

CITY OF BURKBURNETT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016



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Financial Section



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

The Board of Commissioners
City of Burkburnett, Texas
501 Sheppard Road
Burkburnett, Texas 76354

Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, and Texas Municipal Retirement System Schedule of Contributions, on pages 4 through 11 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Burkburnett, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, on our consideration of the City of Burkburnett, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Burkburnett, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
February 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Burkburnett, Texas' discussion and analysis is designed to provide an objective and easy-to-read analysis of the City's financial activities for the year ended September 30, 2016. It is intended to provide the readers of this report with a broad overview short-term and long-term analysis of the City's activities based on information presented in the financial report and the City's adopted fiscal policies.

As with other sections of this financial report, the information contained within this narrative should be considered only a part of a greater whole. The reader should take time to read and evaluate all sections of this report, including the financial statements, footnotes, and other required supplementary information.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2016:

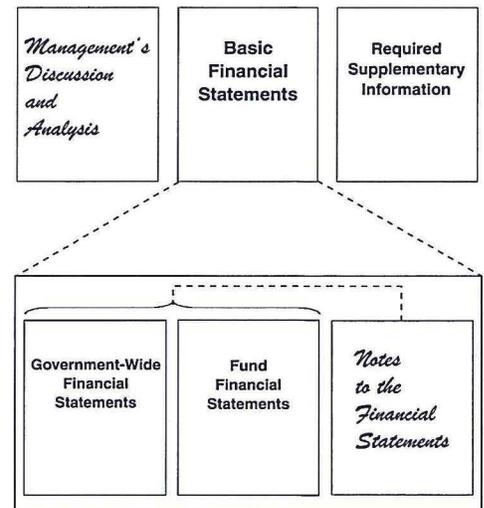
- The City's assets exceed its liabilities at September 30, 2016, by \$11,244,805 (net position). Of this amount, \$1,783,722 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total net position decreased by \$245,290. The decrease is largely due to increases in the expenses for the aquatic center, primarily in salaries and depreciation, and increases in salaries for the Police Department.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$9,279,941. Of the fund balance, \$2,499,256, or 27%, is available for spending at the government's discretion (unassigned fund balance).
- As of September 30, 2016, unassigned fund balance for the General Fund was \$2,604,483 or 41% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

Figure A-1
Required Components of the City's Annual Financial Report



Summary \longleftrightarrow Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities*. Most of the City's basic services are included here, such as the police department, streets and public works, garbage collection, parks and recreation, and administration.

- *Business-type activities.* The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system are included here.
- *Component Unit.* The City includes one other entity in its report - the Burkburnett Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets that can* readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the page subsequent to the governmental funds statement that explains the relationship (or differences) between them.

Table A-1
City's Net position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and cash equivalents	\$ 1,402,557	\$ 1,178,745	\$ 533,091	\$ 533,131	\$ 1,935,648	\$ 2,151,310
Receivables	749,628	674,913	609,766	668,149	1,359,394	1,343,062
Internal balances	1,618,569	1,868,672	(1,618,569)	(1,868,672)	-	-
Restricted assets	6,622,467	2,240,533	291,708	1,016,922	6,914,175	2,818,021
Capital assets, net	14,440,237	14,932,711	9,177,627	8,960,002	23,617,864	23,892,713
Other assets	9,035	5,381	92,386	76,150	101,421	81,531
Total assets	24,842,493	20,900,955	9,086,009	9,385,682	33,928,502	30,286,637
Total deferred outflows of resources	991,120	294,982	246,043	79,363	1,237,163	374,345
Current liabilities	544,802	775,326	302,397	300,235	847,199	1,075,561
Long-term liabilities:						
Due within one year	820,480	706,148	468,671	452,791	1,289,151	1,158,939
Due in more than one year	14,893,415	10,074,941	6,564,630	6,861,446	21,458,045	16,936,387
Total liabilities	16,258,697	11,556,415	7,335,698	7,614,472	23,594,395	19,170,887
Total deferred inflows of resources	270,249	-	56,216	-	326,465	-
Invested in capital assets, net of related debt	5,001,947	5,222,754	2,504,600	2,614,237	7,506,547	7,836,991
Restricted	1,662,985	1,676,372	291,551	288,689	1,954,536	1,965,061
Unrestricted	2,639,735	2,740,396	(856,013)	(1,052,353)	1,783,722	1,688,043
Total net position	\$ 9,304,667	\$ 9,639,522	\$ 1,940,138	\$ 1,850,573	\$11,244,805	\$11,490,095

- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

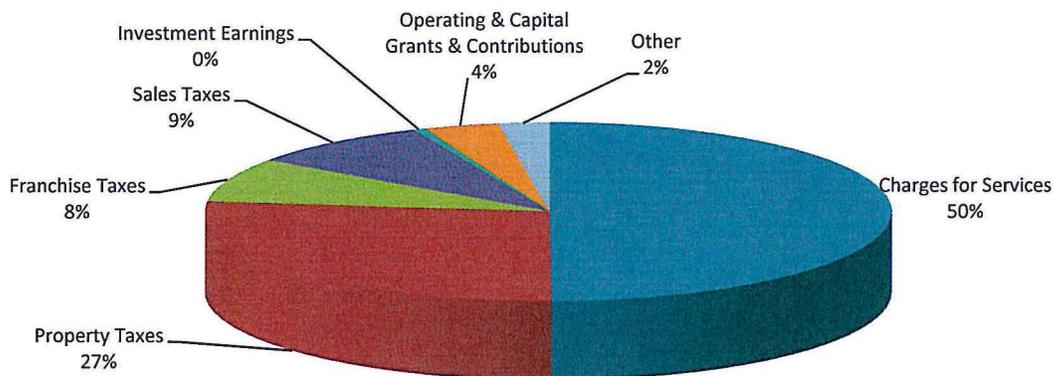
Net position. The City's combined net position was \$11,244,805 at September 30, 2016. (See Table A-1) The \$1,783,722 of unrestricted net position at September 30, 2016, represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net position is required to be set aside for long-term debt and other program purposes.

Governmental activities decreased the City's net position by \$334,855. Net investment in capital assets for governmental activities decreased by \$220,807, while unrestricted net position decreased by \$100,661, or 4%.

Net position from business-type activities increased by \$89,565, or 5%. This increase is primarily due to operating income of \$365,407, which is a 44% increase from the prior year operating income of \$205,365.

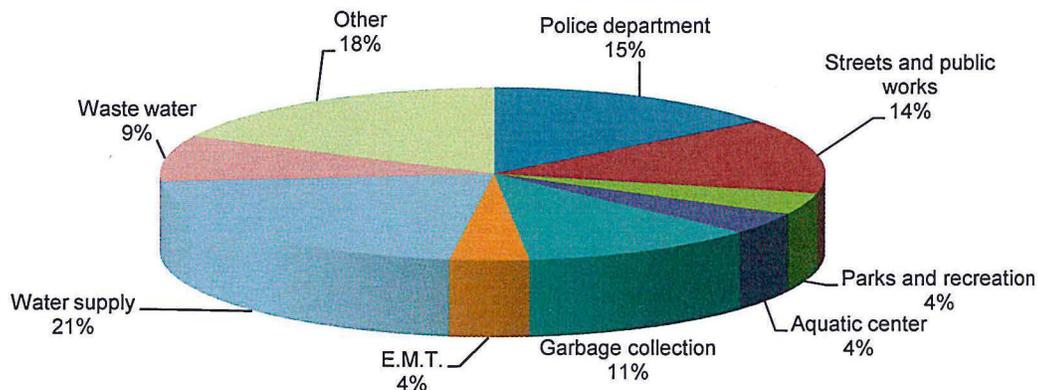
Changes in net position. The City's total revenues, both program and general, were \$11,773,310. A significant portion, 50%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 27%, sales taxes provide 9%, franchise taxes provide 8%, and operating and capital grants combined provide about 4%. Other minor categories provide the remaining 2%.

**Figure A-3
Sources of Revenue for Fiscal Year 2016**



The total cost of all programs and services was \$11,902,062; 30% of these costs are for water and sewer related expenses. The City's other expenses cover a range of services, with 15% for the police department, 14% for streets, 11% for garbage collection, and 4% for E.M.T., parks and recreation, and the aquatic center. Other minor categories combined make up the remaining 18%. (See Figure A-4.)

**Figure A-4
Functional Expenses for Fiscal 2016**



Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

Table A-2
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$2,166,848	\$2,040,121	\$3,708,838	\$3,414,660	\$5,875,686	\$5,454,781
Operating grants and contributions	87,185	73,665	-	-	87,185	73,665
Capital grants and contributions	331,253	185,833	-	-	331,253	185,833
General revenues:						
Property taxes	3,168,851	3,076,920	-	-	3,168,851	3,076,920
Franchise taxes	937,233	1,030,397	-	-	937,233	1,030,397
Sales taxes	1,027,484	1,017,475	-	-	1,027,484	1,017,475
Other taxes	55,781	39,036	-	-	55,781	39,036
Investment earnings	53,985	39,652	9,107	9,497	63,092	49,149
Other	165,850	129,226	60,895	48,143	226,745	177,369
Total revenues	7,994,470	7,712,325	3,778,840	3,472,300	11,773,310	11,104,625
Expenses:						
General government	327,546	308,703	-	-	327,546	308,703
Administration	250,489	232,559	-	-	250,489	232,559
Tax assessing/collecting	39,633	39,822	-	-	39,633	39,822
City hall	251,300	283,504	-	-	251,300	283,504
Police department	1,750,813	1,630,034	-	-	1,750,813	1,630,034
Municipal court	88,966	91,964	-	-	88,966	91,964
Fire department	177,315	152,622	-	-	177,315	152,622
Library	168,049	154,689	-	-	168,049	154,689
Streets and public works	1,687,138	1,543,572	-	-	1,687,138	1,543,572
Parks and recreation	493,976	634,770	-	-	493,976	634,770
Aquatic center	492,055	-	-	-	492,055	-
Community center	30,495	41,086	-	-	30,495	41,086
Garbage collection	1,380,151	1,358,426	-	-	1,380,151	1,358,426
E.M.T.	461,723	431,783	-	-	461,723	431,783
Community planning	154,376	159,855	-	-	154,376	159,855
Drainage improvement	70,718	18,771	-	-	70,718	18,771
Grant outlay	30,750	23,666	-	-	30,750	23,666
Interest and fiscal charges	438,532	389,542	-	-	438,532	389,542
Water system	-	-	2,571,261	2,579,351	2,687,799	2,579,351
Waste water system	-	-	1,036,776	916,234	1,036,776	916,234
Total expenses	8,294,025	7,495,368	3,608,037	3,495,585	12,018,600	10,990,953
Loss on disposal of assets	-	-	(116,538)	-	(116,538)	-
Transfers	(35,300)	(108,901)	35,300	108,901	-	-
Increase (decrease) in net position	\$(334,855)	\$ 28,056	\$ 89,565	\$ 85,616	\$ (245,290)	\$ 113,672

Explanations for the large and/or unusual variances between 2016 and 2015 are as follows:

- Charges for services increased by \$420,905, or 7.7%, with an increase in governmental activities of \$126,727, and an increase in business-type activities of \$294,178. The increase in governmental activities is attributable to the first full year of operation for the City's new water park, Boomtown Bay, which was in operation for the first time in the summer of 2015. The increase in business-type activities is due to an increase in water rates.
- Capital grants and contributions increased by \$145,420, or 78.3%, due to a contribution from the Burkburnett Development Corporation for new welcome signs along the highway coming into town.
- Police department expenses increased by \$120,779, or 7.4%, due to an increase in salaries for department employees effective January 1, 2016.
- Street department expenses increased by \$143,566, or 9.3%, as the City undertook several budgeted road maintenance projects during the 2016 fiscal year. The maintenance projects originally scheduled for the 2015 year were postponed due to budget constraints.
- Parks and recreation expenses decreased \$140,794, or 23%, due to the City choosing to report the aquatic center as a separate department for the first time in 2016. The aquatic center reported \$492,055 in expenses for the 2016 year.
- Waste water treatment increased by \$120,542, or 13.2%, primarily due to increased maintenance costs on the waste water treatment plant.

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$8,294,025; however, the amount that our taxpayers paid for these activities through property taxes was only \$3,168,851.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$2,166,848.

**Table A-3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Police department	\$1,750,813	\$1,630,034	\$1,602,142	\$1,534,524
Streets and public works	1,687,138	1,543,572	1,687,138	1,543,572
Garbage collection	1,380,151	1,358,426	(110,093)	(109,679)
Parks and recreation	493,976	634,770	381,083	268,616
Aquatic center	492,055	-	200,145	-
E.M.T.	461,723	431,783	461,723	431,783

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's actual expenditures were \$133,233 above final budgeted amounts, and actual revenues were \$1,373 below final budget amounts.

The most significant negative revenue variance related to non-property taxes, which was \$130,398 or 5% less than the budgeted amount. The City anticipated that receipts for sales tax revenue and franchise fees would be higher than was realized.

For expenditures, the City exceeded the budget in seven departments: administration (\$840), fire department (\$33,386), streets and public works (\$42,856), parks and recreation, including the aquatic center, (\$206,968), community center (\$74), E.M.T (\$4,596), and community planning (\$969). The overage in the parks department was caused by the aquatic center, which was difficult to budget given the lack of a full year of comparative data. The overages in the other departments were primarily due to higher than anticipated contract service costs, consulting fees, and personnel costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$23,617,865, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Building and improvements	\$ 787,655	\$ 811,061	\$ 45,168	\$ 48,932	\$ 832,823	\$ 859,993
Aquatic center	4,275,702	4,424,422	-	-	4,275,702	4,424,422
Library books	44,647	57,338	-	-	44,647	57,338
Streets and curbs	8,036,287	8,734,326	-	-	8,036,287	8,734,326
Golf course	21,898	33,794	-	-	21,898	33,794
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	857,518	727,995	290,898	190,351	1,148,416	918,346
Land	79,775	79,775	1,596,655	1,596,655	1,676,430	1,676,430
Police department land	99,460	-	-	-	99,460	-
Construction in process	173,295	-	-	10,100	173,295	10,100
Water system	-	-	6,099,259	5,857,416	6,099,259	5,857,416
Sewer system	-	-	1,145,647	1,256,548	1,145,647	1,256,548
Total capital assets	<u>\$14,440,237</u>	<u>\$14,932,711</u>	<u>\$9,177,627</u>	<u>\$8,960,002</u>	<u>\$23,617,864</u>	<u>\$23,892,713</u>

Long-term Liabilities

At year-end, the City had \$20,399,655 in bonds, compensated absences, and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$6,530,000	\$9,005,000	\$ -	\$ -	\$ 6,530,000	\$ 9,005,000
General obligation refunding bonds	1,950,000	-	3,430,000	1,945,000	5,380,000	1,945,000
Notes payable	220,624	310,567	-	-	220,624	310,567
Capital lease payable	347,825	294,598	-	-	347,825	294,598
Water and sewer system revenue bonds	-	-	3,135,000	3,285,000	3,135,000	3,285,000
Tax notes	-	-	-	1,490,000	-	1,490,000
Certificates of obligation	4,650,000	-	-	350,000	4,650,000	350,000
Compensated absences	116,197	120,672	20,009	25,319	136,206	145,991
Totals	<u>\$13,814,646</u>	<u>\$9,730,837</u>	<u>\$6,585,009</u>	<u>\$7,095,319</u>	<u>\$20,399,655</u>	<u>\$16,826,156</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2016-2017 budget preparation is \$447,378,051, up \$139,490, or 0.03% above 2015-2016 values. This indicator was taken into account when adopting the General Fund budget for 2016-2017.

Budgeted General Fund revenues for 2016-2017 are \$7,156,407, which represents a 3% increase of \$218,168, from 2015-2016 actual budgetary revenues of \$6,938,239.

Budgeted General Fund expenditures for 2016-2017 are \$7,156,407, which represents a 3% increase of \$93,316, from 2015-2016 actual budgetary expenditures of \$7,063,091. If these estimates are realized, the City's budgeted General Fund balance is not expected to change by the close of 2016-2017.

RESTATEMENT AND RECLASSIFICATIONS

The prior year schedules within this analysis have been restated to correct certain balances reported in the prior year. See Note L in the Notes to the Financial Statements for more information. Additionally, certain prior year balances have been reclassified to conform to current year presentation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Administration Office at 501 Sheppard Road, Burkburnett, Texas 76354.

Basic Financial Statements

CITY OF BURKBURNETT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation
Assets:				
Cash and cash equivalents	\$ 1,402,557	\$ 533,091	\$ 1,935,648	\$ 603,492
Receivables, net of allowances for uncollectibles:				
Property taxes	62,249	-	62,249	-
Sales taxes	189,920	-	189,920	63,307
Garbage	234,147	-	234,147	-
Water and sewer charges	-	609,766	609,766	-
Municipal court	251,181	-	251,181	-
Other	12,131	-	12,131	58,790
Internal balances due to/from other funds	1,618,569	(1,618,569)	-	-
Inventory	2,327	92,386	94,713	-
Property held for sale	-	-	-	527,717
Restricted assets:				
Cash and cash equivalents	6,272,467	291,708	6,564,175	75,950
Due from component unit	350,000	-	350,000	-
Capital assets, net of accumulated depreciation	14,440,237	9,177,627	23,617,864	-
Other assets:				
Other	6,708	-	6,708	-
Total assets	24,842,493	9,086,009	33,928,502	1,342,634
Deferred outflows of resources:				
Deferred loss on refunding	28,418	43,812	72,230	-
Deferred outflows of resources from pensions	962,702	202,231	1,164,933	-
Total deferred outflows of resources	991,120	246,043	1,237,163	-
Liabilities:				
Accounts payable	254,261	58,997	313,258	6,782
Retainage payable	216,867	-	216,867	-
Unearned revenue	2,804	-	2,804	-
Accrued interest payable	70,870	30,111	100,981	-
Customer deposits	-	213,289	213,289	-
Long-term liabilities:				
Due within one year:				
Accrued compensated absences	105,765	18,671	124,436	-
Bonds payable	495,000	450,000	945,000	-
Notes payable	102,138	-	102,138	-
Capital lease payable	117,577	-	117,577	-
Due to primary government	-	-	-	50,000
Due in more than one year:				
Accrued compensated absences	10,432	1,338	11,770	-
Bonds payable	12,635,000	6,115,000	18,750,000	-
Notes payable	118,486	-	118,486	-
Capital lease payable	230,248	-	230,248	-
Unamortized premium on general obligation debt	481,863	151,996	633,859	-
Net pension liability	1,417,386	296,296	1,713,682	-
Due to primary government	-	-	-	300,000
Total liabilities	16,258,697	7,335,698	23,594,395	356,782
Deferred inflows of resources:				
Deferred inflows of resources from pensions	270,249	56,216	326,465	-
Total deferred inflows of resources	270,249	56,216	326,465	-
Net position:				
Net investment in capital assets	5,001,947	2,504,600	7,506,547	-
Restricted for:				
Debt service	371,770	291,551	663,321	-
Other purposes	1,291,215	-	1,291,215	75,950
Unrestricted	2,639,735	(856,013)	1,783,722	909,902
Total net position	\$ 9,304,667	\$ 1,940,138	\$ 11,244,805	\$ 985,852

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation
Governmental activities:								
General government	\$ 327,546	\$ 39,092	\$ -	\$ 168,542	\$ (119,912)	\$ -	\$ (119,912)	\$ -
Administration	250,489	-	-	-	(250,489)	-	(250,489)	-
Tax assessing/collecting	39,633	-	-	-	(39,633)	-	(39,633)	-
City hall	251,300	-	-	-	(251,300)	-	(251,300)	-
Police department	1,750,813	148,671	-	-	(1,602,142)	-	(1,602,142)	-
Municipal court	88,966	-	-	-	(88,966)	-	(88,966)	-
Fire department	177,315	-	62,424	-	(114,891)	-	(114,891)	-
Library	168,049	4,091	-	-	(163,958)	-	(163,958)	-
Streets and public works	1,687,138	-	-	-	(1,687,138)	-	(1,687,138)	-
Parks and recreation	493,976	88,663	24,230	-	(381,083)	-	(381,083)	-
Aquatic center	492,055	291,910	-	-	(200,145)	-	(200,145)	-
Community center	30,495	14,130	531	-	(15,834)	-	(15,834)	-
Garbage collection	1,380,151	1,490,244	-	-	110,093	-	110,093	-
E.M.T.	461,723	-	-	-	(461,723)	-	(461,723)	-
Community planning	154,376	-	-	-	(154,376)	-	(154,376)	-
Drainage improvement	70,718	90,047	-	-	19,329	-	19,329	-
Grant outlay	30,750	-	-	162,711	131,961	-	131,961	-
Interest expense	438,532	-	-	-	(438,532)	-	(438,532)	-
Total governmental activities	8,294,025	2,166,848	87,185	331,253	(5,708,739)	-	(5,708,739)	-
Business-type activities:								
Water supply, distribution and wells	2,571,261	2,584,379	-	-	-	13,118	13,118	-
Waste water treatment	1,036,776	1,124,459	-	-	-	87,683	87,683	-
Total business-type activities	3,608,037	3,708,838	-	-	-	100,801	100,801	-
Total primary government	\$ 11,902,062	\$ 5,875,686	\$ 87,185	\$ 331,253	(5,708,739)	100,801	(5,607,938)	-
Component units:								
Burkburnett Development Corporation	\$ 476,747	\$ -	\$ -	\$ -	-	-	-	(476,747)
Total component units	\$ 476,747	\$ -	\$ -	\$ -	-	-	-	(476,747)
General revenues:								
Property taxes					3,168,851	-	3,168,851	-
Franchise taxes					937,233	-	937,233	-
Sales taxes					1,027,484	-	1,027,484	313,952
Other taxes					55,781	-	55,781	-
Investment earnings					53,985	9,107	63,092	6,970
Licenses and permits					52,831	-	52,831	-
Miscellaneous					113,019	60,895	173,914	19,687
Loss on disposal of assets					-	(116,538)	(116,538)	-
Transfers					(35,300)	35,300	-	-
Total general revenues and transfers					5,373,884	(11,236)	5,362,648	340,609
Change in net position					(334,855)	89,565	(245,290)	(136,138)
Net position - beginning, as restated (see Note L)					9,639,522	1,850,573	11,490,095	1,121,990
Net position - ending					\$ 9,304,667	\$ 1,940,138	\$ 11,244,805	\$ 985,852

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets:					
Petty cash	\$ 500	\$ -	\$ -	\$ -	\$ 500
Cash in bank	462,765	-	-	-	462,765
Certificates of deposit	1,417,354	-	-	-	1,417,354
Receivables, net of allowances for uncollectables:					
Property taxes	62,249	-	-	-	62,249
Sales taxes	189,920	-	-	-	189,920
Garbage and storm drainage	219,992	-	-	14,155	234,147
Municipal court	251,181	-	-	-	251,181
Other	12,131	-	-	-	12,131
Due from other funds	1,734,992	81,042	681,292	-	2,497,326
Inventory	2,327	-	-	-	2,327
Other assets	6,708	-	-	-	6,708
Restricted assets:					
Cash	4,217	21,770	-	615,242	641,229
Certificates of deposit and money market	7,166	-	4,974,139	171,871	5,153,176
Due from other funds	-	-	-	478,063	478,063
Total assets	\$ 4,371,502	\$ 102,812	\$ 5,655,431	\$ 1,279,331	\$ 11,409,076
Liabilities:					
Accounts payable	\$ 211,725	\$ -	\$ 29,011	\$ 13,525	\$ 254,261
Retainage payable	-	-	216,867	-	216,867
Unearned revenue	2,804	-	-	-	2,804
Due to other funds	1,240,397	11,196	-	105,227	1,356,820
Total liabilities	1,454,926	11,196	245,878	118,752	1,830,752
Deferred inflows of resources:					
Unavailable revenues	298,383	-	-	-	298,383
Total deferred inflows of resources	298,383	-	-	-	298,383
Fund balances:					
Nonspendable	2,327	-	-	-	2,327
Restricted	11,383	21,770	4,728,261	1,265,806	6,027,220
Committed	-	69,846	681,292	-	751,138
Unassigned	2,604,483	-	-	(105,227)	2,499,256
Total fund balances	2,618,193	91,616	5,409,553	1,160,579	9,279,941
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,371,502	\$ 102,812	\$ 5,655,431	\$ 1,279,331	\$ 11,409,076

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total fund balances - governmental funds balance sheet (Exhibit A-3)	\$	9,279,941
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Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 30,523,004	
Related accumulated depreciation	<u>(16,082,767)</u>	14,440,237

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	298,383
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The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension liability	(1,417,386)	
Deferred outflows of resources from pensions	962,702	
Deferred inflows of resources from pensions	<u>(270,249)</u>	(724,933)

Some long-term liabilities and related assets are not due and payable in the current period and therefore are not reported in the funds. Those assets and liabilities at year-end consist of:

Due from component unit	350,000	
Capital leases payable	(347,825)	
Notes payable	(220,624)	
Bonds payable	(13,130,000)	
Unamortized premium on general obligation debt	(481,863)	
Deferred loss on refunding	28,418	
Compensated absences	(116,197)	
Accrued interest	<u>(70,870)</u>	<u>(13,988,961)</u>

Net position of governmental activities - statement of net position (Exhibit A-1)	\$	<u>9,304,667</u>
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The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT A-5

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 2,273,831	\$ 777,033	\$ -	\$ 111,320	\$ 3,162,184
Non-property taxes	1,966,107	-	-	54,391	2,020,498
Fines and forfeitures	80,152	-	-	-	80,152
Licenses and permits	52,831	-	-	-	52,831
Fees and services	1,918,045	-	-	96,041	2,014,086
Miscellaneous	108,988	-	4,031	-	113,019
Intergovernmental revenue	137,185	-	168,542	162,711	468,438
Total revenues	6,537,139	777,033	172,573	424,463	7,911,208
Expenditures:					
Current:					
General government	192,714	11,637	-	123,195	327,546
Administration	222,541	-	-	-	222,541
Tax assessing/collecting	39,633	-	-	-	39,633
City hall	243,652	-	-	-	243,652
Police department	1,616,222	-	-	-	1,616,222
Municipal court	86,161	-	-	-	86,161
Fire department	117,967	-	-	-	117,967
Library	150,113	-	-	-	150,113
Streets and public works	911,410	-	-	-	911,410
Parks and recreation	464,956	-	-	-	464,956
Aquatic center	339,853	-	-	-	339,853
Community center	26,074	-	-	-	26,074
Garbage collection	1,380,151	-	-	-	1,380,151
E.M.T.	432,762	-	-	-	432,762
Community planning	148,709	-	-	-	148,709
Drainage improvement	-	-	-	70,718	70,718
Grant outlay	-	-	-	158,857	158,857
Debt service:					
Principal payments on debt	-	440,000	207,711	-	647,711
Interest and other charges	-	370,173	19,034	-	389,207
Issuance costs	-	-	60,645	-	60,645
Capital outlay	-	-	506,256	16,932	523,188
Total expenditures	6,372,918	821,810	793,646	369,702	8,358,076
Excess (deficiency) of revenues over (under) expenditures	164,221	(44,777)	(621,073)	54,761	(446,868)
Other financing sources (uses):					
Proceeds from long-term debt issued	-	1,990,000	4,820,995	-	6,810,995
Premium on issuance	-	166,795	210,645	-	377,440
Payment to refunding bond escrow	-	(2,106,473)	-	-	(2,106,473)
Interest income	22,255	5,407	18,444	7,879	53,985
Transfers	(311,328)	-	301,000	(24,972)	(35,300)
Total other financing sources (uses)	(289,073)	55,729	5,351,084	(17,093)	5,100,647
Change in fund balances	(124,852)	10,952	4,730,011	37,668	4,653,779
Fund balances - beginning, as restated (see Note L)	2,743,045	80,664	679,542	1,122,911	4,626,162
Fund balances - ending	\$ 2,618,193	\$ 91,616	\$ 5,409,553	\$ 1,160,579	\$ 9,279,941

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

EXHIBIT A-6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 4,653,779

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 670,962	
Depreciation expense for the year	<u>(1,163,436)</u>	(492,474)

Because accounts receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 79,276

The commitment from the component unit to provide funding in the future does not provide a current financial resource, but payments made under that commitment do provide a current resource. The City received this payment this year. (50,000)

Increases in accrued compensated absences is not reported as an expenditure in the governmental funds, but increases long-term liabilities in the statement of net position. Accrued compensated absences increased by this amount this year. 4,475

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Issuance of long-term debt	(6,810,995)	
Premium on debt issued	(377,440)	
Repayment of long-term debt	647,711	
Payment to refunding bond escrow	2,106,473	
Amortization of premiums	32,894	
Amortization on deferred loss on refunding	<u>(3,055)</u>	(4,404,412)

Accrued interest on long-term debt is reported in the statement of activities but does not required the use of current financial resources; therefore, it is not reported as expenditures in the governmental funds. (18,519)

Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: (106,980)

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ (334,855)

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

EXHIBIT A-7

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 WATER AND SEWER FUND
 SEPTEMBER 30, 2016

Assets:	
Current assets:	
Petty cash	\$ 1,000
Certificates of deposit	532,091
Water and sewer receivables, net of allowance	609,766
Inventory	92,386
Total current assets	<u>1,235,243</u>
Restricted assets:	
Money market	<u>291,708</u>
Fixed assets:	
Land	1,596,655
Buildings and improvements	150,560
Equipment and vehicles	1,460,253
Water system	10,678,636
Sewer system	4,816,222
Accumulated depreciation	<u>(9,524,699)</u>
Net fixed assets	<u>9,177,627</u>
Total assets	<u>10,704,578</u>
Deferred outflows of resources:	
Deferred loss on refunding	43,812
Deferred outflows of resources from pensions	202,231
Total deferred outflows of resources	<u>246,043</u>
Liabilities:	
Current liabilities:	
Accounts payable	58,997
Accrued compensated absences	18,671
Accrued interest payable	30,111
Customer deposits	213,289
Due to other funds	1,618,569
Debt due or payable within one year	450,000
Total current liabilities	<u>2,389,637</u>
Long-term liabilities:	
Accrued compensated absences	1,338
Debt due or payable after one year	6,266,996
Net pension liability	296,296
Total liabilities	<u>8,954,267</u>
Deferred outflows of resources:	
Deferred outflows of resources from pensions	56,216
Total deferred outflows of resources	<u>56,216</u>
Net position:	
Net investment in capital assets	2,504,600
Restricted for:	
Debt service	291,551
Unrestricted	<u>(856,013)</u>
Total net position	<u>1,940,138</u>
Total liabilities and net position	<u>\$ 10,894,405</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT A-8

Operating revenues:	
Water revenues	\$ 2,584,379
Sewer services	1,124,347
Industrial charges	112
Total operating revenues	<u>3,708,838</u>
Operating expenses:	
Water supply and distribution	909,129
Billing and collections	514,809
Wastewater treatment	1,036,776
Water wells	882,717
Total operating expenses:	<u>3,343,431</u>
Operating income	<u>365,407</u>
Nonoperating revenues (expenses):	
Interest revenue	9,107
Miscellaneous revenue	60,895
Loss on disposal of assets	(116,538)
Interest expense and fiscal charges	(264,606)
Total nonoperating revenues (expenses)	<u>(311,142)</u>
Transfers	35,300
Net income	89,565
Net position - beginning	<u>1,850,573</u>
Net position - ending	<u>\$ 1,940,138</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 3,773,451
Cash payments to employees for services	(726,780)
Cash payments to other suppliers for goods and services	(2,076,957)
Net cash provided by operating activities	<u>969,714</u>
Cash flows from non-capital financing activities:	
Payments to other funds	(214,803)
Other receipts	43,810
Net cash used by non-capital financing activities	<u>(170,993)</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of refunding debt	1,770,000
Principal paid on long-term debt	(435,000)
Principal paid to refunding bond escrow	(1,840,000)
Interest and paying agent fees paid on long-term debt	(164,759)
Acquisition of capital assets	(863,323)
Net cash used by capital and related financing activities	<u>(1,533,082)</u>
Cash flows from investing activities:	
Interest earned	9,107
Net cash provided by capital and related financing activities	<u>9,107</u>
Net decrease in cash and cash equivalents	(725,254)
Cash and cash equivalents - beginning	<u>1,550,053</u>
Cash and cash equivalents - ending	<u>\$ 824,799</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 365,407
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	529,160
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	58,383
Inventory	(16,236)
Deferred outflows of resources from pensions	(81,307)
Increase (decrease) in liabilities:	
Accounts payable	17,356
Customer deposits	6,230
Accrued compensated absences	(5,310)
Net pension liability	96,031
Net cash provided by operating activities	<u>\$ 969,714</u>
Reconciliation of cash and cash equivalents	
Unrestricted cash	\$ 1,000
Unrestricted certificates of deposit	532,091
Restricted cash equivalents	291,708
	<u>\$ 824,799</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

A. Summary of Significant Accounting Policies

The accompanying financial statements of the City of Burkburnett, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management’s Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of a “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis the private-sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities, and activities of its discretely presented component unit on the statement of net position and statement of activities. Significantly, the statement of net position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statement of activities also reflects depreciation expenses on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City’s General Fund, the City’s major governmental fund, is similar to that presented in the City’s financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

Statement of Net position - The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and reports depreciation expense - the cost of “using up” capital assets - in the statement of

CITY OF BURKBURNETT, TEXAS
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activities. The net position of a government is broken down into three categories, 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

2. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, include the following:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units is combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. The discretely presented component unit has a September 30th year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Discretely Presented Component Unit

The Burkburnett Development Corporation is a non-profit corporation formed in August 1997 for the purpose of benefiting and accomplishing the public purposes of the City of Burkburnett, Texas, by the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare as provided by section 4B of the Development Corporation Act. The Board of Directors consists of seven members appointed by the City's Board of Commissioners. The Corporation issues a separate set of financial statements. A copy of the report can be obtained by sending a request addressed to the Executive Director, Burkburnett Development Corporation, 104 W. Third Street, Burkburnett, Texas 76354.

CITY OF BURKBURNETT, TEXAS
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3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include fees, fines, charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City has three major governmental funds: General Fund, Debt Service Fund and Special Revenue Fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The Debt Service Fund accounts for all debt service activity, and the Special Revenue Fund accounts for the City's grant activity.

The Water and Sewer Fund is the City's only major enterprise fund. This fund accounts for water and sewer services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is

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recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes

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are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2016, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 124,498
Allowance for uncollectible taxes	<u>(62,249)</u>
Net property taxes receivable	<u>\$ 62,249</u>

c. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, other than delinquent property taxes, which are not scheduled for collection within one year. Of the \$62,249 in delinquent property taxes outstanding at September 30, 2016, it is expected that the City will collect approximately \$33,000 during the year ending September 30, 2017. This is similar to the collections for the year ending September 30, 2016.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. Exceptions are stand-alone office equipment, communications equipment, real property, and firearms. These items are capitalized regardless of cost. The cost of normal maintenance and repairs that add no value to, or materially extend, the lives of the asset are not capitalized.

Capital assets, including those of the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	5-40
Improvements, other than buildings	5-40
Mobile equipment	3-10
Furniture, machinery, and equipment	3-10

e. Inventories

Inventories are valued at cost. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

f. Inter-fund Activity

Inter-fund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided,

CITY OF BURKBURNETT, TEXAS
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deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows:

- Net investment in capital assets: consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- Restricted net position: net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- Unrestricted net position: consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

h. Governmental Fund Balances

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive fund balance classification first when more than one classification is available.

CITY OF BURKBURNETT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2016

i. **Compensated Absences**

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Time off, other than sick leave, is to be taken as vacation or is paid annually upon reaching maximums. Compensated absences are reported in the government wide financial statements.

Sick leave accrues to employees in varying amounts to specified maximums, but does not vest. Accordingly, employees can only utilize sick leave when sick. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being cause by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

j. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. **Compliance and Accountability**

1. **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, must be reported along with actions taken to address such violations. The City does not have any finance-related findings in the current year.

2. **Deficit Fund Balance or Fund Net Position of Individual Funds**

The special revenue fund accounts for expenditure driven grants. The fund makes expenditures and then files for reimbursement from the granting agency. The fund covered overruns of previous grant contracts, causing a deficit balance. The City plans to reimburse the special revenue fund to remedy the deficit.

C. **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 bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

CITY OF BURKBURNETT, TEXAS
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Cash Deposits:

At September 30, 2016, the balance of the City's cash deposits was \$8,736,808. The City's cash deposits at September 30, 2016, and during 2016, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2016, the Burkburnett Development Corporation's cash deposit balance was \$690,956. The cash at September 30, 2016 and during 2016, were entirely covered by FDIC insurance or under the umbrella of the City's pledged collateral.

Investments:

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity, and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and set the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that, in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

CITY OF BURKBURNETT, TEXAS
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At year end, the City was not exposed to custodial credit risk.

c. Concentrations of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of non-participating interest-earning investment contracts.

Restricted Assets:

Restricted assets in the Governmental and Proprietary Funds consist of cash and cash equivalents held for specific purposes in accordance with bond ordinances or other legal restrictions and are comprised of the following:

	Governmental Funds				Proprietary Fund
	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Funds	
Debt service	\$ -	\$ 21,770	\$ -	\$ -	\$ 291,551
Capital projects	-	-	4,959,522	-	157
Cemetery	-	-	7	-	-
Golf course	-	-	9,163	-	-
Hotel/motel funds	-	-	-	353,276	-
TIF funds	-	-	-	433,837	-
Court technology	-	-	-	19,112	-
Court security	-	-	-	3,826	-
Storm drainage	-	-	-	455,125	-
Other	11,383	-	5,447	-	-
Total	\$ 11,383	\$ 21,770	\$ 4,974,139	\$ 1,265,176	\$ 291,708

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the period ended September 30, 2016, was as follows:

<u>Primary government</u>	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 79,775	\$ -	\$ -	\$ 79,775
Construction in progress	-	173,295	-	173,295
Police department land	-	99,460	-	99,460
Golf course land	64,000	-	-	64,000
Total capital assets not being depreciated	<u>143,775</u>	<u>272,755</u>	<u>-</u>	<u>416,530</u>
Capital assets being depreciated:				
Buildings and improvements	1,918,573	22,825	-	1,941,398
Aquatic center	4,461,602	-	-	4,461,602
Library books	537,599	23,148	(62,958)	497,789
Streets and curbs	18,663,916	-	-	18,663,916
Golf course	664,030	-	-	664,030
Equipment and vehicles	3,550,644	352,234	(25,138)	3,877,740
Total capital assets being depreciated	<u>29,796,364</u>	<u>398,207</u>	<u>(88,096)</u>	<u>30,106,475</u>
Less accumulated depreciation for:				
Buildings and improvements	1,107,512	46,231	-	1,153,743
Aquatic center	37,180	148,720	-	185,900
Library books	480,261	35,839	(62,958)	453,142
Streets and curbs	9,929,590	698,039	-	10,627,629
Golf course	630,236	11,896	-	642,132
Equipment and vehicles	2,822,649	222,711	(25,138)	3,020,222
Total accumulated depreciation	<u>15,007,428</u>	<u>1,163,436</u>	<u>(88,096)</u>	<u>16,082,768</u>
Total capital assets being depreciated, net	<u>14,788,936</u>	<u>(765,229)</u>	<u>-</u>	<u>14,023,707</u>
Governmental activities capital assets, net	<u>\$14,932,711</u>	<u>\$ (492,474)</u>	<u>\$ -</u>	<u>\$14,440,237</u>

CITY OF BURKBURNETT, TEXAS
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Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,596,655	\$ -	\$ -	\$ 1,596,655
Construction in progress	10,100	90,924	(101,024)	-
Total capital assets not being depreciated	1,606,755	90,924	(101,024)	1,596,655
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,331,333	170,856	(41,936)	1,460,254
Water system	10,850,102	702,567	(874,033)	10,678,636
Sewer system	4,816,222	-	-	4,816,222
Total capital assets being depreciated	17,148,217	873,423	(915,968)	17,105,672
Less accumulated depreciation for:				
Buildings and improvements	101,628	3,764	-	105,392
Equipment and vehicles	1,140,982	70,309	(41,935)	1,169,356
Water system	4,992,686	344,186	(757,495)	4,579,377
Sewer system	3,559,674	110,901	-	3,670,575
Total accumulated depreciation	9,794,970	529,160	(799,430)	9,524,700
Total capital assets being depreciated, net	7,353,247	243,239	(15,514)	7,580,972
Business-type activities capital assets, net	\$ 8,960,002	\$ 334,163	\$ (116,538)	\$ 9,177,627

Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 12,674
City hall	2,039
Police department	88,991
Municipal court	680
Fire department	59,347
Library	40,245
Streets and public works	759,024
Parks and recreation	29,111
Aquatic center	148,720
E.M.T.	16,824
Community planning	1,360
Community Center	4,421
Total depreciation expense - governmental activities	\$1,163,436
Business-type activities:	
Water supply, distribution, and wells	\$ 412,367
Waste water treatment	116,793
Total depreciation expense – business-type activities	\$ 529,160

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Discretely presented component unit

Activity for the Burkburnett Development Corporation for the year ended September 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and office equipment	\$ 20,346	\$ -	\$ -	\$ 20,346
Less: accumulated depreciation	20,346	-	-	20,346
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Burkburnett Development Corporation did not recognize any depreciation expense for the year ended September 30, 2016, as all the Corporation's assets were fully depreciated in the prior year.

E. Due from Component Unit

In fiscal year 2013, the Burkburnett Development Corporation agreed to pay \$50,000 annually for ten years towards principal and interest for the City of Burkburnett, Texas General Obligation Bonds, Series 2013. The bonds were issued to fund the development of the Burkburnett Family Aquatic Center. The balance of this note as of September 30, 2016 is \$350,000 in governmental activities.

F. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2016, consisted of the following:

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General Fund	\$ 1,734,992	\$ 1,240,397
Debt Service Fund	81,042	11,196
Capital Projects Fund	681,292	-
Other Nonmajor Funds	478,063	105,227
Water and Sewer Fund	-	1,618,569
Total	<u>\$ 2,975,389</u>	<u>\$ 2,975,389</u>

The General Fund and Capital Project Fund receivables represent cash used by the Special Revenue Fund and Water and Sewer Fund to finance certain activities pending receipt of funds from other investments and receivables. The General Fund payable represents cash owed to the Debt Service Fund and other nonmajor funds.

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2. Transfers To and From Other Funds

Transfers to and from other funds during fiscal year 2016, consisted of the following:

Fund	Transfers Out	Transfers In	Total
General Fund	\$ (311,328)	\$ -	\$ (311,328)
Capital Projects Fund	-	301,000	301,000
Other Nonmajor Funds	(35,300)	10,328	(24,972)
Water and Sewer Fund	-	35,300	35,300
Total	\$ (346,628)	\$ 346,628	\$ -

The General Fund transferred funds to the Capital Projects fund for future capital purchases and to the Grant Fund to support projects that were not fully funded by grant awards. The TIF Fund transferred funds to the Water and Sewer Fund to cover debt service payments.

G. Long-Term Liabilities

1. Long-Term Liability Activity

Long-term liabilities include debt and other long-term payables. Changes in long-term liabilities for the year ended September 30, 2016, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds, series 2008, 2006, and 2013	\$ 9,005,000	\$ -	\$(2,475,000)	\$ 6,530,000	\$ 245,000
General obligation refunding bonds, series 2015	-	1,990,000	(40,000)	1,950,000	170,000
Certificate of obligation, series 2016	-	4,650,000	-	4,650,000	80,000
Notes payable	310,567	-	(89,943)	220,624	102,138
Capital leases payable	294,598	170,995	(117,768)	347,825	117,577
Compensated absences	120,672	110,704	(115,179)	116,197	105,765
Total governmental activities	\$ 9,730,837	\$ 6,921,699	\$(2,837,890)	\$ 13,814,646	\$ 820,480
Business-type activities:					
Certificates of obligation, series 2003	\$ 350,000	\$ -	\$ (350,000)	\$ -	\$ -
General obligation refunding bonds, series 2010	1,945,000	-	(145,000)	1,800,000	145,000
General obligation refunding bonds, series 2015	-	1,770,000	(140,000)	1,630,000	145,000
Revenue bonds, series 2010 and 2013	3,285,000	-	(150,000)	3,135,000	160,000
Tax notes, series 2014	1,490,000	-	(1,490,000)	-	-
Compensated absences	25,319	7,058	(12,368)	20,009	18,671
Total business-type activities	\$7,095,319	\$ 1,777,058	\$(2,287,368)	\$ 6,585,009	\$ 468,671
Component unit: BDC					
Note payable to primary government	\$ 400,000	\$ -	\$ (50,000)	\$ 350,000	\$ 50,000
Compensated absences	1,615	-	(1,615)	-	-
Total component unit	\$ 401,615	\$ -	\$ (51,615)	\$ 350,000	\$ 50,000

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. General Obligation Bonds

In October, 2015, the City issued \$3,760,000 in General Obligation Refunding Bonds, Series 2015, allocated 53% to the general fund and 47% to the utility fund. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$3,980,069. The proceeds were placed with an escrow agent to provide for all future debt payments of the refunded bonds. This refunding resulted in an increase in the City's debt service payments of \$29,648, but it created an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$191,369 due to the timing of the payments under the new bond. The bonds are payable from ad valorem taxes of the City. Interest rates range from 2.00% to 4.00%. The final maturity date is in 2026 and the annual series payments range from \$180,000 to \$335,000.

In July 2013, the City issued \$4,400,000 in General Obligation Bonds, Series 2013 to finance the constructing and equipping of a Family Aquatic Center. The bonds are payable from ad valorem taxes of the City. Interest rates range from 4.25% to 5.00% with a maturity date of February 15, 2033 and annual series payments range from \$65,000 to \$565,000.

In April 2010, the City issued \$2,475,000 in General Obligation Refunding Bonds, Series 2010 to advance refund Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2001. The bonds are payable from ad valorem taxes of the City. Interest rates range from 2.00% to 3.50% with a maturity date of February 15, 2026 and annual series payments range from \$130,000 to \$215,000.

In June 2008, the City issued General Obligation Bonds, Series 2008 in the amount of \$3,375,000 to finance certain street improvements. The bonds are payable from ad valorem taxes of the City. The Bonds bear interest at 3.82%. The final maturity date is in 2028 and the annual series payments range from \$90,000 to \$245,000.

In August 2006, the City issued General Obligation Bonds, Series 2006 in the amount of \$3,400,000 to finance certain street improvements. The bonds are payable from ad valorem taxes of the City. The Bonds bear interest at 5.25% to 6.00%. The final maturity date is in 2026 and the annual series payments range from \$125,000 to \$250,000.

3. Revenue Bonds and Certificates of Obligation

In April 2016, the City issued Tax and Waterworks and Sewer System Revenue Certificates of Obligation, series 2016 in the amount of \$4,650,000 to finance construction and equipping a new municipal court and police station. The Certificates are payable from a combination of ad valorem taxes and pledged net revenues of the waterworks and sewer system. The Certificates bear interest ranging from 2.00% to 3.00%. The final maturity date is in 2036 and the annual series payments range from \$80,000 to \$755,000.

In March 2014, the City issued Waterworks and Sewer System Revenue Bonds, Series 2014 in the amount of \$1,525,000 to pay for land that will be used for water and sewer purposes. The bonds are payable from pledged net revenues of the waterworks and sewer system. The bonds bear interest at 2.95%. The final maturity date is in 2021 and the annual series payments range from \$112,000 to \$216,000.

In July 2013, the City issued Waterworks and Sewer System Revenue Bonds, Series 2013 in the amount of \$2,210,000 to pay for land that will be used for water and sewer purposes. The bonds are payable from pledged net revenues of the waterworks and sewer system. The

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

bonds bear interest at 2.00% to 4.25%. The final maturity date is in 2033 and the annual series payments range from \$70,000 to \$155,000.

In October 2010, the City issued Waterworks and Sewer System Revenue Bonds, Series 2010 in the amount of \$1,555,000 to finance certain water and sewer improvements. The bonds are payable from pledged net revenues of the waterworks and sewer system. The bonds bear interest at 3.00% to 4.00%. The final maturity date is in 2030 and the annual series payments range from \$60,000 to \$195,000.

In December 2003, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003 in the amount of \$1,040,000 to finance certain water and sewer improvements. The Certificates are payable from ad valorem taxes of the City and are additionally payable from a lien on and pledge of the net revenue of the City's combined Waterworks and Sewer System. The Certificates of Obligation bear interest at 3.15% to 5.00%. The final maturity date is in 2019 and the annual series payments range from \$50,000 to \$95,000.

4. Notes Payable

In September 2011, the City purchased a fire truck, which was financed with a note in the amount of \$263,995. The note bears interest at the rate of 4.25% with fixed monthly payments of \$2,713. The final maturity date is in September 2021.

In October 2015, the City renewed a loan in the amount of \$139,410 that was originally obtained for certain golf course improvements. The note bears interest at 2% and matured on October 1, 2016. In October 2016, the City renewed the loan and extended the maturity date to October 1, 2017.

5. Capital Lease

The City entered into a lease agreements for a street sweeper in July 2012, a Crafcoc sealer and a CAT wheel loader in April 2013, three Chevrolet Tahoe's in January 2015, one Chevrolet Tahoe in February 2016, one Ford Interceptor and one Chevrolet Tahoe in March 2016, and two Chevrolet Silverado's in May 2016. These leases are considered to be a capital leases for accounting purposes. The liability for future capital lease payments total \$347,825 and is reported as capital lease payable current liability of \$117,577 and capital lease payable long-term liability of \$230,248 in the Governmental Activities.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2016 as follows:

<u>Year ending September 30.</u>	<u>Amount</u>
2017	\$ 127,191
2018	204,324
2019	25,447
2020	<u>7,946</u>
Total future minimum lease payments	364,909
Less amount representing interest	<u>(17,084)</u>
Present value of minimum lease payments	<u>\$ 347,824</u>

The total carrying value of the equipment purchased under capital lease is \$451,235 at September 30, 2016.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2016, are as follows:

	Governmental Activities					
	Notes Payable		General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 102,138	\$ 7,164	\$ 415,000	\$ 320,542	\$ 80,000	\$ 163,044
2018	28,060	4,496	430,000	307,113	120,000	130,950
2019	29,276	3,277	445,000	293,223	120,000	128,550
2020	30,545	2,008	455,000	278,021	125,000	126,100
2021	30,605	1,949	475,000	261,377	130,000	123,550
2022-2026	-	-	2,490,000	1,033,798	710,000	559,050
2027-2031	-	-	2,660,000	509,404	825,000	444,375
2032-2036	-	-	1,110,000	47,600	2,540,000	241,050
Totals	\$ 220,624	\$ 18,894	\$ 8,480,000	\$ 3,051,078	\$4,650,000	\$1,916,669

	Business-type Activities			
	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 160,000	\$ 118,750	\$ 290,000	\$ 118,301
2018	160,000	114,613	305,000	110,313
2019	175,000	109,625	315,000	101,750
2020	180,000	103,950	225,000	93,613
2021	185,000	98,125	240,000	85,350
2022-2026	1,010,000	384,139	1,345,000	279,413
2027-2031	960,000	182,859	415,000	101,900
2032-2036	305,000	19,551	295,000	17,900
Totals	\$ 3,135,000	\$ 1,131,612	\$ 3,430,000	\$908,540

7. Component Unit Note Payable

In fiscal year 2013, the Burkburnett Development Corporation agreed to pay \$50,000 annually for ten years towards principal and interest for the City of Burkburnett, Texas General Obligation Bonds, Series 2013. The bonds were issued to fund the development of the Burkburnett Family Aquatic Center.

Future payments under this commitment for the years ended September 30, are as follows:

2017	\$ 50,000
2018	50,000
2019	50,000
2020	50,000
2021	50,000
2022-2023	100,000
Total	\$ 350,000

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City obtains 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 insurance 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 of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks 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 fiscal years.

I. Defined Benefit Pension Plan

A. Plan Description

The City of Burkburnett participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

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

	<u>Plan Year 2015</u>	<u>Plan Year 2016</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility	60/10, 0/20	60/10, 0/20

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

(expressed as age/years of service)

Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>73</u>
Total	<u>152</u>

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Burkburnett were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Burkburnett were 10.09% and 10.03% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$297,396, and were equal to the required contribution.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2014	\$ 12,897,049	\$ 11,783,849	\$ 1,113,200
Changes for the year:			
Service cost	384,710	-	384,710
Interest	891,119	-	891,119
Change of benefit terms	-	-	-
Difference between expected and actual experience	(461,671)	-	(461,671)
Changes of assumptions	280,309	-	280,309
Contributions – employer	-	288,382	(288,382)
Contributions – employee	-	199,332	(199,332)
Net investment income	-	17,385	(17,385)
Benefit payments, including refunds of employee contributions	(718,251)	(718,251)	-
Administrative expense	-	(10,591)	10,591
Other changes	-	(523)	523
Net changes	<u>376,216</u>	<u>(224,266)</u>	<u>600,482</u>
Balance at 12/31/2015	<u>\$ 13,273,265</u>	<u>\$ 11,559,583</u>	<u>\$ 1,713,682</u>

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's net pension liability	<u>\$ 3,413,950</u>	<u>\$ 1,713,682</u>	<u>\$ 304,192</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$419,129.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 326,465
Changes in actuarial assumptions	212,107	-
Difference between projected and actual investment earnings	733,235	-
Contributions subsequent to the measurement date	<u>219,591</u>	<u>-</u>
Total	<u>\$ 1,164,933</u>	<u>\$ 326,465</u>

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

\$219,591 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 156,387
2017	156,387
2018	149,460
2019	<u>156,643</u>
Total	<u>\$ 618,877</u>

J. Group-Term Life Insurance Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$6,371, \$6,307, and \$5,593, respectively, which equaled the required contributions each year.

K. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. Litigation

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management and the Council that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City.

3. Loan Guaranty

The Burkburnett Development Corporation is a guarantor of a promissory note for \$30,000, which bears interest at 7.25% and matures in August 2018. The note is secured by a rental cottage. The guarantee was extended as part of an economic development incentive package for a third-party corporation, as permitted by the Texas Economic Development Act.

At September 30, 2016, the outstanding principal balance on the note was \$12,874. Because the fair value of the collateralized assets exceeds the amount of the debt obligation, significant losses are not anticipated. The Corporation has not recorded a liability for this guarantee in the accompanying balance sheet. The Corporation believes there is only a remote possibility that the third party will not remain current with its debt payments and the Corporation will be required to perform under the guarantee.

4. Operating lease

The City entered into a lease agreement for a letter folder in August 2012, which expired August 2016, and a postage machine in December 2014, which expires in December 2019. Rental expense related to these leases was \$11,038 for the year ended September 30, 2016.

The future minimum rental payments applicable to the operating lease are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	\$ 7,860
2018	7,860
2019	<u>1,965</u>
Total future minimum lease payments	<u>\$ 17,685</u>

L. Restatement of Previously Issued Financial Statements

The City recognized revenue in the previous year that should not have been captured until fiscal year 2016. Additionally, certain funds that were previously reported with the General Fund have been split out and included with other nonmajor funds. The following restatement adjustment was made to correct beginning net position for Governmental Activities and beginning fund balance for the General Fund and Other Nonmajor Funds:

	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Governmental Activities</u>
Net position at September 30, 2015	\$ 4,048,433	\$ (102,477)	\$ 9,719,522
Restatement adjustments:			
To transfer fund balances	(1,225,388)	1,225,388	
To correct revenue	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Net position at September 30, 2015, restated	<u>\$ 2,743,045</u>	<u>\$ 1,122,911</u>	<u>\$ 9,639,522</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF BURKBURNETT, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 2,325,354	\$ 2,325,354	\$ 2,340,181	\$ 14,827
Non-property taxes	2,409,000	2,409,000	2,278,602	(130,398)
Fines and forfeitures	68,500	68,500	80,152	11,652
Licenses and permits	59,750	59,750	52,831	(6,919)
Fees and services	1,914,628	1,914,628	1,918,045	3,417
Miscellaneous	50,000	50,000	108,988	58,988
Intergovernmental revenue	90,125	90,125	137,185	47,060
Total operating revenues	<u>6,917,357</u>	<u>6,917,357</u>	<u>6,915,984</u>	<u>(1,373)</u>
Expenditures:				
Current:				
General government	866,090	866,090	797,557	68,533
Administration	221,701	221,701	222,541	(840)
Tax assessing/collecting	58,530	58,530	39,633	18,897
City hall	265,627	265,627	243,652	21,975
Police department	1,642,976	1,642,976	1,616,222	26,754
Municipal court	90,979	90,979	86,161	4,818
Fire department	94,910	94,910	128,296	(33,386)
Library	157,787	157,787	150,113	7,674
Streets and public works	943,555	943,555	986,411	(42,856)
Parks and recreation	597,841	597,841	804,809	(206,968)
Community center	26,000	26,000	26,074	(74)
Garbage collection	1,387,956	1,387,956	1,380,151	7,805
E.M.T.	428,166	428,166	432,762	(4,596)
Community planning	147,740	147,740	148,709	(969)
Total expenditures	<u>6,929,858</u>	<u>6,929,858</u>	<u>7,063,091</u>	<u>(133,233)</u>
Excess of revenues over expenditures	<u>(12,501)</u>	<u>(12,501)</u>	<u>(147,107)</u>	<u>(134,606)</u>
Other financing sources (uses):				
Interest income	12,500	12,500	22,255	9,755
Total other financing sources (uses)	<u>12,500</u>	<u>12,500</u>	<u>22,255</u>	<u>9,755</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (124,852)</u>	<u>\$ (124,851)</u>

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general, solid waste, storm drainage, water, sewer, and waste water funds. The general fund budget is legally adopted. The annual budgets for the general, solid waste, and storm drainage funds are adopted on a modified accrual basis. The budget for the water and waste water fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

For fiscal year 2016, the budget for the aquatic center is included with the parks and recreation department.

Budget Amendments

There were no amendments to the budget during the year ended September 30, 2016.

Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures for the year ended September 30, 2016, determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,938,239
Differences—budget to GAAP:	
Collections of property taxes that are transferred to another fund are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes	(66,350)
Collections of sales taxes that are remitted City's component unit are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes	<u>(312,495)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,559,394</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,063,091
Differences—budget to GAAP:	
Transfers of property taxes to the another fund are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	(66,350)
Remittances of sales taxes to the City's component unit are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	(312,495)
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	<u>(311,328)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,372,918</u>

CITY OF BURKBURNETT, TEXAS

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SEPTEMBER 30, 2016

	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service cost	\$ 326,157	\$ 384,710
Interest (on the Total Pension Liability)	853,168	891,119
Changes of benefit terms	-	-
Difference between expected and actual experience	42,745	(461,671)
Change of assumptions	-	280,309
Benefit payments, including refunds of employee contributions	(700,110)	(718,251)
	<u>521,960</u>	<u>376,216</u>
Net Change in Total Pension Liability	521,960	376,216
Total Pension Liability - Beginning	<u>12,375,089</u>	<u>12,897,049</u>
Total Pension Liability - Ending (a)	<u>\$ 12,897,049</u>	<u>\$ 13,273,265</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 296,944	\$ 288,382
Contributions - Employee	188,278	199,332
Net investment income	649,544	17,385
Benefit payments, including refunds of employee contributions	(700,110)	(718,251)
Administrative expenses	(6,783)	(10,591)
Other	(558)	(523)
	<u>427,315</u>	<u>(224,266)</u>
Net Change in Plan Fiduciary Net Position	427,315	(224,266)
Plan Fiduciary Net Position - Beginning	<u>11,356,534</u>	<u>11,783,849</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,783,849</u>	<u>\$ 11,559,583</u>
Net Pension (Asset) Liability - Ending (a) - (b)	\$ 1,113,200	\$ 1,713,682
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.37%	87.09%
Covered Employee Payroll	2,689,692	2,847,593
Net Pension Liability as a Percentage of Covered Employee Payroll	41.39%	60.18%

CITY OF BURKBURNETT, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2016

EXHIBIT B-3

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 289,797	\$ 297,396
Contribution in relation to the actuarially determined contribution	<u>289,797</u>	<u>297,396</u>
Contribution excess (deficiency)	-	-
Covered employee payroll	\$ 2,784,180	\$ 2,893,113
Contributions as a percentage of covered employee payroll	10.41%	10.28%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return	7%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

Other Supplementary Information

CITY OF BURKBURNETT, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	TIF Fund	Grant Fund	Storm Drainage	
ASSETS							
Cash and cash equivalents	\$ 353,276	\$ -	\$ -	\$ 433,837	\$ -	\$ -	\$ 787,113
Receivables, net of allowances for uncollectibles:	-	-	-	-	-	14,155	14,155
Due from other funds	-	19,112	3,826	-	-	455,125	478,063
Total assets	<u>353,276</u>	<u>19,112</u>	<u>3,826</u>	<u>433,837</u>	<u>-</u>	<u>469,280</u>	<u>1,279,331</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Due to other funds	-	-	-	-	105,227	-	105,227
Accounts payable	-	-	-	-	-	13,525	13,525
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,227</u>	<u>13,525</u>	<u>118,752</u>
Fund balances:							
Restricted	353,276	19,112	3,826	433,837	-	455,755	1,265,806
Unassigned	-	-	-	-	(105,227)	-	(105,227)
Total fund balances	<u>353,276</u>	<u>19,112</u>	<u>3,826</u>	<u>433,837</u>	<u>(105,227)</u>	<u>455,755</u>	<u>1,160,579</u>
Total liabilities and fund balances	<u>\$ 353,276</u>	<u>\$ 19,112</u>	<u>\$ 3,826</u>	<u>\$ 433,837</u>	<u>\$ -</u>	<u>\$ 469,280</u>	<u>\$ 1,279,331</u>

CITY OF BURKBURNETT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds					Total Nonmajor Governmental Funds	
	Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	TIF Fund	Grant Fund		Storm Drainage
REVENUES							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ 111,320	\$ -	\$ -	\$ 111,320
Franchise	54,391	-	-	-	-	-	54,391
Fees and services	-	3,425	2,569	-	-	90,047	96,041
Intergovernmental	-	-	-	-	162,711	-	162,711
Total revenues	<u>54,391</u>	<u>3,425</u>	<u>2,569</u>	<u>111,320</u>	<u>162,711</u>	<u>90,047</u>	<u>424,463</u>
EXPENDITURES							
Current:							
General government	114,766	-	-	8,429	-	-	123,195
Drainage	-	-	-	-	-	70,718	70,718
Grant outlay	-	-	-	-	158,857	-	158,857
Capital outlay	-	-	-	-	16,932	-	16,932
Total expenditures	<u>114,766</u>	<u>-</u>	<u>-</u>	<u>8,429</u>	<u>175,789</u>	<u>70,718</u>	<u>369,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,375)</u>	<u>3,425</u>	<u>2,569</u>	<u>102,891</u>	<u>(13,078)</u>	<u>19,329</u>	<u>54,761</u>
OTHER FINANCING SOURCES (USES)							
Interest income	3,925	-	-	3,954	-	-	7,879
Transfers in	-	-	-	-	10,328	-	10,328
Transfers out	-	-	-	(35,300)	-	-	(35,300)
Total other financing uses	<u>3,925</u>	<u>-</u>	<u>-</u>	<u>(31,346)</u>	<u>10,328</u>	<u>-</u>	<u>(17,093)</u>
Net change in fund balances	(56,450)	3,425	2,569	71,545	(2,750)	19,329	37,668
Fund balances - beginning	<u>409,726</u>	<u>15,687</u>	<u>1,257</u>	<u>362,292</u>	<u>(102,477)</u>	<u>436,426</u>	<u>1,122,911</u>
Fund balances - ending	<u>\$ 353,276</u>	<u>\$ 19,112</u>	<u>\$ 3,826</u>	<u>\$ 433,837</u>	<u>\$ (105,227)</u>	<u>\$ 455,755</u>	<u>\$ 1,160,579</u>

Internal Control and Compliance Section



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report

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

City Council
City of Burkburnett, Texas
501 Sheppard Road
Burkburnett, Texas 76354

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Burkburnett, Texas' basic financial statements and have issued our report thereon dated February 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Burkburnett, 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 Burkburnett, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Burkburnett, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. See finding 2016-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Burkburnett, 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

February 16, 2017

**CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes _____ No
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

B. Financial Statement Finding

Finding 2016-1: Control Environment

Condition and Criteria: An ideal control environment provides structure and clear communication of responsibilities for the City and its employees. However, the City does not have an ideal control structure due to the limited number of personnel involved with the City's accounting and administrative function.

Cause: The City's accounting and administrative staff is small in number, and the individuals with the ability to perform oversight activities often do not have the time available to do so.

Effect: There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

Recommendations: We recommend that the City always be aware of their weaknesses in internal control resulting from their small number of accounting and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider.

- Prepare a formal document that outlines policies and procedures for the City's accounting and administrative functions.
- Establish accounting policies and procedures for recording and monitoring activity from the City's new aquatic park.
- Perform monthly reconciliations of the accounts receivable sub-ledgers to the general ledger.
- Perform supervisory reviews for all monthly reconciliations, including bank reconciliations, to ensure that control procedures are being performed as intended.
- Periodically perform a physical inventory of all property, plant, and equipment.