

CITY OF BULLARD, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2021, 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, 2021, 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.

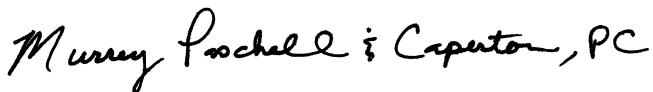
OTHER MATTERS

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 41-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2022, on our consideration of the City of Bullard, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bullard, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Bullard, Texas's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Murrey Paschall & Caperton, PC". The signature is written in a cursive, flowing style.

Murrey Paschall & Caperton, P.C.
Forney, Texas
March 11, 2022

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following that section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$20,917,178 (Governmental and Proprietary Funds) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$19,908,975.
- Governmental net assets are comprised of the following:
 - 1) Capital assets net of related debt of \$7,094,806.
 - 2) Restricted assets of \$649,908.
 - 3) Restricted infrastructure \$2,029,120.
 - 4) Special Revenues of \$81,547.
 - 5) Unrestricted net assets of \$521,044 represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of \$3,558,312 this year. This compares to the prior year ending fund balance of \$2,810,398, showing an increase of \$747,914 during the current year.
- The City's liabilities are related to accounts payable, refundable meter deposits, accrued expenses, pensions and long-term debt.
- The City implemented GASB Statement No. 68 during 2015 which requires the City to record its Net Pension Liability (\$605,483). The City also implemented GASB Statement No. 75 during 2018 which requires the City to record its OPEB Liability (\$48,579).

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, 2021

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, 2021

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 \$20,917,178. This is a \$1,008,203 increase above last year's net assets of \$19,908,975.

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 \$2,137,036 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, 2021

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 4,201,275	\$ 2,964,016	\$ 3,750,179	\$ 1,693,247	\$ 7,951,454	\$ 4,657,263
Capital and deferred outflows	9,002,446	9,513,578	11,978,149	12,437,781	20,980,595	21,951,359
Total assets and deferred outflows	13,203,721	12,477,594	15,728,328	14,131,028	28,932,049	26,608,622
Long-term debt outstanding	938,480	1,500,698	4,099,736	2,850,318	5,038,216	4,351,016
Other liabilities and deferred inflows	1,888,816	1,312,424	1,087,839	1,036,207	2,976,655	2,348,631
Total liabilities and deferred inflows	2,827,296	2,813,122	5,187,576	3,886,525	8,014,871	6,699,646
Net assets:						
Invested in capital assets, net of debt	7,094,806	7,071,190	7,239,475	8,984,237	14,334,282	16,055,428
Restricted	649,908	536,447	-	-	649,908	536,447
Restricted infrastructure	2,029,120	2,027,400	1,685,285	-	3,714,405	2,027,400
Special Revenues	81,547	49,607	-	-	81,547	49,607
Unrestricted (deficit)	521,044	(20,172)	1,615,992	1,260,266	2,137,036	1,240,094
Total net assets	\$ 10,376,425	\$ 9,664,472	\$ 10,540,752	\$ 10,244,503	\$ 20,917,178	\$ 19,908,976

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 696,296	\$ 370,935	\$ 2,317,591	\$ 2,067,801	\$ 3,013,887	\$ 2,438,736
Interest income	9,710	18,771	217	3,390	9,927	22,161
Grant & construction match	-	763,008	-	499,104	-	1,262,112
General revenues:						
Property taxes	2,113,966	1,857,719	-	-	2,113,966	1,857,719
Franchise fees	238,213	230,174	-	-	238,213	230,174
Sales and use taxes	493,240	422,911	-	-	493,240	422,911
Total revenues	3,551,425	3,663,518	2,317,808	2,570,295	5,869,233	6,233,813
Program expenses						
General government	1,493,537	1,479,653	-	-	1,493,537	1,479,653
Street / park	233,301	230,187	-	-	233,301	230,187
Public safety	1,193,493	1,250,542	-	-	1,193,493	1,250,542
Debt service	110,245	119,214	-	-	110,245	119,214
Utilities	-	-	1,830,455	1,742,815	1,830,455	1,742,815
Total expenses	3,030,576	3,079,596	1,830,455	1,742,815	4,861,031	4,822,411
Net before transfers	520,849	583,922	487,353	827,480	1,008,202	1,411,402
Transfers	636,104	555,337	(636,104)	(555,337)	-	-
Transfers between Debt	(445,000)	(425,000)	445,000	425,000	-	-
Prior Period Adjustment	-	-	-	-	-	-
Developer Contributed Assets	-	-	-	-	-	-
Change in net assets	\$ 711,953	\$ 714,259	\$ 296,249	\$ 697,143	\$ 1,008,202	\$ 1,411,402

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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 \$3,558,312. Of this year-end total, \$797,737 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 \$296,249 after transfers.

CAPITAL ASSETS

The City's investment in capital assets for the city as a whole, net of depreciation, as of September 30, 2021 amounted to \$20,660,243. 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 \$5,038,216.

Additional information regarding the City of Bullard's capital assets can be found in Note IV on page 27 and long term debt note V 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, 2021

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, 2021

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash & equivalents	\$ 2,045,160	\$ 1,594,883	\$ 3,640,043	\$ 381,804
Investments	2,029,120	1,794,623	3,823,743	-
Receivables (net)	125,107	278,394	403,501	67,635
Inventory & Prepaids	1,888	82,279	84,167	-
Total current assets	<u>4,201,275</u>	<u>3,750,179</u>	<u>7,951,454</u>	<u>449,439</u>
Capital assets				
Land	35,842	47,116	82,958	-
Buildings	412,999	25,889	438,888	-
Machinery and equipment	1,344,625	737,990	2,082,615	-
Infrastructure	32,682,624	17,013,814	49,696,438	-
Construction in progress	168,106	71,841	239,947	-
Less accumulated depreciation	<u>(25,880,587)</u>	<u>(6,000,016)</u>	<u>(31,880,603)</u>	-
Total fixed assets	8,763,609	11,896,634	20,660,243	-
Deferred outflows				
related to pensions and OPEB	238,837	81,515	320,352	
Total deferred outflows	<u>238,837</u>	<u>81,515</u>	<u>320,352</u>	-
Total assets and deferred outflows	<u>13,203,721</u>	<u>15,728,328</u>	<u>28,932,049</u>	<u>449,439</u>
Liabilities				
Accounts payable	145,335	59,463	204,798	-
Accrued liabilities	497,628	6,906	504,534	-
Refundable meter deposits	-	156,135	156,135	-
Net pension liability	452,606	152,877	605,483	-
Total OPEB liability	36,740	11,839	48,579	-
Deferred inflows pensions and OPEB	194,290	51,872	246,162	-
Bond premium, net amortization	-	163,166	163,166	-
Current - notes payable	562,217	485,581	1,047,798	48,593
Long-term - notes payable	938,480	4,099,736	5,038,216	189,905
Total liabilities and deferred inflows	<u>2,827,296</u>	<u>5,187,576</u>	<u>8,014,871</u>	<u>238,498</u>
Net assets				
Investment in capital assets, net	7,094,806	7,239,475	14,334,282	-
Restricted for debt service	649,908	-	649,908	-
Restricted for city infrastructure	2,029,120	1,685,285	3,714,405	-
Unrestricted	521,044	1,615,992	2,137,036	210,941
Unrestricted special revenues	81,547	-	81,547	-
Total net assets	<u>\$ 10,376,425</u>	<u>\$ 10,540,752</u>	<u>\$ 20,917,177</u>	<u>\$ 210,941</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, 2021

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
Governmental:				
General administration	\$ 1,493,537	\$ 240,365	\$ (1,253,172)	\$ -
Public Safety	1,193,493	212,676	(980,817)	-
Street / Park	233,301	-	(233,301)	-
Debt service	110,245	-	(110,245)	-
Total governmental activities	<u>3,030,576</u>	<u>453,041</u>	<u>(2,577,535)</u>	<u>-</u>
Business type:				
Utility	<u>1,830,455</u>	<u>2,317,591</u>	<u>487,136</u>	<u>-</u>
Total business-type activities	<u>1,830,455</u>	<u>2,317,591</u>	<u>487,136</u>	<u>-</u>
Component Unit:				
Bullard Economic Development	<u>23,637</u>	<u>-</u>	<u>-</u>	<u>23,637</u>
Total component unit	<u>23,637</u>	<u>-</u>	<u>-</u>	<u>23,637</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Change in net assets:				
Net (expense) / revenue	(2,577,535)	487,136	(2,090,399)	(23,637)
Property tax	2,113,966	-	2,113,966	-
Sales & use tax	493,240	-	493,240	246,620
Franchise tax	238,213	-	238,213	-
Investment income	9,710	217	9,927	1,261
Miscellaneous income	243,255	-	243,255	-
Transfers	<u>636,104</u>	<u>(636,104)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>1,156,953</u>	<u>(148,751)</u>	<u>1,008,202</u>	<u>224,244</u>
Transfers In Debt Fund	(445,000)	445,000	-	
Prior Period Adjustment	-	-	-	
Developer Contributed Assets	-	-	-	
Net Assets: Beginning	<u>9,664,472</u>	<u>10,244,503</u>	<u>19,908,975</u>	<u>(13,303)</u>
Net Assets: Ending	<u>\$ 10,376,425</u>	<u>\$ 10,540,752</u>	<u>\$ 20,917,177</u>	<u>\$ 210,941</u>

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

CITY OF BULLARD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & equivalents	\$1,307,679	-	\$81,547	\$655,934	\$ 2,045,160
Investments	-	2,029,120	-	-	2,029,120
Receivables (net)	114,214	-	-	10,893	125,107
Inventory & Prepaids	1,888	-	-	-	1,888
Total Current Assets	<u>\$1,423,781</u>	<u>\$ 2,029,120</u>	<u>\$81,547</u>	<u>\$ 666,827</u>	<u>\$ 4,201,275</u>
Liabilities					
Accounts payable	\$ 145,335	\$ -	\$ -	\$ -	\$ 145,335
Accrued liabilities	480,709	-	-	16,919	497,628
Total Liabilities	<u>626,044</u>	<u>-</u>	<u>-</u>	<u>16,919</u>	<u>642,963</u>
Fund Balances					
Restricted for debt service	-	-	-	649,908	649,908
Restricted for city infrastructure	-	2,029,120	-	-	2,029,120
Unrestricted	797,737	-	-	-	797,737
Unrestricted special revenues	-	-	81,547	-	81,547
Total Fund Balances	<u>797,737</u>	<u>2,029,120</u>	<u>81,547</u>	<u>649,908</u>	<u>3,558,312</u>
Total Liabilities and Fund Balances	<u>\$1,423,781</u>	<u>\$ 2,029,120</u>	<u>\$81,547</u>	<u>\$ 666,827</u>	<u>\$ 4,201,275</u>

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

CITY OF BULLARD, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2021

Total Fund Balance - Total Governmental Funds	\$ 3,558,312
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Amounts reported for government assets
in the Statement of Net Assets are
different because:

Capital assets, net, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	8,763,609
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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.	44,547
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Long-term liabilities including bonds payable, notes payable, total OPEB, and net pension liability, are not due in the current period and therefore, are not reported in the funds.	<u>(1,990,043)</u>
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Net Assets of Governmental Activities	<u><u>\$ 10,376,425</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Construction Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Property tax	\$1,044,260	\$ -	\$ -	\$1,069,706	\$ 2,113,966
Sales & use tax	493,240	-	-	-	493,240
Franchise tax	229,029	-	9,184	-	238,213
Charges for services	84,907	-	-	-	84,907
Building permits and fees	155,458	-	-	-	155,458
Fines	189,136	-	23,540	-	212,676
Interest income	7,990	1,720	-	-	9,710
Grant match	-	-	-	-	-
BEDCO construction match	-	-	-	-	-
Miscellaneous income	243,255	-	-	-	243,255
Total Revenues	<u>2,447,275</u>	<u>1,720</u>	<u>32,724</u>	<u>1,069,706</u>	<u>3,551,425</u>
Expenditures					
General administration	713,223	-	784	800	714,807
Municipal court	117,851	-	-	-	117,851
Police	1,068,323	-	-	-	1,068,323
Street and park department	232,979	-	-	-	232,979
Capital outlay	237,931	-	-	-	237,931
Debt service: Principal	104,637	-	-	846,000	950,637
Debt service: Interest	7,642	-	-	109,445	117,087
Total Expenditures	<u>2,482,586</u>	<u>-</u>	<u>784</u>	<u>956,245</u>	<u>3,439,615</u>
Other Financing Sources					
Debt issued	-	-	-	-	-
Operating Transfers In / (Out)	636,104	-	-	-	636,104
Total Other Financing	<u>636,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>636,104</u>
Net Change in Fund Balances	600,793	1,720	31,940	113,461	747,914
Fund Balances: Beginning	196,944	2,027,400	49,607	536,447	2,810,398
Fund Balances: Ending	<u>\$ 797,737</u>	<u>\$ 2,029,120</u>	<u>\$81,547</u>	<u>\$ 649,908</u>	<u>\$ 3,558,312</u>

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 - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balance - Total Governmental Funds \$ 747,914

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) 237,931

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. (778,903)

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) (625)

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. 950,636

Change Net Assets of Governmental Activities \$ 1,156,953

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

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2021

	Business-Type Activities (Utility Fund)
Assets	
Cash & equivalents	\$ 1,594,883
Investments	1,794,623
Receivables (net)	278,394
Inventory	82,279
Total Current Assets	<u>3,750,179</u>
Capital assets	
Land	47,116
Buildings	25,889
Machinery and equipment	737,990
Infrastructure	17,013,814
Construction in progress	71,841
Less accumulated depreciation	<u>(6,000,016)</u>
Total Fixed Assets	<u>11,896,634</u>
Deferred outflows	
related to pensions and OPEB	<u>81,515</u>
Total deferred outflows	<u>81,515</u>
Total assets and deferred outflows	<u><u>\$ 15,728,328</u></u>
Liabilities	
Accounts Payable	\$ 59,463
Accrued Liabilities	6,906
Refundable Meter Deposits	156,135
Net Pension Liability	152,877
Total OPEB Liability	11,839
Deferred inflows pensions and OPEB	51,872
Bond premium, net amortization	163,166
Current - Notes Payable	485,581
Long-term - Notes Payable	<u>4,099,736</u>
Total Liabilities and deferred inflows	<u>5,187,576</u>
Net Assets	
Investment in capital assets, net	7,239,475
Unrestricted	1,615,992
Restricted Net Assets	<u>1,685,285</u>
Total Net Assets	<u>10,540,752</u>
Total Liabilities and Net Assets	<u><u>\$ 15,728,328</u></u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities (Utility Operations Fund)
Revenues	
Water	\$ 1,111,533
Garbage	472,282
Sewer	508,479
Utility - other	225,297
Total Revenues	<u>2,317,591</u>
Expenses	
Personnel	402,424
Supplies	116,180
Repairs & maintenance	130,733
Contract services	606,647
Debt service	26,459
Capital purchases (excluding CIP)	45,999
Capital depreciation and amortization	522,684
Total Expenses	<u>1,851,126</u>
Other	
Transfers In / (Out)	(636,104)
Interest income	217
Interest expense and closing costs	(51,787)
Total Other	<u>(687,674)</u>
Change in Net Assets	(221,209)
Transfers In Debt Fund	445,000
Proprietary Fund exclude balance sheet expenses	72,458
Prior Period Adjustment	-
Developer Contributed Assets	-
Net Assets: Beginning	10,244,503
Net Assets: Ending	<u><u>\$ 10,540,752</u></u>

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

CITY OF BULLARD, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,305,727
Payments to suppliers	(867,839)
Payments to employees	(402,424)
Net cash provided by operating activities	<u>1,035,464</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	(191,104)
Transfers In (Out) from TexPool Investment Funds	(1,479,458)
Net cash provided (used) by noncapital financing activities	<u>(1,670,562)</u>
Cash flows from capital and related financing activities:	
Principal payments on longterm debt	(471,459)
New loan proceeds	1,735,000
New developer contributed capital assets	-
Acquisition and construction of capital assets	(55,126)
Net cash provided (used) by capital and related financing activities	<u>1,208,415</u>
Net increase (decrease) in cash and cash equivalents	573,317
Cash and cash equivalents at beginning of year	<u>1,021,566</u>
Cash and cash equivalents at end of year	<u>\$ 1,594,883</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 414,678
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	522,684
Bond premium amortized against interest expense	(16,194)
Proprietary Fund exclude balance sheet expenses	72,458
(Increase) decrease in accounts receivable	12,936
(Increase) decrease in other assets	(24,800)
Increase (decrease) in liabilities	53,702
Total adjustments	<u>620,786</u>
Net cash provided by operating activities	<u>\$ 1,035,464</u>

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021.

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 (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 Statement 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, 2021

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, 2021

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, 2021 was \$3,823,744. The large balance is 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 (\$19,340) 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, 2021

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, 2021, 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, 2021

- 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, 2021

- *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, 2021

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, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,463,787. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021 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, 2021

NOTE IV. CAPITAL ASSETS

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

Capital Assets Activity - Governmental

	<u>09/30/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/21</u>
Capital Assets				
Land	\$ 35,842	\$ -	\$ -	\$ 35,842
Buildings	410,640	2,359	-	412,999
Machinery and Equipment	1,290,805	53,820	-	1,344,625
Infrastructure	32,441,920	240,704	-	32,682,624
Construction in Progress	<u>227,058</u>	<u>181,753</u>	<u>(240,704)</u>	<u>168,107</u>
Total Depreciable:	34,406,265	478,635	(240,704)	34,644,196
Less Accumulated Depreciation	(25,101,684)	(778,903)	-	(25,880,587)
Total Capital Assets	<u>\$ 9,304,581</u>	<u>\$ (300,268)</u>	<u>\$ (240,704)</u>	<u>\$ 8,763,609</u>

Capital Assets Activity - Business Type

	<u>09/30/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/21</u>
Capital Assets				
Land	\$ 47,116	\$ -	\$ -	\$ 47,116
Buildings	25,889	-	-	25,889
Machinery and Equipment	745,367	33,413	(40,791)	737,989
Infrastructure	17,001,228	12,586	-	17,013,814
Construction in Progress	<u>58,177</u>	<u>13,664</u>	<u>-</u>	<u>71,841</u>
Total Depreciable:	17,877,777	59,663	(40,791)	17,896,649
Less Accumulated Depreciation	(5,513,587)	(522,684)	36,255	(6,000,016)
Total Capital Assets	<u>\$ 12,364,190</u>	<u>\$ (463,021)</u>	<u>\$ (4,536)</u>	<u>\$ 11,896,634</u>

*** Additions to fixed assets in 2021 consisted of the Ella Street drainage improvements, City park upgrades and various equipment.*

*** Open CIP projects as of year end expected to be completed in 2022 (Widening Main Street and the Waste Water Treatment Plant.)*

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE V. LONG-TERM OBLIGATIONS

Government-Type Activities

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. PAID OFF 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. PAID OFF 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. PAID OFF August 22, 2021.

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 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.

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 began 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 began in February 2021. Expected payoff 2024.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Principal and interest payments projected for the following four years:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 562,217	\$ 16,915
2023	489,480	7,806
2024	<u>449,000</u>	<u>2,245</u>
TOTAL	\$ 1,500,697	\$ 26,966

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. PAID OFF October 13, 2020.

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.

The City of Bullard, Texas Combination Tax and Revenue Certificate of Obligation, Series 2021 were issued August 12, 2021, in the amount of \$1,735,000 and bear interest at the rate of 4% for the first 10 years and then reduced to 2% for the remainder of the term. Principal payments begin in August 2025. Expected payoff August 2048.

Principal and interest payments projected for the following five years:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 485,581	\$ 136,277
2023	494,736	119,997
2024	490,000	104,113
2025	555,000	88,055
2026 and subsequent years	<u>2,560,000</u>	<u>535,011</u>
TOTAL	\$ 4,585,317	\$ 983,454

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2020, 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, 2021, 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 the coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE IX. EMPLOYEE PENSION PLAN

A. Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at www.tmr.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:	2020/10.12%; 2021/10.70%
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>26</u>
	49

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 10.12% and 10.70% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021 were \$141,625 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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, 2019 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 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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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%
Real Return	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, 2021

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 2,617,333	\$ 2,023,577	\$ 593,756
Changes for the year:			
Service cost	173,615	-	173,615
Interest	181,632	-	181,632
Change of benefit terms	-	-	-
Difference between expected and actual experience	20,454	-	20,454
Changes of assumptions	-	-	-
Contributions - employer	-	131,603	(131,603)
Contributions - employee	-	79,518	(79,518)
Net investment income	-	153,885	(153,885)
Benefit payments, including refunds of employee contributions	(26,579)	(26,579)	-
Administrative expense	-	(994)	994
Other changes	-	(38)	38
Net changes	\$ 349,122	\$ 337,395	\$ 11,727
Balance at 12/31/2020	\$ 2,966,455	\$ 2,360,972	\$ 605,483

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

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

	1% Decrease in Discount Rate(5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate(7.75%)
City's net pension liability	\$ 1,034,097	\$ 605,483	\$ 250,511

Pension Plan Fiduciary Net Position

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, the city recognized pension expense of \$132,878 per the TMRS GASB 68 actuarial report. The general ledger expense was slightly more to include death benefits.

At September 30, 2021, 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	\$ 21,264	\$ -
Changes in actuarial assumptions	4,031	-
Difference between projected and actual investment earnings	-	57,367
NET Total (amortized in table below)	\$ -	\$ 32,072
Contributions subsequent to the measurement date (Additional Deferred Outflow)	104,395	-

\$104,395 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, 2021. 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:	
2021	\$ (12,227)
2022	\$ 2,121
2023	\$ (27,518)
2024	\$ 3,758
2025	\$ 1,794
Thereafter	\$ -
Total	\$ (32,072)

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2020 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 12/31/2019	\$ 39,765
Changes for the year:	
Service cost	6,627
Interest on Total OPEB	1,181
Change of benefit terms	-
Difference between expected and actual experience	(4,808)
Changes of assumptions or other inputs	6,079
Benefit payments, including refunds of employee contributions	(265)
Net changes	\$ 8,814
Balance at 12/31/2020	\$ 48,579

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate *	2.00%
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, 2020.*

***Note: The actuarial assumptions used in the December 31, 2020 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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 58,730	\$ 48,579	\$ 40,690

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

OPEB Expense	Total OPEB Expense
Service Cost	\$ 6,627
Interest on Total OPEB	1,181
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	
Differences between expected and actual expense	(1,384)
Changes in assumptions or other inputs	1,519
Total OPEB Expense	\$ 7,943

Deferred (Inflows) / Outflows of Resources	Deferred (INFLOWS) of resources	Deferred OUTFLOWS of resources
Differences between expected and actual experience	\$ (9,241)	\$ -
Changes in assumptions and other inputs	-	10,371
Net Total	-	\$ 1,130
Contributions made subsequent to measurement date	-	737

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)
2021	\$ 135
2022	135
2023	135
2024	135
2025	61
Thereafter	529
Total	\$ 1,130

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):		
Plan / Calendar Year	Total SBD Contribution Rate	Retiree portion SBD Contribution Rate
2021	0.18%	0.06%
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

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Under the American Rescue Plan Act (ARPA) of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The U.S. Treasury manages the distribution of these funds to Texas counties and cities with populations above 50,000. Cities, villages, towns, and townships serving populations of less than 50,000 are classified as non-entitlement units of local government (NEUs) and will receive funding distributed by TDEM.

The City of Bullard was awarded a total of \$923,498.23. Half of this balance was released to the City in August 2021 (\$461,749.12) and the remaining portion will be released in August 2022. The City did not spend any of these funds prior to year end. As such, these remaining funds (\$461,749.12) were included in the financials as a deferred grant revenue liability and should be released to income in FY2022 when the funds are spent.

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

carried over each year. No financial accrual for compensated absences is reflected in the accompanying general-purpose financial statements because the amount would be insignificant.

NOTE XIII. DEBT SERVICE FUND

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

NOTE XIV. SIGNIFICANT TRANSACTIONS WITH A COMPONENT UNIT

The City has an agreement with the Bullard Economic Development Corporation whereby one-third of the sales tax revenue of the City is paid to the Corporation. During the year ended September 30, 2021, \$246,620 of sales tax revenue received by the City was allocated to Bullard Economic 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, 2021, there were no developments completed and transferred to the city.

NOTE XVI. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2021 up through March 11, 2022, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

NOTE XII. 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. 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, 2021

NON-GAAP BUDGETARY BASIS

	Budget Revised Final	Budget Revised Final	Budget Revised Final	Budget Revised Final	Total Gov't	Actual General	Actual Construction	Actual Special	Actual Debt Service	Actual Total Gov't	Variance
Revenues											
Property tax	\$ 934,219	\$ -	\$ 957,741	\$1,891,960	\$ -	\$1,044,260	\$ -	\$ -	\$ 1,069,706	\$2,113,966	\$ 222,006
Sales & use tax	365,000	-	-	365,000	-	493,240	-	-	-	493,240	128,240
Franchise tax	218,000	-	-	218,000	-	229,029	-	9,184	-	238,213	20,213
Licenses & permits	120,000	-	-	120,000	-	155,458	-	-	-	155,458	35,458
Fines & forfeitures	151,000	20,800	-	171,800	-	189,136	-	23,540	-	212,676	40,876
Charges for services	79,320	-	-	79,320	-	84,907	-	-	-	84,907	5,587
Interest	12,000	-	-	12,000	-	7,990	1,720	-	-	9,710	(2,290)
Grant match	-	-	-	-	-	-	-	-	-	-	-
BEDCO construction match	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	32,000	-	-	32,000	-	243,255	-	-	-	243,255	211,255
Total Revenues	1,911,539	20,800	957,741	2,890,080	-	2,447,275	1,720	32,724	1,069,706	3,551,425	661,345
Expenditures											
Administration	717,339	3,800	500	721,639	-	713,223	-	784	800	714,807	(6,832)
Police	1,071,600	-	-	1,071,600	-	1,068,323	-	-	-	1,068,323	(3,277)
Municipal court	123,000	-	-	123,000	-	117,851	-	-	-	117,851	(5,149)
Streets & Park	235,800	-	-	235,800	-	232,979	-	-	-	232,979	(2,821)
Capital outlay	46,900	17,000	-	63,900	-	237,931	-	-	-	237,931	174,031
Debt service: Principal	104,700	-	845,450	950,150	-	104,637	-	-	846,000	950,637	487
Debt service: Interest	7,600	-	125,639	133,239	-	7,642	-	-	109,445	117,087	(16,152)
Total Expenditures	2,306,939	20,800	971,589	3,299,328	-	2,482,586	-	784	956,245	3,439,615	140,287
Other Financing Sources											
Debt issued	-	-	-	-	-	-	-	-	-	-	-
Operating Transfers In / (Out)	395,400	-	-	395,400	-	636,104	-	-	-	636,104	240,704
Total Other	395,400	-	-	395,400	-	636,104	-	-	-	636,104	240,704
Net Change in Fund Balances	-	-	(13,848)	(13,848)	-	600,793	1,720	31,940	113,461	747,914	\$ 761,762
Fund Balances: Beginning				2,810,398						2,810,398	
Fund Balances: Ending				\$2,796,550						\$3,558,312	

* 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

NON-GAAP BUDGETARY BASIS

* 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>	<u>12/31/2020</u>			
Total Pension Liability										
Service Cost	\$ 87,190	\$ 99,627	\$ 114,377	\$ 123,172	\$ 133,185	\$ 154,988	\$ 173,615			
Interest (on the Total Pension Liability)	75,566	89,086	99,894	113,990	127,382	160,196	181,632			
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	20,454			
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)	(26,579)			
Net Change in Total Pension Liability	169,216	234,994	191,347	194,406	220,180	563,257	349,122			
Total Pension Liability - Beginning	1,043,933	1,213,149	1,448,143	1,639,490	1,833,896	2,054,076	2,617,333			
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>	<u>\$ 2,966,455</u>			
Plan Fiduciary Net Position										
Contributions - Employer	\$ 53,188	\$ 62,014	\$ 77,477	\$ 87,204	\$ 95,202	\$ 93,453	\$ 131,603			
Contributions - Employee	44,144	47,396	52,563	56,449	60,871	60,277	79,518			
Net Investment Income	50,832	1,505	76,047	177,282	(47,208)	256,157	153,885			
Benefit payments, including refunds of employee contributions	(16,015)	(5,989)	(50,838)	(24,677)	(26,686)	(39,278)	(26,579)			
Administrative Expense	(530)	(916)	(858)	(918)	(911)	(1,445)	(994)			
Other	(44)	(45)	(46)	(46)	(49)	(44)	(38)			
Net Change in Plan Fiduciary Net Position	131,575	103,965	154,345	295,294	81,219	369,120	337,395			
Plan Fiduciary Net Position - Beginning	888,059	1,019,634	1,123,599	1,277,944	1,573,238	1,654,457	2,023,577			
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>	<u>\$ 2,360,972</u>			
Net Pension Liability - Ending (a) - (b)	<u>\$ 193,515</u>	<u>\$ 324,544</u>	<u>\$ 361,546</u>	<u>\$ 260,658</u>	<u>\$ 399,619</u>	<u>\$ 593,756</u>	<u>\$ 605,483</u>			
Plan Fiduciary Net Position as a Percentage of Total Pension Liability										
Covered Employee Payroll	84.05%	77.59%	77.95%	85.79%	80.55%	77.31%	79.59%			
Net Pension Liability as a Percentage of Covered Employee Payroll	\$ 882,886	\$ 947,923	\$ 1,051,256	\$ 1,128,981	\$ 1,217,417	\$ 1,186,736	\$ 1,325,307			
	21.92%	34.24%	34.39%	23.09%	32.83%	50.03%	45.69%			

* 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	\$ 141,625	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>\$ (124,813)</u>	<u>\$ (141,625)</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	\$ 1,342,251	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	9.78%	10.55%	-	-	-

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	24 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	1. There were no benefit changes during the year.

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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>	<u>12/31/2020</u>
Total OPEB Liability					
Service Cost	\$ -	\$ 4,064	\$ 4,991	\$ 4,391	\$ 6,627
Interest on total OPEB	-	974	1,111	1,230	1,181
Changes of benefit terms	-	-	-	-	-
Benefit payments / refunds of employee contributions	-	(226)	(243)	(237)	(265)
Recognition of deferred outflows/inflows	-	-	-	-	-
Differences between expected and actual	-	-	(3,711)	(3,336)	(4,808)
Changes in assumptions or other inputs	-	2,536	(2,245)	6,630	6,079
Net Changes	-	7,348	(97)	8,678	8,814
Total OPEB Liability - Beginning	-	23,836	31,184	31,087	39,765
Total OPEB Liability - Ending	\$ 23,836	\$ 31,184	\$ 31,087	\$ 39,765	\$ 48,579
Covered Employee Payroll	\$ 1,051,256	\$ 1,128,981	\$ 1,217,417	\$ 1,186,736	\$ 1,325,307
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.27%	2.76%	2.55%	3.35%	3.67%

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 **Murrey Paschall & Caperton PC**
Certified Public Accountants

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

To the Honorable Mayor and Members of the City Council
City of Bullard, Texas
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, 2021, 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 11, 2022.

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.

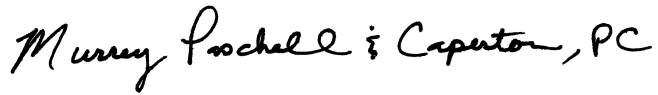
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Murrey Paschall & Caperton, PC". The script is cursive and fluid, with the company name clearly legible.

Murrey Paschall & Caperton, P.C.
Forney, Texas
March 11, 2022