

CITY OF BULLARD, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 and business activities and the general fund of the City of Bullard, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements of the City of Bullard, Texas, as of September 30, 2012, and for the year then ended were audited by another auditor. That auditor expressed an unqualified opinion on those financial statements in his report dated September 6, 2013.

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 and the general fund of the City of Bullard, Texas, as of September 30, 2013, 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 and budgetary comparison information on pages 5–10 and pages 32–33 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 August 20, 2014, on our consideration of the City of Bullard, Texas', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bullard, Texas', internal control over financial reporting and compliance.



Murrey Paschall & Caperton, P.C.
Forney, Texas
August 20, 2014

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$866,021 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$857,197.
- Total net assets are comprised of the following:
 - 1) Capital assets net of related debt of \$485,316.
 - 2) Restricted assets of \$161,798.
 - 3) Special Revenues of \$7,997.
 - 4) Unrestricted net assets of \$210,909 represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of \$380,704 this year. This compares to the prior year ending fund balance of \$613,690, showing a decrease of \$232,986 during the current year.
- The City's liabilities are related to accounts payable, refundable meter deposits, accrued expenses and long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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 employee pension plans 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. Sales tax and Franchise tax finance most of these activities.

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

Fund Financial Statements

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

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

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

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.

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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

The budgetary comparison statement can be found on page 32 and 33 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 \$866,021. This is a \$8,824 increase over last year's net assets of \$857,197.

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 \$210,909 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, 2013

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 551,225	\$ 698,193	\$ 903,080	\$ 2,326,571	\$ 1,454,305	\$ 3,024,764
Capital assets	601,614	368,751	7,632,474	6,293,240	8,234,088	6,661,991
Total assets	1,152,839	1,066,944	8,535,554	8,619,811	9,688,393	9,686,755
Long-term debt outstanding	75,707	81,771	4,028,779	4,326,174	4,104,486	4,407,945
Other liabilities	211,111	127,976	417,052	426,063	628,163	554,039
Total liabilities	286,818	209,747	4,445,831	4,752,237	4,732,649	4,961,984
Net assets:						
Invested in capital assets, net of debt	485,316	376,735	3,125,650	1,333,289	3,610,966	1,710,024
Restricted	161,798	106,325	-	15,647	161,798	121,972
Special Revenues	7,997	13,707	-	-	7,997	13,707
Unrestricted (deficit)	210,909	360,430	964,073	2,518,638	1,174,982	2,879,068
Total net assets	\$ 866,021	\$ 857,197	\$ 4,089,723	\$ 3,867,574	\$ 4,955,744	\$ 4,724,771

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 470,888	\$ 307,545	\$ 1,160,838	\$ 1,120,071	\$ 1,631,726	\$ 1,427,616
Interest income	1,204	1,549	-	2,238	1,204	3,787
General revenues:						
Property taxes	940,274	833,082	-	-	940,274	833,082
Franchise fees	115,270	190,290	-	-	115,270	190,290
Sales and use taxes	196,218	121,998	-	-	196,218	121,998
Total revenues	1,723,854	1,454,464	1,160,838	1,122,309	2,884,692	2,576,773
Program expenses						
General government	517,479	462,835	-	-	517,479	462,835
Street maintenance	60,830	67,888	-	-	60,830	67,888
Public safety	816,712	665,017	-	-	816,712	665,017
Special funds expense	7,235	27,934	-	-	7,235	27,934
Debt service	190,039	487,009	-	-	190,039	487,009
Utilities	-	-	1,183,552	1,302,928	1,183,552	1,302,928
Total expenses	1,592,295	1,710,683	1,183,552	1,302,928	2,775,847	3,013,611
Net before transfers	131,559	(256,219)	(22,714)	(180,619)	108,845	(436,838)
Transfers	174,000	215,000	(174,000)	-	-	215,000
Transfers between Debt	(296,735)		296,735		-	-
Prior Period Adjustment			122,128		122,128	-
Change in net assets	\$ 8,824	\$ (41,219)	\$ 222,149	\$ (180,619)	\$ 230,973	\$ (221,838)

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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 \$380,704. Of this year-end total, 210,909 is unassigned indicating availability 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 \$222,149 before transfers.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities, net of depreciation, as of September 30, 2013 amounted to \$601,614. These primarily include the City Hall Building, land, machinery, vehicles and infrastructure assets.

At the end of the current physical year, the City had total long-term debt outstanding of \$4,104,486.

Additional information regarding the City of Bullard's capital assets can be found in Note 4 on page 26 and long term debt on pg 27.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Additional budgetary comparisons are found on page 32 and 33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET CONSIDERATIONS

During the upcoming year the City will be looking to obtain new debt financing. Nearly all other income and expense items are expected to remain fairly constant.

CITY OF BULLARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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 City Manager, Larry Morgan, at PO Box 107, Bullard, TX 75757.

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash & equivalents	\$ 507,562	\$ 622,642	\$ 1,130,204	\$ 132,098
Investments	-	100,011	100,011	-
Receivables (net)	42,596	138,052	180,648	87,344
Inventory	1,067	42,375	43,442	-
Total current assets	<u>551,225</u>	<u>903,080</u>	<u>1,454,305</u>	<u>219,442</u>
Capital assets				
Land	23,842	18,028	41,870	-
Buildings	329,321	5,109	334,430	-
Machinery and equipment	678,199	345,941	1,024,140	-
Infrastructure	20,412,500	9,500,977	29,913,477	-
Construction in progress	-	40,338	40,338	-
Less accumulated depreciation	<u>(20,842,248)</u>	<u>(2,430,325)</u>	<u>(23,272,573)</u>	<u>-</u>
Total fixed assets	601,614	7,480,068	8,081,682	-
Other assets				
Bond cost	-	152,406	152,406	-
Total other assets	<u>-</u>	<u>152,406</u>	<u>152,406</u>	<u>-</u>
Total assets	<u>1,152,839</u>	<u>8,535,554</u>	<u>9,688,393</u>	<u>219,442</u>
Liabilities				
Accounts payable	29,392	16,091	45,483	3,258
Accrued liabilities	53,785	5,768	59,553	-
Refundable meter deposits	-	69,555	69,555	-
AP BEDCO	87,344	-	87,344	-
Current - notes payable	40,590	325,638	366,228	24,839
Long-term - notes payable	<u>75,707</u>	<u>4,028,779</u>	<u>4,104,486</u>	<u>311,937</u>
Total liabilities	<u>286,818</u>	<u>4,445,831</u>	<u>4,732,649</u>	<u>340,034</u>
Net assets				
Investment in capital assets, net	485,316	3,125,650	3,610,966	-
Restricted for debt service	161,798	-	161,798	-
Restricted for meter deposits	-	-	-	-
Unrestricted	210,909	964,073	1,174,982	(120,592)
Unrestricted special revenues	<u>7,997</u>	<u>-</u>	<u>7,997</u>	<u>-</u>
Total net assets	<u>\$ 866,021</u>	<u>\$ 4,089,723</u>	<u>\$ 4,955,743</u>	<u>\$ (120,592)</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, 2013

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
Governmental:				
General administration	\$ 517,479	\$ 277,341	\$ (240,138)	\$ -
Police	652,978	176,967	(476,011)	-
Municipal Court	163,734	12,439	(151,295)	-
Street / Park	60,830	-	(60,830)	-
Special fund	7,235	-	(7,235)	-
Debt service	190,039	-	(190,039)	-
Total governmental activities	<u>1,592,295</u>	<u>466,747</u>	<u>(1,125,548)</u>	<u>-</u>
Business type:				
Utility	<u>1,183,552</u>	<u>1,160,838</u>	<u>(22,714)</u>	<u>-</u>
Total business-type activities	<u>1,183,552</u>	<u>1,160,838</u>	<u>(22,714)</u>	<u>-</u>
Component Unit:				
Bullard Economic Development	<u>31,425</u>			<u>31,425</u>
Total component unit	<u>31,425</u>			<u>31,425</u>
	Governmental Activities	Business-Type Activities	Total	Component Unit
Change in net assets:				
Net (expense) / revenue	(1,125,548)	(22,714)	(1,148,262)	(31,425)
Sale of assets	-	-	-	-
Property tax	940,274	-	940,274	-
Sales & use tax	196,218	-	196,218	121,395
Franchise tax	115,270	-	115,270	-
Investment income	1,204	-	1,204	143
Miscellaneous income	4,141	-	4,141	-
Transfers	<u>174,000</u>	<u>(174,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>305,559</u>	<u>(196,714)</u>	<u>108,845</u>	<u>90,113</u>
Transfers In Debt Fund	(296,735)	296,735		
Prior Period Adjustment		122,128		
Net Assets: Beginning	<u>857,197</u>	<u>3,867,574</u>	<u>4,724,771</u>	<u>(210,705)</u>
Net Assets: Ending	<u>\$ 866,021</u>	<u>\$ 4,089,723</u>	<u>\$ 4,955,743</u>	<u>\$ (120,592)</u>

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

CITY OF BULLARD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash & equivalents	\$ 330,694	\$ 7,997	\$ 168,871	\$ 507,562
Receivables (net)	35,031	-	7,565	42,596
Inventory	1,067	-	-	1,067
Total Current Assets	<u>\$ 366,792</u>	<u>\$ 7,997</u>	<u>\$ 176,436</u>	<u>\$ 551,225</u>
Liabilities				
Accounts payable	\$ 29,392	\$ -	\$ -	\$ 29,392
Accrued liabilities	39,147	-	14,638	53,785
AP BEDCO	87,344	-	-	87,344
Total Liabilities	<u>155,883</u>	<u>-</u>	<u>14,638</u>	<u>170,521</u>
Fund Balances				
Restricted for debt service	-	-	161,798	161,798
Unrestricted	210,909	-	-	210,909
Unrestricted special revenues	-	7,997	-	7,997
Total Fund Balances	<u>210,909</u>	<u>7,997</u>	<u>161,798</u>	<u>380,704</u>
Total Liabilities and Fund Balances	<u>\$ 366,792</u>	<u>\$ 7,997</u>	<u>\$ 176,436</u>	<u>\$ 551,225</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, 2013

Total Fund Balance - Total Governmental Funds	\$ 380,704
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.	601,614
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(116,298)</u>
Net Assets of Governmental Activities	<u><u>\$ 866,021</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 - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Property tax	\$ 437,027	\$ -	\$ 503,247	\$ 940,274
Sales & use tax	196,218	-	-	196,218
Franchise tax	115,270	-	-	115,270
Charges for services	216,626	-	-	216,626
Building permits and fees	60,715	-	-	60,715
Fines	176,967	12,439	-	189,406
Interest income	1,204	-	-	1,204
Miscellaneous income	5,314	-	-	5,314
Total Revenues	<u>1,209,341</u>	<u>12,439</u>	<u>503,247</u>	<u>1,725,027</u>
Expenses				
General administration	452,870	-	-	452,870
Municipal court	163,734	-	-	163,734
Public safety	650,538	-	-	650,538
Street and park department	60,830	5,269	1,853	67,952
Capital outlay	263,482	-	-	263,482
Debt service: Principal	33,198	10,913	296,735	340,846
Debt service: Interest	2,439	1,966	188,186	192,591
Total Expenses	<u>1,627,091</u>	<u>18,148</u>	<u>486,774</u>	<u>2,132,013</u>
Other Financing Sources				
Operating Transfers In / (Out)	<u>135,000</u>	<u>-</u>	<u>39,000</u>	<u>174,000</u>
Total Expenses	<u>135,000</u>	<u>-</u>	<u>39,000</u>	<u>174,000</u>
Net Change in Fund Balances	(282,750)	(5,709)	55,473	(232,986)
Fund Balances: Beginning	<u>493,659</u>	<u>13,706</u>	<u>106,325</u>	<u>613,690</u>
Fund Balances: Ending	<u>\$ 210,909</u>	<u>\$ 7,997</u>	<u>\$ 161,798</u>	<u>\$ 380,704</u>

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

CITY OF BULLARD, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net Change in Fund Balance - Total Governmental Funds \$ (232,986)

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. 262,307

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 expenses is not reported as expenditure
in governmental funds. (64,608)

Governmental funds report repayment of debt
principal as expenditures. However, in the
government-wide statements this repayment
reduces long-term liabilities. 340,846

Change Net Assets of Governmental Activities \$ 305,559

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

CITY OF BULLARD, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2013

	Business-Type Activities (Utility Fund)
Assets	
Cash & equivalents	\$ 622,642
Investments	100,011
Receivables (net)	138,052
Inventory	42,375
Total Current Assets	<u>903,080</u>
Capital assets	
Land	18,028
Buildings	5,109
Machinery and equipment	345,941
Infrastructure	9,500,977
Construction in progress	40,338
Less accumulated depreciation	<u>(2,430,325)</u>
Total Fixed Assets	7,480,068
Other assets	
Bond cost	<u>152,406</u>
Total other assets	152,406
Total Assets	<u><u>\$ 8,535,554</u></u>
Liabilities	
Accounts Payable	\$ 16,091
Accrued Liabilities	5,768
Refundable Meter Deposits	69,555
Current - Notes Payable	325,638
Long-term - Notes Payable	<u>4,028,779</u>
Total Liabilities	<u>4,445,831</u>
Net Assets	
Investment in capital assets, net	3,125,650
Unrestricted	964,073
Restricted Net Assets	-
Total Net Assets	<u>4,089,723</u>
Total Liabilities and Net Assets	<u><u>\$ 8,535,554</u></u>

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

CITY OF BULLARD, TEXAS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities (Utility Operations Fund)
Revenues	
Water	\$ 624,198
Garbage	255,246
Sewer	214,756
Utility - other	66,004
Total Revenues	<u>1,160,204</u>
Expenses	
Personel	325,489
Supplies	49,717
Repairs & maintenance	109,445
Contract services	401,435
Sundry charges	27,745
Capital purchases	13,491
Capital depreciation and amortization	254,595
Total Expenses	<u>1,181,917</u>
Other	
Transfers In / (Out)	(174,000)
Interest income	634
Interest expense	(1,635)
Gain / (Loss) on Sale of Fixed Asset	-
Total Other	<u>(175,001)</u>
Change in Net Assets	(196,714)
Transfers In Debt Fund	296,735
Prior Period Adjustment	122,128
Net Assets: Beginning	3,867,574
Net Assets: Ending	<u><u>\$ 4,089,723</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, 2013

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,160,838
Payments to suppliers	(560,597)
Payments to employees	<u>(462,753)</u>
Net cash provided by operating activities	<u>137,488</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	<u>(174,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(174,000)</u>
Cash flows from capital and related financing activities:	
Changes in Long Term Debt	(27,745)
Changes in Investment (Texpool)	1,247,942
Acquisition and construction of capital assets	<u>(1,386,074)</u>
Net cash provided (used) by capital and related financing activities	<u>(165,877)</u>
Net increase (decrease) in cash and cash equivalents	(202,389)
Cash and cash equivalents at beginning of year	<u>825,031</u>
Cash and cash equivalents at end of year	<u>\$ 622,642</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (196,714)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	254,595
(Increase) decrease in accounts receivable	(109,431)
Other Current Changes / Transfers	176,333
Increase (decrease) in accounts current liabilities	<u>12,705</u>
Total adjustments	<u>334,202</u>
Net cash provided by operating activities	<u>\$ 137,488</u>

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013.

B. Financial Reporting Entity

Bullard is a town 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 population was 2,463 at the 2010 census.

The City of Bullard, Texas, (the "City") operates under a Council - Mayor 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.

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

C. Basis of Presentation

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information of the City as a whole. The government has a Proprietary Fund other than the General Fund and no component units. 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 capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes charges for services, which report fees and

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

other charges to users of the City's services (specifically permit fees). Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting thus relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statement uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to claims and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretations No. 6.

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

Sales tax, property tax, and franchise tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. License and permits, charges for

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

services, and miscellaneous revenues are recorded as revenues when received in cash, as the related receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements are used as guidance.

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

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

E. Financial Statement Amounts

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

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's temporary investments were deposited in TexPool, a state depository. The Fair Market balance at September 30, 2013 was \$100,011.

Receivables – Account receivables are shown net with an allowance (\$15,823) for uncollectible accounts in the Utility fund.

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:

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Buildings	20-50 years
Water and Sewer System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5-10 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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

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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE II. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

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

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

Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

Budgets and Budgetary Accounting

- The Texas Uniform Budget Law requires each mayor or city manager to prepare a budget each year to cover all the expenditures of the municipality for the succeeding year. The budget should be prepared 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, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,230,216. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013 were entirely covered by FDIC insurance.
- 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

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013

NOTE IV. CAPITAL ASSETS

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

Capital Assets Activity - Governmental

	<u>09/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/13</u>
Capital Assets				
Land	\$ 23,842	\$ -	\$ -	\$ 23,842
Buildings	329,321	-	-	329,321
Machinery and Equipment	380,728	297,471	-	678,199
Infrastructure	20,412,500	-	-	20,412,500
Total Depreciable:	<u>21,146,391</u>	<u>297,471</u>	<u>-</u>	<u>21,443,862</u>
Less Accumulated Depreciation	(20,777,640)	(64,608)	-	(20,842,248)
Total Capital Assets	<u>\$ 368,751</u>	<u>\$ 232,863</u>	<u>\$ -</u>	<u>\$ 601,614</u>

Capital Assets Activity - Business Type

	<u>09/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/13</u>
Capital Assets				
Land	\$ 18,028	\$ -	\$ -	\$ 18,028
Buildings	5,109	-	-	5,109
Machinery and Equipment	304,147	41,794	-	345,941
Infrastructure	7,216,892	2,284,085	-	9,500,977
Construction in Progress	936,696	1,386,074	2,282,432	40,338
Total Depreciable:	<u>8,480,872</u>	<u>3,711,953</u>	<u>2,282,432</u>	<u>9,910,393</u>
Less Accumulated Depreciation	(2,187,632)	(242,693)	-	(2,430,325)
Total Fixed Assets	<u>\$ 6,293,240</u>	<u>\$ 3,469,260</u>	<u>\$ 2,282,432</u>	<u>\$ 7,480,068</u>

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE V. LONG-TERM OBLIGATIONS

Government-Type Activities

In September 2011 the City borrowed \$75,110 from Austin Bank for the purchase of Incode Software. Interest rate 4.25% and payments due monthly until 11-16-2016.

In August 2011 the City borrowed \$31,390 from Austin Bank for 2011 Ford. Interest rate of 3.95% With payments due semi-annually in the amount of \$4,285.50.

In March 2012, the City borrowed from Southside Bank for the purchase of a 2011 Ford. The loan amount was \$34,924 and bear interest at the rate of 3.23%. Payments are due in 8 semi-annual payments of \$4,694.

In December 2012, the City borrowed from Southside Bank for the purchase of a 2013 Tahoe. The loan amount was \$35,064 and bear interest at the rate of 2.35%. Payments are due in 8 semi-annual payments of \$4,612.

Principal and interest payments projected for the following five years:

	Principal	Interest
2014	\$ 40,590	\$ 3,564
2015	37,791	2,097
2016	33,359	842
2017	<u>4,558</u>	<u>54</u>
TOTAL	\$ 116,297	\$ 6,557

Business-Type Activities

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 1999, were issued February 1, 1999, in the amount of \$275,000, and bear interest at the rate of 4.896%. Payments are due monthly in the amount of \$2,159.81.

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 2003, were issued November 1, 2003, in the amount of \$933,000. Payments are due annually.

The City of Bullard, Texas, Combination Tax and Revenue Certificate of Obligation, Series 2006, were issued August 31, 2006, in the amount of \$3,200,000. Payments are due annually.

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.

In May 2013, the City borrowed \$29,957 from Southside Bank. The interest rate is 2.15% with payments of \$3,921 semi-annually. Maturity November 1, 2016.

In July 2010, the City borrowed \$38,289 from Southside Bank. The interest rate is 4.5% with payments of \$5,285.43 semi-annually. Maturity August 1, 2014.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

In September of 2008, the City borrowed \$19,725 from Austin Bank. The interest rate is 5%, 10 payments of \$2,257.69 are due semi-annually. Maturity 9/30/2013 but paid off in October 2013.

Principal and interest payments projected for the following five years:

	Principal	Interest
2014	\$ 325,638	\$ 176,782
2015	262,273	163,505
2016	272,635	152,972
2017	278,871	141,867
2018 and subsequent years	<u>3,215,000</u>	<u>693,417</u>
TOTAL	\$ 4,354,417	\$ 1,328,543

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, each year, a tax lien attached to property to secure 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

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, 2012, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

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 an annual premium to TML for its above coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial coinsurance for other risk of loss. There were no significant reductions in

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

NOTE IX. EMPLOYEE PENSION PLAN

PLAN DESCRIPTION

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

Deposit Rate:	5%
City's Rate:	8.86%
Matching Ration (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 yrs/age 60; 25 yrs/any age

CONTRIBUTIONS

Under the state law governing TMRS, the contribution rate for city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

Actuarial Valuation Date	12/31/12
Actuarial Value of Assets	\$699,409
Actuarial Accrued Liability (AAL)	\$901,787
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$202,378
Funded Ratio	77.6%
Annual Covered Payroll	\$772,394
UAAL as a Percentage of Covered Payroll	26.2 %

ACTUARIAL ASSUMPTIONS

Actuarial Cost Method -	Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	25 Years - Open Period
Asset Valuation Method -	Amortized Cost (To accurately reflect the requirements of GASB stat., No. 25, paragraphs 36e and 138)
Investment Rate of Return -	7.0%
Projected Salary Increases -	Varies by age & service
Includes Inflation at -	3.00%
Cost-of-Living Adjustments -	None

NOTE X. LITIGATION

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

NOTE XI. FEDERAL AND 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.

CITY OF BULLARD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE XII. COMPENSATED ABSENCES

The City employees earn ten days of vacation pay and twelve days of sick leave per year. Sick leave may be accumulated to a maximum of 10 days. Vacation pay must be taken in the anniversary year in which it becomes due. No 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 principle payments of a debt obligation, a debt service fund should be established and used for this purpose. The current year's financial statements reflect the Debt Service Fund and the accounting of appropriate activities through it.

NOTE XIV. SIGNIFICANT TRANSACTIONS WITH A COMPONENT UNIT

The City has an agreement with the Bullard Development Corporation whereby one-third of the sales tax revenue of the City is paid to the Development Corporation. During the year ended September 30, 2013, \$87,344 of sales tax revenue received by the City was allocated to Bullard Development Corporation. Transactions with the City involved their assistance in the funding of authorized projects related to the betterment of the local environment for business and commerce.

NOTE XI. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2013 up through August 20, 2014, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

Required Supplementary Information

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NON-GAAP BUDGETARY BASIS						
	Budget Original & Final General	Budget Original & Final Special	Budget Original & Final Debt Service	Budget Original & Final Total Gov't	Actual	Variance
Revenues						
Property tax	\$ 402,316	\$ -	\$ 453,914	\$ 856,230	\$ 940,274	\$ 84,044
Sales & use tax	237,801	-	-	237,801	196,218	(41,583)
Franchise tax	125,500	-	-	125,500	115,270	(10,230)
Licenses & permits	30,100	-	-	30,100	60,715	30,615
Fines & forfeitures	235,000	18,035	-	253,035	189,406	(63,629)
Charges for services	47,300	-	-	47,300	216,626	169,326
Interest	1,320	-	300	1,620	1,204	(416)
Miscellaneous	1,100	-	-	1,100	5,314	4,214
Total Revenues	<u>1,080,437</u>	<u>18,035</u>	<u>454,214</u>	<u>1,552,686</u>	<u>1,725,027</u>	<u>172,341</u>
Expenses						
Administration	353,689	-	-	353,689	452,870	99,181
Police	618,268	-	-	618,268	650,538	32,270
Municipal court	168,262	21,861	-	190,123	163,734	(26,389)
Streets & Park	46,850	-	-	46,850	67,952	21,102
Capital outlay	32,592	-	-	32,592	263,482	230,890
Bond principal	-	-	296,634	296,634	340,846	44,212
Bond interest	-	-	187,606	187,606	192,591	4,985
Total Expenses	<u>1,219,661</u>	<u>21,861</u>	<u>484,240</u>	<u>1,725,762</u>	<u>2,132,013</u>	<u>406,251</u>
Other						
Transfers In / (Out)	135,000	-	-	135,000	174,000	39,000
Total Other	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>135,000</u>	<u>174,000</u>	<u>39,000</u>
Net Change in Fund Balances	(4,224)	(3,826)	(30,026)	(38,076)	(232,986)	<u>\$ (194,910)</u>
Fund Balances: Beginning				613,690	613,690	
Fund Balances: Ending				<u>\$ 575,614</u>	<u>\$ 380,704</u>	

See independent auditor's report.

CITY OF BULLARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NON-GAAP BUDGETARY BASIS			
	Budget Original & Final	Actual	Variance
Revenues			
Water	\$ 627,167	\$ 624,198	\$ (2,969)
Garbage	282,429	255,246	(27,183)
Sewer	241,151	214,756	(26,395)
Utility - other	2,000	66,004	64,004
Total Revenues	<u>1,152,747</u>	<u>1,160,204</u>	<u>7,457</u>
Expenses			
Personel	284,906	325,489	40,583
Supplies	68,079	49,717	(18,362)
Repairs & maintenance	135,700	109,445	(26,255)
Contract services	500,832	401,435	(99,397)
Sundry charges	-	27,745	27,745
Capital outlay & Depreciation	1,218,200	268,086	(950,114)
Total Expenses	<u>2,207,717</u>	<u>1,181,917</u>	<u>(1,025,800)</u>
Other			
Transfers In / (Out)	(174,000)	(174,000)	-
Interest income	-	634	634
Interest expense	-	(1,635)	(1,635)
Gain / (Loss) on Sale of Fixed Asset	-	-	-
Total Other	<u>(174,000)</u>	<u>(175,001)</u>	<u>(1,001)</u>
Net Change in Fund Balances	(1,228,970)	(196,714)	<u>1,032,256</u>
Transfers in Debt Fund		296,735	
Prior Period Adjustment		122,128	
Fund Balances: Beginning	3,867,574	3,867,574	
Fund Balances: Ending	<u>\$ 2,638,604</u>	<u>\$ 4,089,723</u>	

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental and business activities and the general fund of the City of Bullard, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Bullard, Texas', basic financial statements, and have issued our report thereon dated August 20, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

A handwritten signature in cursive script that reads "Murrey Paschall - Caperton, P.C.".

Murrey Paschall & Caperton, P.C.
Forney, Texas
August 20, 2014