

CITY OF BULLARD, TEXAS

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental and business activities and the general fund of the City of Bullard, Texas, as of and for the year ended September 30, 2014, 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 and the general fund of the City of Bullard, Texas, as of September 30, 2014, 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 06, 2015, 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.

A handwritten signature in black ink that reads "Murrey Paschall & Caperton, PC". The signature is fluid and cursive, with "Murrey" on the first line, "Paschall & Caperton" on the second line, and "PC" on the third line.

Murrey Paschall & Caperton, P.C.

Forney, Texas

August 6, 2015

**CITY OF BULLARD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**

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, 2014. 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 \$604,025 (Governmental net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$866,021.
- Total net assets are comprised of the following:
  - 1) Capital assets net of related debt of \$698,138.
  - 2) Restricted assets of \$120,527.
  - 3) Special Revenues of (\$2,633).
  - 4) Unrestricted net assets of (\$212,007) represent the portion available to maintain the City's continuing obligations to citizens.
- The City's governmental fund reported total ending fund balance of (\$94,113) this year. This compares to the prior year ending fund balance of \$380,704, showing a decrease of \$474,817 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, 2014**

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, 2014**

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 \$4,878,821. This is a \$76,923 decrease below last year's net assets of \$4,955,744.

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 \$2,241,730 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, 2014**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 64,347	\$ 551,225	\$ 2,469,759	\$ 903,080	\$ 2,534,106	\$ 1,454,305
Capital assets	800,775	601,614	7,772,660	7,632,474	8,573,435	8,234,088
Total assets	865,122	1,152,839	10,242,419	8,535,554	11,107,541	9,688,393
Long-term debt outstanding	56,343	75,707	5,374,911	4,028,779	5,431,254	4,104,486
Other liabilities	204,754	211,111	592,712	417,052	797,466	628,163
Total liabilities	261,097	286,818	5,967,623	4,445,831	6,228,720	4,732,649
Net assets:						
Invested in capital assets, net of debt	698,138	485,316	1,821,059	3,125,650	2,519,197	3,610,966
Restricted	120,527	161,798	-	-	120,527	161,798
Special Revenues	(2,633)	7,997	-	-	(2,633)	7,997
Unrestricted (deficit)	(212,007)	210,909	2,453,737	964,073	2,241,730	1,174,982
Total net assets	\$ 604,025	\$ 866,021	\$ 4,274,796	\$ 4,089,723	\$ 4,878,821	\$ 4,955,744
Governmental Activities		Business-type Activities		Total Government		
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 298,437	\$ 470,888	\$ 1,329,702	\$ 1,160,838	\$ 1,628,139	\$ 1,631,726
Interest income	3,162	1,204	-	-	3,162	1,204
Grant income (net)	433	-	-	-	433	-
General revenues:						
Property taxes	978,477	940,274	-	-	978,477	940,274
Franchise fees	124,179	115,270	-	-	124,179	115,270
Sales and use taxes	224,454	196,218	-	-	224,454	196,218
Total revenues	1,629,142	1,723,854	1,329,702	1,160,838	2,958,844	2,884,692
Program expenses						
General government	587,581	517,479	-	-	587,581	517,479
Street maintenance	82,161	60,830	-	-	82,161	60,830
Public safety	802,290	816,712	-	-	802,290	816,712
Special funds expense	3,631	7,235	-	-	3,631	7,235
Debt service	176,797	190,039	-	-	176,797	190,039
Utilities	-	-	1,375,098	1,183,552	1,375,098	1,183,552
Total expenses	1,652,460	1,592,295	1,375,098	1,183,552	3,027,558	2,775,847
Net before transfers	(23,318)	131,559	(45,396)	(22,714)	(68,714)	108,845
Transfers	165,000	174,000	(165,000)	(174,000)	-	-
Transfers between Debt	(395,469)	(296,735)	395,469	296,735	-	-
Prior Period Adjustment	(8,209)	-	122,128	-	(8,209)	122,128
Change in net assets	\$ (261,996)	\$ 8,824	\$ 185,073	\$ 222,149	\$ (76,923)	\$ 230,973

**CITY OF BULLARD, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

## 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 (\$94,113). Of this year-end total, (212,007) is unassigned indicating a deficit 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 \$185,073 after transfers.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental activities, net of depreciation, as of September 30, 2014 amounted to \$800,775. 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 \$5,431,254.

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 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, 2014**

**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, 2014**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>Assets</b>				
Cash & equivalents	\$ 32,034	\$ 330,825	\$ 362,859	\$ 206,789
Investments	-	1,800,046	1,800,046	-
Receivables (net)	31,327	296,513	327,840	89,612
Inventory	986	42,375	43,361	-
<b>Total current assets</b>	<b>64,347</b>	<b>2,469,759</b>	<b>2,534,106</b>	<b>296,401</b>
<b>Capital assets</b>				
Land	35,842	18,028	53,870	-
Buildings	329,321	5,109	334,430	-
Machinery and equipment	739,199	457,303	1,196,502	-
Infrastructure	20,633,457	9,672,844	30,306,301	-
Construction in progress	-	151,727	151,727	-
Less accumulated depreciation	<u>(20,937,044)</u>	<u>(2,710,855)</u>	<u>(23,647,899)</u>	<u>-</u>
<b>Total fixed assets</b>	<b>800,775</b>	<b>7,594,156</b>	<b>8,394,931</b>	<b>-</b>
<b>Other assets</b>				
Bond cost	-	178,504	178,504	-
<b>Total other assets</b>	<b>-</b>	<b>178,504</b>	<b>178,504</b>	<b>-</b>
<b>Total assets</b>	<b>865,122</b>	<b>10,242,419</b>	<b>11,107,541</b>	<b>296,401</b>
<b>Liabilities</b>				
Accounts payable	20,904	113,220	134,124	138,258
Accrued liabilities	47,944	4,666	52,610	-
Refundable meter deposits	-	76,640	76,640	-
AP BEDCO	89,612	-	89,612	-
Current - notes payable	46,294	398,186	444,480	26,136
Long-term - notes payable	<u>56,343</u>	<u>5,374,911</u>	<u>5,431,254</u>	<u>285,630</u>
<b>Total liabilities</b>	<b>261,097</b>	<b>5,967,623</b>	<b>6,228,720</b>	<b>450,024</b>
<b>Net assets</b>				
Investment in capital assets, net	698,138	1,821,059	2,519,197	-
Restricted for debt service	120,527	-	120,527	-
Restricted for meter deposits	-	-	-	-
Unrestricted	<u>(212,007)</u>	<u>2,453,737</u>	<u>2,241,730</u>	<u>(153,623)</u>
Unrestricted special revenues	<u>(2,633)</u>	<u>-</u>	<u>(2,633)</u>	<u>-</u>
<b>Total net assets</b>	<b><u>\$ 604,025</u></b>	<b><u>\$ 4,274,796</u></b>	<b><u>\$ 4,878,821</u></b>	<b><u>\$ (153,623)</u></b>

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

**CITY OF BULLARD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Activities	Expenses	Revenues: Charges for Service	Net (Expense) / Revenue	Component Unit
<b>Governmental:</b>				
General administration	\$ 587,581	\$ 113,900	\$ (473,681)	\$ -
Police	659,505	158,332	(501,173)	-
Municipal Court	142,785	11,954	(130,831)	-
Street / Park	82,161	-	(82,161)	-
Special fund	3,631	-	(3,631)	-
Grant match	181,343	181,776	433	-
Debt service	176,797	-	(176,797)	-
<b>Total governmental activities</b>	<b>1,833,803</b>	<b>465,962</b>	<b>(1,367,841)</b>	<b>-</b>
<b>Business type:</b>				
Utility	1,375,098	1,329,702	(45,396)	-
<b>Total business-type activities</b>	<b>1,375,098</b>	<b>1,329,702</b>	<b>(45,396)</b>	<b>-</b>
<b>Component Unit:</b>				
Bullard Economic Development	156,077			156,077
<b>Total component unit</b>	<b>156,077</b>			<b>156,077</b>
	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>Change in net assets:</b>				
Net (expense) / revenue	(1,367,841)	(45,396)	(1,413,237)	(156,077)
Sale of assets	-	-	-	-
Property tax	978,477	-	978,477	-
Sales & use tax	224,454	-	224,454	122,249
Franchise tax	124,179	-	124,179	-
Investment income	3,162	-	3,162	797
Donations	1,366	-	1,366	-
Miscellaneous income	12,885	-	12,885	-
Transfers	165,000	(165,000)	-	-
<b>Change in net assets</b>	<b>141,682</b>	<b>(210,396)</b>	<b>(68,714)</b>	<b>(33,031)</b>
Transfers In Debt Fund	(395,469)	395,469		
Prior Period Adjustment	(8,209)	-		
Net Assets: Beginning	866,021	4,089,723	4,955,744	(120,592)
<b>Net Assets: Ending</b>	<b>\$ 604,025</b>	<b>\$ 4,274,796</b>	<b>\$ 4,878,821</b>	<b>\$ (153,623)</b>

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

**CITY OF BULLARD, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash & equivalents	\$ (94,154)	\$ (2,633)	\$ 128,821	\$ 32,034
Receivables (net)	25,788	-	5,539	31,327
Inventory	986	-	-	986
<b>Total Current Assets</b>	<b><u>\$ (67,380)</u></b>	<b><u>\$ (2,633)</u></b>	<b><u>\$ 134,360</u></b>	<b><u>\$ 64,347</u></b>
 <b>Liabilities</b>				
Accounts payable	\$ 20,904	\$ -	\$ -	\$ 20,904
Accrued liabilities	34,114	-	13,830	47,944
AP BEDCO	89,612	-	-	89,612
<b>Total Liabilities</b>	<b><u>144,630</u></b>	<b><u>-</u></b>	<b><u>13,830</u></b>	<b><u>158,460</u></b>
 <b>Fund Balances</b>				
Restricted for debt service	-	-	120,527	120,527
Unrestricted	(212,007)	-	-	(212,007)
Unrestricted special revenues	-	(2,633)	-	(2,633)
<b>Total Fund Balances</b>	<b><u>(212,007)</u></b>	<b><u>(2,633)</u></b>	<b><u>120,527</u></b>	<b><u>(94,113)</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$ (67,377)</u></b>	<b><u>\$ (2,633)</u></b>	<b><u>\$ 134,357</u></b>	<b><u>\$ 64,347</u></b>

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

CITY OF BULLARD, TEXAS  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2014

Total Fund Balance - Total Governmental Funds	\$ (94,113)
<p>Amounts reported for government assets in the Statement of Net Assets are different because:</p>	
Capital assets, net, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	800,775
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(102,637)</u>
Net Assets of Governmental Activities	<u><u>\$ 604,025</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 - GOVERMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Property tax	\$ 447,481	\$ -	\$ 530,996	\$ 978,477
Sales & use tax	224,454	-	-	224,454
Franchise tax	124,179	-	-	124,179
Charges for services	34,802	-	-	34,802
Building permits and fees	79,098	-	-	79,098
Fines	158,332	11,954	-	170,286
Grant income	181,776	-	-	181,776
Donations	1,366	-	-	1,366
Interest income	3,162	-	-	3,162
Miscellaneous income	12,885	-	-	12,885
<b>Total Revenues</b>	<b><u>1,267,535</u></b>	<b><u>11,954</u></b>	<b><u>530,996</u></b>	<b><u>1,810,485</u></b>
<b>Expenses</b>				
General administration	492,785	-	-	492,785
Municipal court	142,785	-	-	142,785
Public safety	656,876	-	-	656,876
Street and park department	82,161	958	916	84,035
Capital outlay	267,564	-	-	267,564
Grant match	181,343	-	-	181,343
Debt service: Principal	29,308	18,953	395,469	443,730
Debt service: Interest	2,629	2,673	175,882	181,184
<b>Total Expenses</b>	<b><u>1,855,451</u></b>	<b><u>22,584</u></b>	<b><u>572,267</u></b>	<b><u>2,450,302</u></b>
<b>Other Financing Sources</b>				
Operating Transfers In / (Out)	165,000	-	-	165,000
<b>Total Expenses</b>	<b><u>165,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>165,000</u></b>
<b>Net Change in Fund Balances</b>	<b><u>(422,916)</u></b>	<b><u>(10,630)</u></b>	<b><u>(41,271)</u></b>	<b><u>(474,817)</u></b>
<b>Fund Balances: Beginning</b>	<b><u>210,909</u></b>	<b><u>7,997</u></b>	<b><u>161,798</u></b>	<b><u>380,704</u></b>
<b>Fund Balances: Ending</b>	<b><u><u>\$ (212,007)</u></u></b>	<b><u><u>\$ (2,633)</u></u></b>	<b><u><u>\$ 120,527</u></u></b>	<b><u><u>\$ (94,113)</u></u></b>

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 - GOVERMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$ (474,817)

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. 267,564

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. (94,796)

Governmental funds report repayment of debt  
principal as expenditures. However, in the  
government-wide statements this repayment  
reduces long-term liabilities. 443,730

Change Net Assets of Governmental Activities \$ 141,681

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

CITY OF BULLARD, TEXAS  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2014

	Business-Type Activities (Utility Fund)
Assets	
Cash & equivalents	\$ 330,825
Investments	1,800,046
Receivables (net)	296,513
Inventory	42,375
Total Current Assets	<u>2,469,759</u>
Capital assets	
Land	18,028
Buildings	5,109
Machinery and equipment	457,303
Infrastructure	9,672,844
Construction in progress	151,727
Less accumulated depreciation	<u>(2,710,855)</u>
Total Fixed Assets	<u>7,594,156</u>
Other assets	
Bond cost	<u>178,504</u>
Total other assets	<u>178,504</u>
Total Assets	<u><u>\$ 10,242,419</u></u>
Liabilities	
Accounts Payable	\$ 113,220
Accrued Liabilities	4,666
Refundable Meter Deposits	76,640
Current - Notes Payable	398,186
Long-term - Notes Payable	<u>5,374,911</u>
Total Liabilities	<u>5,967,623</u>
Net Assets	
Investment in capital assets, net	1,821,059
Unrestricted	2,453,737
Restricted Net Assets	-
Total Net Assets	<u>4,274,796</u>
Total Liabilities and Net Assets	<u><u>\$ 10,242,419</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, 2014

	Business-type Activities (Utility Operations Fund)
Revenues	
Water	\$ 630,012
Garbage	270,942
Sewer	227,056
Utility - other	66,657
Total Revenues	<u>1,194,667</u>
Expenses	
Personel	357,327
Supplies	77,294
Repairs & maintenance	104,930
Contract services	540,991
Sundry charges	31,256
Capital purchases	175,904
Capital depreciation and amortization	292,432
Total Expenses	<u>1,580,134</u>
Other	
Transfers In / (Out)	(165,000)
Funds from Bullard EDC	135,000
Interest income	35
Interest expense	(2,046)
Gain / (Loss) on Sale of Fixed Asset	-
Total Other	<u>(32,011)</u>
Change in Net Assets	(417,478)
Transfers In Debt Fund	395,469
Proprietary Fund exclude balance sheet expenses	207,082
Net Assets: Beginning	4,089,723
Net Assets: Ending	<u>\$ 4,274,796</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, 2014**

	<u>Business-type Activities (Utility Operations Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 958,164
Payments to suppliers	(605,329)
Payments to employees	<u>(357,327)</u>
Net cash provided by operating activities	<u>(4,492)</u>
Cash flows from noncapital financing activities:	
Transfers In (Out) from Other Funds	<u>230,469</u>
Net cash provided (used) by noncapital financing activities	<u>230,469</u>
Cash flows from capital and related financing activities:	
Change in Long Term Debt (new borrow less principle paid)	1,358,145
Investment (Texpool)	(1,700,035)
Non-Debt acquisition and construction of capital assets	<u>(175,904)</u>
Net cash provided (used) by capital and related financing activities	<u>(517,794)</u>
Net increase (decrease) in cash and cash equivalents	(291,817)
Cash and cash equivalents at beginning of year	<u>622,642</u>
Cash and cash equivalents at end of year	<u>\$ 330,825</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (417,478)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	292,432
Exclude capital assets purchased with cash	175,904
(Increase) decrease in accounts receivable	(158,461)
Increase (decrease) in accounts current liabilities	<u>103,111</u>
Total adjustments	<u>412,986</u>
Net cash provided by operating activities	<u>\$ (4,492)</u>

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

## Required Supplementary Information

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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, 2014.

*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, 2014

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, 2014

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, 2014 was \$1,800,046. Large increase due to September 30, 2014 Bond Issue of \$1.7M discussed in notes below.

Receivables – Account receivables are shown net with an allowance (\$17,843) 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, 2014

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, 2014

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, 2014, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,162,904. The City’s cash deposits at September 30, 2014 and during the year ended September 30, 2014 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 1,700 communities throughout the State. The TexPool program offers a convenient and effective choice for the

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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, 2014

NOTE IV. CAPITAL ASSETS

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

Capital Assets Activity - Governmental

	<u>09/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/14</u>
Capital Assets				
Land	\$ 23,842	\$ 12,000	\$ -	\$ 35,842
Buildings	329,321	-	-	329,321
Machinery and Equipment	678,199	69,503	8,503	739,199
Infrastructure	20,412,500	220,957	-	20,633,457
Total Depreciable:	<u>21,443,862</u>	<u>302,460</u>	<u>8,503</u>	<u>21,737,819</u>
Less Accumulated Depreciation	(20,842,248)	(94,796)	-	(20,937,044)
Total Capital Assets	<u><u>\$ 601,614</u></u>	<u><u>\$ 207,664</u></u>	<u><u>\$ 8,503</u></u>	<u><u>\$ 800,775</u></u>

Capital Assets Activity - Business Type

	<u>09/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/14</u>
Capital Assets				
Land	\$ 18,028	\$ -	\$ -	\$ 18,028
Buildings	5,109	-	-	5,109
Machinery and Equipment	345,941	111,362	-	457,303
Infrastructure	9,500,977	171,867	-	9,672,844
Construction in Progress	40,338	236,838	125,449	151,727
Total Depreciable:	<u>9,910,393</u>	<u>520,067</u>	<u>125,449</u>	<u>10,305,011</u>
Less Accumulated Depreciation	(2,430,325)	(280,530)	-	(2,710,855)
Total Fixed Assets	<u><u>\$ 7,480,068</u></u>	<u><u>\$ 239,537</u></u>	<u><u>\$ 125,449</u></u>	<u><u>\$ 7,594,156</u></u>

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**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. Maturity March 3, 2015.

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. Maturity March 1, 2016.

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. Maturity December 1, 2016.

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

Principal and interest payments projected for the following five years:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 46,294	\$ 2,676
2016	38,283	1,189
2017	13,504	334
2018	<u>4,555</u>	<u>57</u>
<b>TOTAL</b>	<b>\$ 102,636</b>	<b>\$ 4,256</b>

**Business-Type Activities**

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. Expected payoff 2026.

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 Combination Tax and Revenue Certificate of Obligation, Series 2014 were issued September 30, 2014, in the amount of \$1,738,000 and bear interest at the rate of 2.686%. Principal payments began in February 2015. Expected payoff 2029.

In May 2013, the City borrowed \$29,957 from Southside Bank for a Ford F350. The interest rate is 2.15% with payments of \$3,921 semi-annually. Maturity November 1, 2016.

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

In April 2014, the City borrowed \$14,230 from Southside Bank for a Laser Mower. The interest rate is 1.95% with payments of \$3,651 semi-annually. Maturity May 15, 2016.

Principal and interest payments projected for the following five years:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 398,186	\$ 211,659
2016	405,076	197,724
2017	402,700	183,364
2018	405,135	168,760
2019 and subsequent years	<u>4,162,000</u>	<u>784,522</u>
<b>TOTAL</b>	<b>\$ 5,773,097</b>	<b>\$ 1,546,029</b>

#### 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, 2013, 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

CITY OF BULLARD, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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 reinsurance 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 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](http://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

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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 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	<u>12/31/13</u>
Actuarial Value of Assets	\$845,165
Actuarial Accrued Liability (AAL)	\$1,043,933
Unfunded (Over-funded) Actuarial	
Accrued Liability (UAAL)	\$198,768
Funded Ratio	81.0%
Annual Covered Payroll	\$947,572
UAAL as a Percentage of	
Covered Payroll	20.97 %

**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.

**CITY OF BULLARD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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.

**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, 2014, \$122,249 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.

Additionally during 2014, BEDCO agreed to contribute \$60,000 to the Highway 69 Extension project and \$75,000 to the Lift Station. As of September 30, 2014 these funds had yet to be paid but were accrued as accounts receivable and miscellaneous income.

**NOTE XV. SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2014 up through July 30, 2015, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

**CITY OF BULLARD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>NON-GAAP BUDGETARY BASIS</b>						
	Budget Original & Final General	Budget Original & Final Special	Budget Original & Final Debt Service	Budget Original & Final Total Gov't	Actual	Variance
<b>Revenues</b>						
Property tax	\$ 416,974	\$ -	\$ 471,000	\$ 887,974	\$ 978,477	\$ 90,503
Sales & use tax	261,801	-	-	261,801	224,454	(37,347)
Franchise tax	138,500	-	-	138,500	124,179	(14,321)
Licenses & permits	44,750	-	-	44,750	79,098	34,348
Fines & forfeitures	170,000	19,000	-	189,000	170,286	(18,714)
Charges for services	45,500	-	-	45,500	34,802	(10,698)
Grant income	-	-	-	-	181,776	181,776
Donations	-	-	-	-	1,366	1,366
Interest	1,600	10	(300)	1,310	3,162	1,852
Miscellaneous	13,000	500	-	13,500	12,885	(615)
<b>Total Revenues</b>	<b>1,092,125</b>	<b>19,510</b>	<b>470,700</b>	<b>1,582,335</b>	<b>1,810,485</b>	<b>228,150</b>
<b>Expenses</b>						
Administration	365,260	-	-	365,260	492,785	127,525
Police	613,795	-	-	613,795	656,876	43,081
Municipal court	148,117	14,500	-	162,617	142,785	(19,832)
Streets & Park	106,579	-	-	106,579	84,035	(22,544)
Capital outlay	50,000	-	-	50,000	267,564	217,564
Grant match	-	-	-	-	181,343	181,343
Bond principal	-	-	397,577	397,577	443,730	46,153
Bond interest	-	-	178,002	178,002	181,184	3,182
<b>Total Expenses</b>	<b>1,283,751</b>	<b>14,500</b>	<b>575,579</b>	<b>1,873,830</b>	<b>2,450,302</b>	<b>576,472</b>
<b>Other</b>						
Transfers In / (Out)	165,000	-	104,279	269,279	165,000	(104,279)
<b>Total Other</b>	<b>165,000</b>	<b>-</b>	<b>104,279</b>	<b>269,279</b>	<b>165,000</b>	<b>(104,279)</b>
<b>Net Change in Fund Balances</b>	<b>(26,626)</b>	<b>5,010</b>	<b>(600)</b>	<b>(22,216)</b>	<b>(474,817)</b>	<b>\$ (452,601)</b>
<b>Fund Balances: Beginning</b>				380,704	380,704	
<b>Fund Balances: Ending</b>				<b>\$ 358,488</b>	<b>\$ (94,113)</b>	

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, 2014**

<b>NON-GAAP BUDGETARY BASIS</b>			
	Budget	Original &	
	Final	Actual	Variance
<b>Revenues</b>			
Water	\$ 595,000	\$ 630,012	\$ 35,012
Garbage	290,000	270,942	(19,058)
Sewer	251,500	227,056	(24,444)
Utility - other	51,429	66,657	15,228
<b>Total Revenues</b>	<b>1,187,929</b>	<b>1,194,667</b>	<b>6,738</b>
<b>Expenses</b>			
Personel	281,115	357,327	76,212
Supplies	53,120	77,294	24,174
Repairs & maintenance	115,500	104,930	(10,570)
Contract services	457,120	540,991	83,871
Sundry charges	165,000	31,256	(133,744)
Capital outlay & Depreciation	79,500	468,336	388,836
<b>Total Expenses</b>	<b>1,151,355</b>	<b>1,580,134</b>	<b>428,779</b>
<b>Other</b>			
Transfers In / (Out)	-	(165,000)	(165,000)
Funds from Bullard EDC	-	135,000	135,000
Interest income	300	35	(265)
Interest expense	-	(2,046)	(2,046)
Gain / (Loss) on Sale of Fixed Asset	-	-	-
<b>Total Other</b>	<b>300</b>	<b>(32,011)</b>	<b>(32,311)</b>
<b>Net Change in Fund Balances</b>	<b>36,874</b>	<b>(417,478)</b>	<b>(454,352)</b>
Transfers in Debt Fund		395,469	
Proprietary Fund exclude balance sheet expenses		207,082	
<b>Fund Balances: Beginning</b>	<b>4,089,723</b>	<b>4,089,723</b>	
<b>Fund Balances: Ending</b>	<b><u>\$ 4,126,597</u></b>	<b><u>\$ 4,274,796</u></b>	

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

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, 2014, 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 July 30, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

## PURPOSE OF THIS REPORT

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

*Murrey Paschall & Caperton, PC*

Murrey Paschall & Caperton, P.C.

Forney, Texas

August 6, 2015