-	-	-	
Developer Contributed Assets	-	-	-	
Net Assets: Beginning	8,950,213	9,547,360	18,497,573	169,047
<b>Net Assets: Ending</b>	<b><u>\$ 9,664,472</u></b>	<b><u>\$ 10,244,503</u></b>	<b><u>\$ 19,908,975</u></b>	<b><u>\$ (13,303)</u></b>

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

**CITY OF BULLARD, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash & equivalents	\$ 140,291	-	\$ 49,607	\$ 548,559	\$ 738,457
Investments	-	2,027,400	-	-	2,027,400
Receivables (net)	187,165	-	-	8,201	195,366
Inventory & Prepays	2,793	-	-	-	2,793
<b>Total Current Assets</b>	<b>\$ 330,249</b>	<b>\$ 2,027,400</b>	<b>\$ 49,607</b>	<b>\$ 556,760</b>	<b>\$ 2,964,016</b>
 <b>Liabilities</b>					
Accounts payable	\$ 111,809	\$ -	\$ -	\$ -	\$ 111,809
Accrued liabilities	21,496	-	-	20,313	41,809
<b>Total Liabilities</b>	<b>133,305</b>	<b>-</b>	<b>-</b>	<b>20,313</b>	<b>153,618</b>
 <b>Fund Balances</b>					
Restricted for debt service	-	-	-	536,447	536,447
Restricted for city infrastructure	-	2,027,400	-	-	2,027,400
Unrestricted	196,944	-	-	-	196,944
Unrestricted special revenues	-	-	49,607	-	49,607
<b>Total Fund Balances</b>	<b>196,944</b>	<b>2,027,400</b>	<b>49,607</b>	<b>536,447</b>	<b>2,810,398</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 330,249</b>	<b>\$ 2,027,400</b>	<b>\$ 49,607</b>	<b>\$ 556,760</b>	<b>\$ 2,964,016</b>

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, 2020

Total Fund Balance - Total Governmental Funds	\$ 2,810,398
<p>Amounts reported for government assets in the Statement of Net Assets are different because:</p>	
Capital assets, net, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	\$ 9,304,581
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.	\$ 28,772
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>\$ (2,479,279)</u>
Net Assets of Governmental Activities	<u><u>\$ 9,664,472</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, 2020**

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>					
Property tax	\$ 932,347	\$ -	\$ -	\$ 925,372	\$ 1,857,719
Sales & use tax	422,911	-	-	-	422,911
Franchise tax	221,400	-	8,774	-	230,174
Charges for services	61,550	-	-	-	61,550
Building permits and fees	122,092	-	-	-	122,092
Fines	119,944	-	10,534	-	130,478
Interest income	9,282	9,489	-	-	18,771
Grant match	538,028	-	-	-	538,028
BEDCO construction match	224,980	-	-	-	224,980
Miscellaneous income	56,815	-	-	-	56,815
<b>Total Revenues</b>	<b>2,709,349</b>	<b>9,489</b>	<b>19,308</b>	<b>925,372</b>	<b>3,663,518</b>
<b>Expenditures</b>					
General administration	486,266	22,889	458	500	510,113
Municipal court	174,815	-	-	-	174,815
Police	1,068,045	-	-	-	1,068,045
Street and park department	229,467	-	-	-	229,467
Capital outlay	1,288,010	-	-	-	1,288,010
Debt service: Principal	93,850	-	-	705,000	798,850
Debt service: Interest	8,402	-	-	118,714	127,116
<b>Total Expenditures</b>	<b>3,348,855</b>	<b>22,889</b>	<b>458</b>	<b>824,214</b>	<b>4,196,416</b>
<b>Other Financing Sources</b>					
Debt issued	98,165	1,035,000	-	-	1,133,165
Operating Transfers In / (Out)	555,337	-	-	-	555,337
<b>Total Other Financing</b>	<b>653,502</b>	<b>1,035,000</b>	<b>-</b>	<b>-</b>	<b>1,688,502</b>
<b>Net Change in Fund Balances</b>	<b>13,996</b>	<b>1,021,600</b>	<b>18,850</b>	<b>101,158</b>	<b>1,155,604</b>
<b>Fund Balances: Beginning</b>	<b>182,948</b>	<b>1,005,800</b>	<b>30,757</b>	<b>435,289</b>	<b>1,654,794</b>
<b>Fund Balances: Ending</b>	<b>\$ 196,944</b>	<b>\$ 2,027,400</b>	<b>\$ 49,607</b>	<b>\$ 536,447</b>	<b>\$ 2,810,398</b>

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, 2020

Net Change in Fund Balance - Total Governmental Funds	\$ 1,155,604
Amounts reported for government activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. (net of any new debt proceeds below)	1,288,010
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.	(723,917)
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)	(246,123)
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.	(334,315)
Change Net Assets of Governmental Activities	\$ 1,139,259

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

**CITY OF BULLARD, TEXAS**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**SEPTEMBER 30, 2020**

	<u>Business-Type Activities (Utility Fund)</u>
<b>Assets</b>	
Cash & equivalents	\$ 1,021,566
Investments	314,948
Receivables (net)	291,330
Inventory	65,403
Total Current Assets	<u>1,693,247</u>
<b>Capital assets</b>	
Land	47,116
Buildings	25,889
Machinery and equipment	745,367
Infrastructure	17,001,228
Construction in progress	58,177
Less accumulated depreciation	<u>(5,513,587)</u>
Total Fixed Assets	<u>12,364,190</u>
<b>Deferred outflows</b>	
related to pensions and OPEB	<u>73,591</u>
Total deferred outflows	<u>73,591</u>
Total assets and deferred outflows	<u><u>\$ 14,131,028</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 68,865
Accrued Liabilities	6,463
Refundable Meter Deposits	139,280
Net Pension Liability	150,658
Total OPEB Liability	9,918
Deferred inflows pensions and OPEB	47,873
Bond premium, net amortization	141,692
Current - Notes Payable	471,458
Long-term - Notes Payable	<u>2,850,318</u>
Total Liabilities and deferred inflows	<u>3,886,525</u>
<b>Net Assets</b>	
Investment in capital assets, net	8,984,237
Unrestricted	1,260,266
Restricted Net Assets	-
Total Net Assets	<u>10,244,503</u>
Total Liabilities and Net Assets	<u><u>\$ 14,131,028</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, 2020**

	<b>Business-type Activities (Utility Operations Fund)</b>
<b>Revenues</b>	
Water	\$ 1,075,355
Garbage	426,062
Sewer	473,854
Grant match	351,939
BEDCO construction match	147,165
Utility - other	92,531
<b>Total Revenues</b>	<b>2,566,906</b>
<b>Expenses</b>	
Personnel	450,181
Supplies	110,995
Repairs & maintenance	101,827
Contract services	570,650
Debt service	32,679
Capital purchases (excluding CIP)	742,024
Capital depreciation and amortization	506,210
<b>Total Expenses</b>	<b>2,514,566</b>
<b>Other</b>	
Transfers In / (Out)	(555,337)
Interest income	3,390
Interest expense	(2,953)
<b>Total Other</b>	<b>(554,900)</b>
 Change in Net Assets	 (502,560)
Transfers In Debt Fund	425,000
Proprietary Fund exclude balance sheet expenses	774,703
Prior Period Adjustment	-
Developer Contributed Assets	-
 Net Assets: Beginning	 9,547,360
<b>Net Assets: Ending</b>	<b>\$ 10,244,503</b>

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, 2020**

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,476,557
Payments to suppliers	(714,271)
Payments to employees	<u>(450,181)</u>
Net cash provided by operating activities	<u>1,312,105</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	(130,337)
Transfers In (Out) from TexPool Investment Funds	<u>59,620</u>
Net cash provided (used) by noncapital financing activities	<u>(70,717)</u>
Cash flows from capital and related financing activities:	
Principal payments on longterm debt	(457,679)
New loan proceeds	-
New developer contributed capital assets	-
Acquisition and construction of capital assets	<u>(678,029)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,135,708)</u>
Net increase (decrease) in cash and cash equivalents	105,680
Cash and cash equivalents at beginning of year	<u>915,886</u>
Cash and cash equivalents at end of year	<u>\$ 1,021,566</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 49,387
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	506,210
Bond premium amortized against interest expense	(16,193)
Proprietary Fund exclude balance sheet expenses	774,703
(Increase) decrease in accounts receivable	(71,448)
(Increase) decrease in other assets	(18,901)
Increase (decrease) in liabilities	<u>88,347</u>
Total adjustments	<u>1,262,718</u>
Net cash provided by operating activities	<u>\$ 1,312,105</u>

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

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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, 2020.

*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, 2020

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, 2020

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, 2020 was \$2,342,348. 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 (\$31,792) 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, 2020

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, 2020, 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, 2020**

- 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 differences 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, 2020

- *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, 2020**

**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, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,102,371. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020 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, 2020

NOTE IV. CAPITAL ASSETS

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

Capital Assets Activity - Governmental

	<u>09/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/20</u>
<b>Capital Assets</b>				
Land	\$ 35,842	\$ -	\$ -	\$ 35,842
Buildings	384,783	25,857	-	410,640
Machinery and Equipment	1,282,628	141,289	(133,112)	1,290,805
Infrastructure	31,356,046	1,085,874	-	32,441,920
Construction in Progress	<u>192,068</u>	<u>219,122</u>	<u>(184,132)</u>	<u>227,058</u>
<b>Total Depreciable:</b>	<u>33,251,367</u>	<u>1,472,142</u>	<u>(317,245)</u>	<u>34,406,265</u>
Less Accumulated Depreciation	(24,499,297)	(723,917)	121,530	(25,101,684)
<b>Total Capital Assets</b>	<u><u>\$ 8,752,070</u></u>	<u><u>\$ 748,225</u></u>	<u><u>\$ (195,715)</u></u>	<u><u>\$ 9,304,581</u></u>

Capital Assets Activity - Business Type

	<u>09/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/20</u>
<b>Capital Assets</b>				
Land	\$ 47,116	\$ -	\$ -	\$ 47,116
Buildings	7,554	18,335	-	25,889
Machinery and Equipment	692,976	52,392	-	745,368
Infrastructure	16,329,931	671,297	-	17,001,228
Construction in Progress	<u>122,171</u>	<u>-</u>	<u>(63,995)</u>	<u>58,176</u>
<b>Total Depreciable:</b>	<u>17,199,748</u>	<u>742,024</u>	<u>(63,995)</u>	<u>17,877,777</u>
Less Accumulated Depreciation	(5,007,377)	(506,210)	-	(5,513,587)
<b>Total Capital Assets</b>	<u><u>\$ 12,192,371</u></u>	<u><u>\$ 235,814</u></u>	<u><u>\$ (63,995)</u></u>	<u><u>\$ 12,364,190</u></u>

\*\* Additions to fixed assets in 2020 consisted of Bluebonnet Infrastructure, new vehicles and equipment.

\*\* Open CIP projects as of year end expected to be completed in 2021

(Main Street, Ella Street Drainage and Emma Street Projects and Waste Water Treatment Plant.)

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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. PAID OFF 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. PAID OFF 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. PAID OFF 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 December 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.

In July 2020, the City borrowed from American National Leasing Company for the purchase of a 2020 Tahoe Police PPV. The loan amount was \$49,082 and bears interest at the rate of 2.85%. Payments are due in 3 annual payments of \$14,385, \$14,385, \$14,385 and remaining payoff of \$9,000. Maturity July 30, 2023.

In July 2020, the City borrowed from American National Leasing Company for the purchase of a 2020 Tahoe Police PPV. The loan amount was \$49,082 and bears interest at the rate of 2.85%. Payments are due in 3 annual payments of \$14,385, \$14,385, \$14,385 and remaining payoff of \$9,000. Maturity July 30, 2023.

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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.

The City of Bullard, Limited Tax Note, Series 2020 was issued September 29, 2020, in the amount of \$1,035,000 and bears interest at the average rate 0.95%. Principal payments begin in February 2021. Expected payoff 2024.

Principal and interest payments projected for the following four years:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 505,636	\$ 27,750
2022	562,218	16,915
2023	489,480	7,806
2024	449,000	2,245
<b>TOTAL</b>	<b>\$ 2,006,334</b>	<b>\$ 54,716</b>

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.

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. PAID OFF 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>
2021	\$ 471,458	\$ 107,467
2022	485,581	92,118
2023	494,737	76,204
2024	490,000	60,319
2025 and subsequent years	1,380,000	92,966
<b>TOTAL</b>	<b>\$ 3,321,776</b>	<b>\$ 429,074</b>

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**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.

**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, 2019, 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, 2020, the employees of the City were covered by a health and dental insurance plan (the Plan). The City paid the insurance premiums for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. Employees can, at their option, obtain coverage for vision insurance through the Plan. Employees pay 100% of the premiums for any such additional insurance coverage.

**NOTE VIII. RISK MANAGEMENT COVERAGE**

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

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE IX. EMPLOYEE PENSION PLAN**

**A. Plan Description**

The City participates as one of 888 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](http://www.tmrs.com).

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

**B. Benefits Provided**

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate:	6%
City's Rate:	2019/7.86%; 2020/10.12%
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>26</u>

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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 6% (5% prior to 2020) of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.86% and 10.12% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020 were \$124,813 and were equal to the required contributions.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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 real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.3%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
RealReturn	10.0%	3.85%
Real Estate	10.0%	4.0%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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, 2020**

<b>Changes in Net Pension Liability</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at 12/31/2018	\$ 2,054,076	\$ 1,654,457	\$ 399,619
Changes for the year:			
Service cost	154,988	-	154,988
Interest	160,196	-	160,196
Change of benefit terms	261,339	-	261,339
Difference between expected and actual experience	19,891	-	19,891
Changes of assumptions	6,121	-	6,121
Contributions - employer	-	93,453	(93,453)
Contributions - employee	-	60,277	(60,277)
Net investment income	-	256,157	(256,157)
Benefit payments, including refunds of employee contributions	(39,278)	(39,278)	-
Administrative expense	-	(1,445)	1,445
Other changes	-	(43)	43
Net changes	\$ 563,257	\$ 369,120	\$ 194,137
<b>Balance at 12/31/2019</b>	<b>\$ 2,617,333</b>	<b>\$ 2,023,577</b>	<b>\$ 593,756</b>

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:

	<b>1% Decrease in Discount Rate(5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate(7.75%)</b>
City's net pension liability	\$ 979,019	\$ 593,756	\$ 275,280

#### **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](http://www.tmrs.com).

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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

For the year ended September 30, 2020, the city recognized pension expense of \$418,167 per the TMRS GASB 68 actuarial report. The general ledger expense was slightly more to include death benefits.

At September 30, 2020, 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	\$ 7,055	\$ -
Changes in actuarial assumptions	10,412	-
Difference between projected and actual investment earnings	-	59,992
NET Total (amortized in table below)	\$ -	\$ 42,525
Contributions subsequent to the measurement date (Additional Deferred Outflow)		
	96,824	-

\$96,824 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, 2020. 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:	
2020	\$ (7,566)
2021	\$ (12,500)
2022	\$ 1,848
2023	\$ (27,791)
2024	\$ 3,484
Thereafter	\$ -
Total	\$ (42,525)

CITY OF BULLARD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2020

**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, 2019 valuation and measurement date, the following employees were covered by the benefit terms established by City Ordinance:

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

Changes in OPEB		Total OPEB Liability
Balance at 12/31/2018		\$ 31,087
Changes for the year:		
Service cost		4,391
Interest on Total OPEB		1,230
Change of benefit terms		-
Difference between expected and actual experience		(3,336)
Changes of assumptions or other inputs		6,630
Benefit payments, including refunds of employee contributions		(237)
Net changes		\$ 8,678
<b>Balance at 12/31/2019</b>		<b>\$ 39,765</b>

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**Summary of Actuarial Assumptions:**

Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate *	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.*

*\*\*Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.*

**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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 47,605	\$ 39,765	\$ 33,530

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

<b>OPEB Expense</b>	<b>Total OPEB Expense</b>
Service Cost	\$ 4,391
Interest on Total OPEB	1,230
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	
Differences between expected and actual expense	(805)
Changes in assumptions or other inputs	787
<b>Total OPEB Expense</b>	<b>\$ 5,603</b>

<b>Deferred (Inflows) / Outflows of Resources</b>	<b>Deferred (INFLows) of resources</b>	<b>Deferred OUTFLOWS of resources</b>
Differences between expected and actual experience	\$ (5,817)	\$ -
Changes in assumptions and other inputs	-	5,811
Net Total	(6)	\$ -
Contributions made subsequent to measurement date	-	197

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)
2020	\$ (18)
2021	(18)
2022	(18)
2023	(18)
2024	(18)
Thereafter	84
<b>Total</b>	<b>\$ (6)</b>

CITY OF BULLARD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2020

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):		Total SBD Contribution Rate	Retiree portion SBD Contribution Rate
Plan / Calendar Year			
2020		0.19%	0.02%
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 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:*

*Total covered payroll \* Retiree Portion of SDB Contribution (Rate)*

#### 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 amended cost for the infrastructure to be brought to the location of the property is \$1,762,663. Of this amount, BEDCO would contribute \$500,000, while a \$1,000,000 grant from the Texas Department of Agriculture and \$262,663 of funding from the developer would be used to meet the commitment. This was approved by the City Council in June of 2018. During FY 2019 and FY2020 the city received the full grant funds and BEDCO assistance. As of September 30, 2020, the project is included in Capital Asset Infrastructure divided between Streets, Water and Sewer lines.

#### 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, 2020

**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, 2020, \$211,208 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, 2020, there were no developments completed and transferred to the city.

**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 in FY2019.

**NOTE XVIII. SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2020 up through March 3, 2021, 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 2021.

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 2022.

## 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, 2020**

<b>NON-GAAP BUDGETARY BASIS</b>											
	Budget Revised	Budget Revised	Budget Revised	Budget Revised	Actual	Actual	Actual	Actual	Actual	Actual	Variance
	Final General	Final Special	Final Debt Service	Final Total Gov't	General	Construction	Special	Debt Service	Total Gov't		
<b>Revenues</b>											
Property tax	\$ 847,016	\$ -	\$ 840,484	\$1,687,500	\$ 932,347	\$ -	\$ -	\$ 925,372	\$1,857,719	\$ 170,219	
Sales & use tax	350,000	-	-	350,000	422,911	-	-	-	422,911	72,911	
Franchise tax	202,000	-	-	202,000	221,400	-	8,774	-	230,174	28,174	
Licenses & permits	117,500	-	-	117,500	122,092	-	-	-	122,092	4,592	
Fines & forfeitures	161,000	12,000	-	173,000	119,944	-	10,534	-	130,478	(42,522)	
Charges for services	48,320	-	-	48,320	61,550	-	-	-	61,550	13,230	
Interest	12,000	-	-	12,000	9,282	9,489	-	-	18,771	6,771	
Grant match	541,000	-	-	541,000	538,028	-	-	-	538,028	(2,972)	
BEDCO construction match	234,000	-	-	234,000	224,980	-	-	-	224,980	(9,020)	
Miscellaneous	24,000	-	-	24,000	56,815	-	-	-	56,815	32,815	
<b>Total Revenues</b>	<b>2,536,836</b>	<b>12,000</b>	<b>840,484</b>	<b>3,389,320</b>	<b>2,709,349</b>	<b>9,489</b>	<b>19,308</b>	<b>925,372</b>	<b>3,663,518</b>	<b>274,198</b>	
<b>Expenditures</b>											
Administration	665,526	3,500	500	669,526	486,266	22,889	458	500	510,113	(159,413)	
Police	947,050	-	-	947,050	1,068,045	-	-	-	1,068,045	120,995	
Municipal court	164,660	-	-	164,660	174,815	-	-	-	174,815	10,155	
Streets & Park	197,450	-	-	197,450	229,467	-	-	-	229,467	32,017	
Capital outlay	843,000	8,500	-	851,500	1,288,010	-	-	-	1,288,010	436,510	
Debt service: Principal	94,350	-	705,000	799,350	93,850	-	-	705,000	798,850	(500)	
Debt service: Interest	8,200	-	134,984	143,184	8,402	-	-	118,714	127,116	(16,068)	
<b>Total Expenditures</b>	<b>2,920,236</b>	<b>12,000</b>	<b>840,484</b>	<b>3,772,720</b>	<b>3,348,855</b>	<b>22,889</b>	<b>458</b>	<b>824,214</b>	<b>4,196,416</b>	<b>423,696</b>	
<b>Other Financing Sources</b>											
Debt issued	-	-	-	-	98,165	1,035,000	-	-	1,133,165	1,133,165	
Operating Transfers In / (Out)	383,400	-	-	383,400	555,337	-	-	-	555,337	171,937	
<b>Total Other</b>	<b>383,400</b>	<b>-</b>	<b>-</b>	<b>383,400</b>	<b>653,502</b>	<b>1,035,000</b>	<b>-</b>	<b>-</b>	<b>1,688,502</b>	<b>1,305,102</b>	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,996</b>	<b>1,021,600</b>	<b>18,850</b>	<b>101,158</b>	<b>1,155,604</b>	<b>\$1,155,604</b>	
<b>Fund Balances: Beginning</b>					<b>1,654,794</b>				<b>1,654,794</b>		
<b>Fund Balances: Ending</b>					<b>\$1,654,794</b>				<b>\$2,810,398</b>		

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

\* Noted additional operating transfers included allowable drainage capital projects paid by the General Fund using Utility Fund debt.

\* 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, 2020**

	<b>NON-GAAP BUDGETARY BASIS</b>		
	Budget	Actual	Variance
	Revised Final		
<b>Revenues</b>			
Water	\$1,038,100	\$ 1,075,355	\$ 37,255
Garbage	420,000	426,062	6,062
Sewer	458,500	473,854	15,354
Grant match	354,000	351,939	(2,061)
BEDCO construction match	153,000	147,165	(5,835)
Utility - other	4,000	92,531	88,531
<b>Total Revenues</b>	<b>2,427,600</b>	<b>2,566,906</b>	<b>139,306</b>
<b>Expenses</b>			
Personnel	415,350	450,181	34,831
Supplies	127,950	110,995	(16,955)
Repairs & maintenance	146,500	101,827	(44,673)
Contract services	575,450	570,650	(4,800)
Debt service	32,750	32,679	(71)
Capital outlay & Depreciation	583,100	1,248,234	665,134
<b>Total Expenses</b>	<b>1,881,100</b>	<b>2,514,566</b>	<b>633,466</b>
<b>Other</b>			
Transfers In / (Out)	(383,400)	(555,337)	(171,937)
Interest income	10,000	3,390	(6,610)
Interest expense	(3,100)	(2,953)	147
<b>Total Other</b>	<b>(376,500)</b>	<b>(554,900)</b>	<b>(178,400)</b>
Net Change in Fund Balances	170,000	(502,560)	<u>(672,560)</u>
Transfers in Debt Fund		425,000	
Proprietary Fund exclude balance sheet expenses		774,703	
Prior Period Adjustment		-	
Developer Contributed Assets		-	
<b>Fund Balances: Beginning</b>	<b>9,547,360</b>	<b>9,547,360</b>	
<b>Fund Balances: Ending</b>	<b>\$ 9,717,360</b>	<b>\$ 10,244,503</b>	

\* 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>	<u>12/31/2019</u>
Total Pension Liability						
Service Cost	\$ 87,190	\$ 99,627	\$ 114,377	\$ 123,172	\$ 133,185	\$ 154,988
Interest (on the Total Pension Liability)	75,566	89,086	99,894	113,990	127,382	160,196
Changes of benefit terms	-	12,695	-	-	-	261,339
Difference between expected and actual experience	22,475	(5,561)	27,914	(18,079)	(13,701)	19,891
Change of assumptions	-	45,136	-	-	-	6,121
Benefit payments, including refunds of employee contributions	(16,015)	(5,989)	(50,838)	(24,677)	(26,686)	(39,278)
Net Change in Total Pension Liability	169,216	234,994	191,347	194,406	220,180	563,257
Total Pension Liability - Beginning	<u>1,043,933</u>	<u>1,213,149</u>	<u>1,448,143</u>	<u>1,639,490</u>	<u>1,833,896</u>	<u>2,054,076</u>
Total Pension Liability - Ending (a)	<u>\$ 1,213,149</u>	<u>\$ 1,448,143</u>	<u>\$ 1,639,490</u>	<u>\$ 1,833,896</u>	<u>\$ 2,054,076</u>	<u>\$ 2,617,333</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 53,188	\$ 62,014	\$ 77,477	\$ 87,204	\$ 95,202	\$ 93,453
Contributions - Employee	44,144	47,396	52,563	56,449	60,871	60,277
Net Investment Income	50,832	1,505	76,047	177,282	(47,208)	256,157
Benefit payments, including refunds of employee contributions	(16,015)	(5,989)	(50,838)	(24,677)	(26,686)	(39,278)
Administrative Expense	(530)	(916)	(858)	(918)	(911)	(1,445)
Other	(44)	(45)	(46)	(46)	(49)	(44)
Net Change in Plan Fiduciary Net Position	131,575	103,965	154,345	295,294	81,219	369,120
Plan Fiduciary Net Position - Beginning	<u>888,059</u>	<u>1,019,634</u>	<u>1,123,599</u>	<u>1,277,944</u>	<u>1,573,238</u>	<u>1,654,457</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,019,634</u>	<u>\$ 1,123,599</u>	<u>\$ 1,277,944</u>	<u>\$ 1,573,238</u>	<u>\$ 1,654,457</u>	<u>\$ 2,023,577</u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 193,515</u></u>	<u><u>\$ 324,544</u></u>	<u><u>\$ 361,546</u></u>	<u><u>\$ 260,658</u></u>	<u><u>\$ 399,619</u></u>	<u><u>\$ 593,756</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.05%	77.59%	77.95%	85.79%	80.55%	77.31%
Covered Employee Payroll	\$ 882,886	\$ 947,923	\$ 1,051,256	\$ 1,128,981	\$ 1,217,417	\$ 1,186,736
Net Pension Liability as a Percentage of Covered Employee Payroll	21.92%	34.24%	34.39%	23.09%	32.83%	50.03%

\* 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>	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>	<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%
Fiscal year ending September 30,	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Actuarially Determined Contribution	\$ 124,813	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>\$ (124,813)</u>	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>
Contribution deficiency (excess)	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>	<u>\$ _____-</u>
Covered employee payroll	\$ 1,276,387	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	9.78%	-	-	-	-

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

## 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
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	<ol style="list-style-type: none"> <li>Increased employee contribution rate from 5% to 6%.</li> <li>Increased statutory max to 12.50% due to plan changes.</li> </ol>

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>	<u>12/31/2019</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ -	\$ 4,064	\$ 4,991	\$ 4,391
Interest on total OPEB	-	974	1,111	1,230
Changes of benefit terms	-	-	-	-
Benefit payments / refunds of employee contributions	-	(226)	(243)	(237)
Recognition of deferred outflows/inflows	-	-	-	-
Differences between expected and actual	-	-	(3,711)	(3,336)
Changes in assumptions or other inputs	-	2,536	(2,245)	6,630
<b>Net Changes</b>	<hr/> -	<hr/> 7,348	<hr/> (97)	<hr/> 8,678
<b>Total OPEB Liability - Beginning</b>	<hr/> -	<hr/> 23,836	<hr/> 31,184	<hr/> 31,087
<b>Total OPEB Liability - Ending</b>	<hr/> \$ 23,836	<hr/> \$ 31,184	<hr/> \$ 31,087	<hr/> \$ 39,765
 <b>Covered Employee Payroll</b>	 \$ 1,051,256	 \$ 1,128,981	 \$ 1,217,417	 \$ 1,186,736
 <b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	 2.27%	 2.76%	 2.55%	 3.35%

*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

**M**urrey 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  
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bullard, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Bullard, Texas's basic financial statements, and have issued our report thereon dated March 3, 2021.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of Bullard, Texas's internal control over financial reporting (internal control) as a basis for designing 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 City of Bullard, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bullard, Texas's 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 City of Bullard, Texas's 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 financial statements. 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, 2021

**M**urrey Paschall & Caperton PC  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

To the Board of Trustees of  
City of Bullard, Texas  
Bullard, Texas

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited City of Bullard, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Bullard, Texas's major federal programs for the year ended September 30, 2020. City of Bullard, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of City of Bullard, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Bullard, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Bullard, Texas's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, City of Bullard, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of City of Bullard, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Bullard, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Bullard, Texas's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Murrey Paschall & Caperton, PC*

Murrey, Paschall & Caperton, P.C.

Forney, Texas

March 3, 2021

**CITY OF BULLARD, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Summary of Audit Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Bullard, Texas.
2. No significant deficiencies in internal control or material weaknesses relating to the audits of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Bullard, Texas were disclosed during the audits.
4. The auditor's report on compliance for the major federal award program of the City of Bullard, Texas expresses an unmodified opinion on all major federal award programs.
5. The program tested for major program included the following US Department of Agriculture - HUD:
  - a. TDA – State Community Development Block Grant, CFDA# 14.228
6. The threshold for distinguishing types A and B programs was \$750,000.
7. No instances of material weaknesses or significant deficiencies in internal control over major programs were disclosed during our audit.
8. The City of Bullard, Texas was determined to be a high-risk auditee.

**Findings – Financial Statement Audits**  
None

**Findings and Questioned Costs – Major Federal Award Programs Audit**  
None

CITY OF BULLARD, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
US Department of Ag - HUD TDA - State Community Development Block Grants		
TxCDBG #7218052	14.228	\$ <u>877,967</u>
Total Federal Awards		\$ <u>877,967</u>

See accompanying notes to the schedule of expenditures of federal awards

**CITY OF BULLARD, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Bullard, Texas under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Bullard, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Bullard, Texas.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C—INDIRECT COST RATE**

City of Bullard, Texas has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**M**urrey Paschall & Caperton PC  
Certified Public Accountants

March 3, 2021

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, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, 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 25, 2020. 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 were no new accounting principle implemented in 2020. 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, 2021.

#### *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.